

To: Amman Stock Exchange

Date: 29/07/2018

Subject: Audited Financial Statements as 30/6/2018

Attached the Audited Financial Statements of (South Electronics Co. Plc) as 30/6/2018

Kindly accept our high appreciation and respect

South Electronics Co. Plc

General Manager's

Mohammed Bisiso


شركة الجنوب للإلكترونيات م.ع.م
SOUTH ELECTRONICS CO. PLC.

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٩ تموز ٢٠١٨
الرقم التسلسلي: 3767
رقم المسند: 31230
الجهة المختصة: 611

**South Electronic Co.
A Public Limited Company**

Amman – The Hashemite Kingdom of Jordan

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

As at June 30th, 2018

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

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Moore Stephens International Limited
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Public Accountants and Financial
Consultants
Al Abbassi and Partners Co.

Review Report on Progressive, Concise & Separated Financial Statements

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

Introduction:

We have reviewed the attached Progressive, Concise & Separated Financial Statements of South Electronic Co. PLC which comprise of the Progressive, Concise & Separated Financial Statements of the financial position as at 30 June 2018, and each of Progressive, Concise & Separated comprehensive income, Progressive, Concise & Separated statement of changes in equity, and Progressive, Concise & Separated statement of cash flows of the six months then ended, and a summary of the significant accounting policies, and other explanatories.

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

Scope of review:

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

Basis of the Qualified Opinion

- We were not provided on 30th June 2018 with an acquittal support from the Economic & Social Association of Retired Servicemen & Veterans (ESARSV) to verify its debit balance on that date amounting JD. 939,682.
- We were not provided on 30th June 2018 with the accounts receivable supports of related third parties retained from previous years to verify this balance on that date amounting JD. 564,820. In addition, these companies suffer from hard financial conditions and necessary allocations were not made to them.
- On 1 April 2016, the South Electronic Co. closed the liability balance of the Middle East Complex for Engineering, Electronics and Heavy Industries (MECE) amounting JD. 4,195,089 where the South Electronic Co. conducted clearing between the indebtedness due to it from General Amman Industry and Marketing Company which is indebted in a sum of JD. 4,229,201 and the indebtedness of due from it to the MECE where the MECE holds 95.4% of the capital of General Amman Industry and Marketing Company.
- On 28 January 2018, the General Authority for the Middle East Complex for Engineering, Electronics and Heavy Industries (MECE) consented to settle the financial liabilities between companies (Middle East Complex for Industries Company, Amman Industries & Marketing Company and South Electronics Company). This is provided that the Middle East Complex for Industries Company assumes the liabilities arising on Amman General Industries Company (a company of the Complex) for the benefit of South Electronics Company through clearance with the liability arising to the Middle East Complex for Industries Company on South Electronics Company. This shall be through the program of financial settlements for the relevant companies.
- It shall be observed that there is a lawsuit sued under the number (92/2017) by the Middle East Complex Company against South Electronics Company before Amman West Court of First Instance to claim for a sum of JD. 4,195,089 in relation to the abovementioned clearance. The said lawsuit is still pending by judiciary.
- We did not obtain financial statements for Haier Middle East Trading Co. / Aqaba for the period ending 30th June 2018 to reevaluate the investment on that date where the Group invests JD. 668,465 in it, about 18% of the company capital amounting JD. 3,550,000.
- We also could not carry out alternative procedures to verify the amount of this investment. Therefore, we could not determine if there is impairment in the value of this investment and the possible effects on the financial statements.
- The Group accounts contained corporate bond in a sum of JD. 250,000 issued on 1st April 2008 and due on 1st April 2011 where the corporate bond amount and its interests have not been recovered till the date of the independent public auditor's report in spite of its maturity on 01/04/2011 and no impairment was calculated for it as at 30 June 2018.

- No Consolidated Financial Statements of the company were made as at 30 June 2018 due to the fact that we didn't receive the Progressive Financial Statements of the following Affiliated companies:
 - A. Haier Middle East Trading Co., which its shares are amounting 92.5% of the capital of this company.
 - B. North Company for electrical appliances trading which owns 100%.
 - C. Meir for Home Electronics Trade Company, which owns 100%.
- The lack of the above-mentioned affiliated companies' financial statements may have an essential impact on the consolidated Financial Statements for that period, and we can't determine this impact thereon.
- No reassessment was made to the financial assets at the fair value as at 30 June 2018 which totals JD. 873,328 in accordance with the company's accounting books.
- The impact on applying Financial Report's International Standard No.(9) – (Financial Instruments) on the progressive, concise and separated financial statements was not calculated for the period then ended on 30 June 2018.

Conclusion:

- Based on our review, and except what we have mentioned above, nothing draws our attention which make us believe that the attached Progressive, Concise & Separated Financial Statements were not prepared, of all material aspects, according to the Accounting International Standards No. 34 of Progressive Financial reports.
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Al Abbassi and Partners Co. /

Ahmad Mohammad Al Abbassi

License No. (710)

(Singed & Sealed)

Amman

23 July 2018

South Electronic Co.
A Public Limited Company
 Amman – The Hashemite Kingdom of Jordan
Progressive, Concise & Separated Financial Position Statement
As at June 30th, 2018

(Un-Audited Review)

	<u>December 31st,</u> <u>2017</u> JOD (Audited)	<u>June 30th,</u> <u>2018</u> JOD (Reviewed)
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalent	14,844	12,256
Checks under collection	-	1,200
Accounts Receivable and Notes Receivable – Net	1,621,155	1,691,609
Related parties accounts receivable due during the year	159,019	163,553
Financial Assets at Fair Value through the Income Statement	139,450	139,450
Corporate Bond of Arab Real Estate Development Co.	250,000	250,000
Goods in Warehouses	252,211	296,255
Other Accounts Receivable	86,987	96,093
Total Current Assets	2,523,666	2,650,416
<u>Non-Current Assets</u>		
Related parties accounts receivable for more than one year	401,267	401,267
Investments in an Affiliated Company	10,506,037	10,506,037
Financial Assets at Fair Value through the Comprehensive Income Statement	1,402,343	1,402,343
Properties and Equipment – Net	473,769	473,769
Total Non-Current Assets	12,783,416	12,783,416
Total Assets	15,307,082	15,433,832

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

South Electronic Co.
A Public Limited Company
Amman – The Hashemite Kingdom of Jordan
Continue: Progressive, Concise & Separated Financial Position Statement
As on June 30th, 2018

(Un-Audited Review)

	<u>December 31st,</u> <u>2017</u> JOD (Audited)	<u>June 30th,</u> <u>2018</u> JOD (Reviewed)
<u>Liabilities and Equity</u>		
<u>Current Liabilities</u>		
Accounts payable	627,577	590,918
Financing facilities margin	623,079	623,079
Deferred Checks accruable within a year	464,855	455,482
Long Term Loans Premiums accruable within a year	248,400	240,000
Other Accounts Payable	703,272	776,334
Total Current Liabilities	2,667,183	2,685,813
<u>Non-Current Liabilities</u>		
Long Term Loans accruable within a year	5,395,944	5,688,827
Total Non-Current Liabilities	5,395,944	5,688,827
Total Liabilities	8,063,127	8,374,640
<u>Equity</u>		
Paid and authorized capital	11,158,447	11,158,447
Disbursement deduct	(500,000)	(500,000)
Compulsory Reserve	297,734	297,734
Voluntary Reserve	55,087	55,087
Accumulative Change in the Fair Value – net	30,979	30,979
Accumulative losses at period-end	(3,798,292)	(3,983,055)
Net Equity	7,243,955	7,059,192
Total Liabilities and Equity	15,307,082	15,433,832

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

South Electronic Co.
A Public Limited Company
Amman – The Hashemite Kingdom of Jordan
Progressive, Concise & Separated Comprehensive Income Statement
For the six months end June 30, 2018

(Un-Audited Review)

	<u>June 30th,</u> <u>2017</u> JOD (Audited)	<u>June 30th,</u> <u>2018</u> JOD (Reviewed)
Net Sales	317,579	368,822
Sales Cost	<u>(230,198)</u>	<u>(261,814)</u>
Gross Profit	87,381	107,008
Sales and Distribution Expenses	(82,445)	(76,989)
Administrative and General Expenses	(81,075)	(83,700)
Depreciations and Amortizations Expenses	(14,131)	-
Financing Costs	(123,959)	(131,082)
Other revenues	5,000	-
Period loss	<u>(209,229)</u>	<u>(184,763)</u>
<u>Basic and Short value per share of the period loss</u>		
Shares' weighted lose within the period	(0.019)	(0.017)
Shares' weighted average	<u>11,158,447</u>	<u>11,158,447</u>

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

South Electronic Co.

A Public Limited Company

Amman – The Hashemite Kingdom of Jordan

Statement of Progressive and Separated Changes in Equity

For the six months ended June 30th, 2018

(Un-Audited Review)

	Capital	Disbursement Deduct	Compulsory reserve	Voluntary reserve	Reserve in fair value	Accumulative losses		Net
						JOD	JOD	
<u>For the six months ended June 30,</u>								
<u>2018</u>								
Balance as at January 01 st , 2018	11,158,447	(500,000)	297,734	55,087	30,979	(3,798,292)		7,243,955
Period loss	-	-	-	-	-	(184,763)		(184,763)
Balance as at June 30 th , 2018	11,158,447	(500,000)	297,734	55,087	30,979	(3,983,055)		7,059,192
<u>For the six months ended June 30,</u>								
<u>2017</u>								
Balance as at January 01 st , 2017	11,158,447	(500,000)	297,734	55,087	30,979	(3,300,433)		7,741,814
Period loss	-	-	-	-	-	(209,229)		(209,229)
Balance as at June 30 th , 2017	11,158,447	(500,000)	297,734	55,087	30,979	(3,509,662)		7,532,585

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

South Electronic Co.
A Public Limited Company
Amman – The Hashemite Kingdom of Jordan
Progressive, Concise and Separated Cash Flows Statement
For the six months ended June 30th, 2018

(Un-Audited Review)

	<u>30 June 2017</u>	<u>30 June 2018</u>
	JOD	JOD
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
<u>Cash flows from operating activities</u>		
Period loss	(209,229)	(184,763)
Amendments:		
Depreciations and Amortizations	14,136	-
<u>Change in operating capital articles</u>		
Checks under collection	2,323	(1,200)
Accounts receivable and note receivable	112,028	(70,454)
Accounts receivable of Related Parties	(47,828)	(4,534)
Goods in Warehouses	(84,730)	(44,044)
Other Debit Balances	26,920	(9,106)
Accounts payable	168,658	(36,659)
Misc. Accounts payable	(120,339)	73,062
Net Cash Flow from Operating Activities	<u>(138,061)</u>	<u>(277,698)</u>
<u>Cash flows from financing activities</u>		
Deferred checks	40,199	(9,373)
Loans	97,593	284,483
Net Cash flows from financing activities	<u>137,792</u>	<u>275,110</u>
Change in cash balance and cash equivalent	(269)	(2,588)
Cash and cash equivalent as at the beginning of the period	20,999	14,844
Cash and cash equivalent as at the end of the period	<u>20,730</u>	<u>12,256</u>

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

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

Explanatory Notes on the Progressive, Concise & Separated Financial Statements

(Un-Audited Review)

1. Legal Entity and Activity

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

The most important purposes of the company include the following:

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

* The financial statements were approved by the board of directors in its session held on 23 July 2018, and the financial statements do not need the approval of the shareholders general assembly.

2. Basis of preparing the progressive and concise financial statements

- The progressive and concise financial statements of the company were prepared as at June 30, 2018 in accordance with the standards of the International Accounting Standards Board (IASB) No. 34 (Progressive financial Statements).
- The Jordanian Dinar is the currency of presenting the financial statements, which is the functional currency of the company.
- The progressive and concise financial statements were prepared in accordance with the historical cost principle except the financial assets and liabilities which are reflected at the fair value.
- The progressive financial statements do not include all information and explanations required for the annual financial statements, which are prepared in accordance with international standards.

- In order to prepare financial statements, you must read it along with the annual report as at December 31, 2017 as the results of the business for the six months ended June 30, 2018 do not necessarily present an indicator of predicted results for the year ended as at December 31, 2018, as well as the allocation on the period profits were not concluded, which were concluded at the end of the year.

***Comparative Figures**

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

3. Significant Accounting Policies

- The preparing of the progressive and concise Financial Statements, for the six months ended June 30, 2018 in correspondence with the International Accounting Standards Board (IASB) No. 34, requires to use significant, important and identified Accounting Estimations, as it also requires from the management to use its special estimations in the process of applying Accounting Policies of the company.
- It was announced on the general estimations and assumptions used in preparing financial statements included in demonstration No. (4).
- The preparing of the progressive and concise Financial Statements was prepared in accordance with accounting policies applied in the last annual financial statements issued for the ended year as at 31st December 2017.

4. Significant Accounting Estimations and Assumptions

There were no material amendments on the nature and changes value in the listed amounts of the annual Financial Statements for 2017.