

RE: التقرير السنوي والميزانية العمومية

areej ramadan [a.ramadan@uciccables.com]

Sent: Thursday, June 25, 2020 12:59 PM

To: info; disclosure

Attachments: scan06-25-2020-120104.pdf (4 MB)

Dear sirs

Kindly find attached financial statement in English Language.

Best regards

Areej Ramadan
Administration Manager

United Cable Industries Co. 'U C I C'



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From: areej ramadan

Sent: 06/05/2020 10:49 AM

To: info@jsc.gov.jo; disclosure@jsc.gov.jo

Subject: FW: التقرير السنوي والميزانية العمومية



إشارة إلى كتابكم رقم 12/1/00590/20 بتاريخ 5/5/2020. نرفق لكم طيه كتاب تغطية مع البيانات المالية والتقرير السنوي، لغايات الإفصاح.

لاية استفسارات أخرى يرجى عدم التردد بالاتصال.

Best regards

Areej Ramadan
Administration Manager

United Cable Industries Co. 'U C I C'



P.O. Box 4970

Amman 11953, Jordan

United Cable Industries Company

Public Shareholding Company

Financial Statements

31 December 2019

United Cable Industries Company
Public Shareholding Company

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Independent Auditor's Report

To The Shareholders of
United Cable Industries Company
Public Shareholding Company
Amman - Jordan

Opinion

We have audited the financial statements of United Cable Industries Company PLC, which comprise the statement of financial position as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Hashemite Kingdom of Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1- Provision for Expected Credit Loss

Included in the accompanying financial statements at the end of the year 2019 financial assets totaling JOD (15,904,632), as the provision for expected credit loss of these financial assets are dependent on the management's estimates of different variables, the adequacy of the provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

2- Cost of Finished Goods and Work in Process

Included in the accompanying financial statements at the end of the year 2019 finished goods and work in process totaling JOD (7,833,751). As determining the cost of these goods involve the calculation of an overhead application rate based on the plant normal capacity, we considered determining the cost of finished goods and work in process a key audit matter. The audit procedures performed by us to address this key audit matter included assessing the appropriateness of the underlying data used by management in determining the overhead application rate. We have also inspected sales invoices to assess whether inventory is being sold at a higher value than its cost by comparing sales price to values at which it is held in the Company's inventory records.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records and the accompanying financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it.

27 February 2020
Amman - Jordan



[Signature]
Arab Professionals
Ibrahim Hammoudeh
License No. (606)

United Cable Industries Company
Public Shareholding Company
Statement of Financial Position
As at 31 December 2019
(In Jordanian Dinar)

| | Notes | 2019 | 2018 |
|--------------------------------------|-------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 15,187,096 | 16,362,762 |
| Notes receivable - long term | 7 | 1,012,075 | 1,582,130 |
| Checks under collection - long term | | 36,000 | 232,000 |
| Total non-current assets | | <u>16,235,171</u> | <u>18,176,892</u> |
| Current assets | | | |
| Inventories | 4 | 9,254,679 | 14,666,450 |
| Spare parts | | 934,427 | 986,053 |
| Sales tax withholdings | | 1,040,835 | 1,902,172 |
| Other current assets | 5 | 518,269 | 415,914 |
| Accounts receivable | 6 | 5,725,448 | 6,021,058 |
| Notes receivable - short term | 7 | 760,415 | 723,180 |
| Checks under collection - short term | | 7,879,201 | 4,849,010 |
| Cash and cash equivalents | 8 | 2,256,617 | 2,128,109 |
| Total current assets | | <u>28,369,891</u> | <u>31,691,946</u> |
| Total assets | | <u>44,605,062</u> | <u>49,868,838</u> |
| Equity and Liabilities | | | |
| Equity | 9 | | |
| Paid-in capital | | 35,000,000 | 35,000,000 |
| Statutory reserve | | 684,749 | 684,749 |
| Voluntary reserve | | 14,418 | 14,418 |
| Accumulated losses | | (2,424,009) | (1,740,949) |
| Net equity | | <u>33,275,158</u> | <u>33,958,218</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Bank facilities - long term | 10 | 1,133,945 | 1,623,219 |
| Liabilities | | | |
| Bank facilities - short term | 10 | 3,584,947 | 12,053,930 |
| Accounts payable | 13 | 5,619,248 | 1,453,886 |
| Shareholders withholdings | 11 | 611,964 | 659,747 |
| Postdated checks | | 335,999 | 36,375 |
| Other current liabilities | 12 | 43,801 | 83,463 |
| Total current liabilities | | <u>10,195,959</u> | <u>14,287,401</u> |
| Total liabilities | | <u>11,329,904</u> | <u>15,910,620</u> |
| Total equity and liabilities | | <u>44,605,062</u> | <u>49,868,838</u> |

"The attached notes from (1) to (25) are an integral part of these financial statements"

United Cable Industries Company
Public Shareholding Company
Statement of Comprehensive Income
For the Year Ended 31 December 2019

(In Jordanian Dinar)

| | Notes | 2019 | 2018 |
|--|-------|-------------------------|---------------------------|
| Sales | 14 | 33,742,671 | 37,771,758 |
| Cost of sales | 15 | <u>(33,198,578)</u> | <u>(37,936,141)</u> |
| Gross profit (loss) | | 544,093 | (164,383) |
| Administrative expenses | 17 | (508,108) | (656,993) |
| Selling and distribution expenses | 18 | (332,208) | (475,629) |
| Financing expenses | | (415,401) | (577,070) |
| Interest revenues | | - | 103,855 |
| Other revenues | | <u>28,564</u> | <u>17,426</u> |
| Total comprehensive loss for the year | | <u>(683,060)</u> | <u>(1,752,794)</u> |
| | | | |
| Basic and diluted losses per share | 19 | <u>(0.020)</u> | <u>(0.047)</u> |

"The attached notes from (1) to (25) are an integral part of these financial statements"

United Cable Industries Company
Public Shareholding Company
Statement of Changes in Equity
For the Year Ended 31 December 2019

(In Jordanian Dinar)

| | Paid - in Capital | Reserves | Accumulated losses | Total |
|---------------------------------------|----------------------|-----------|-----------------------|-------------|
| | | Statutory | Voluntary | |
| Balance as at 1 January 2019 | 35,000,000 | 684,749 | 14,418 | 33,958,218 |
| Total comprehensive loss for the year | - | - | (683,060) | (683,060) |
| Balance as at 31 December 2019 | 35,000,000 | 684,749 | 14,418 | 33,275,158 |
| Balance as at 1 January 2018 | 40,000,000 | 684,749 | 14,418 | 41,911,012 |
| Capital decrease | (5,000,000) | - | - | (5,000,000) |
| Paid dividends | - | - | (1,200,000) | (1,200,000) |
| Total comprehensive loss for the year | - | - | (1,752,794) | (1,752,794) |
| Balance as at 31 December 2018 | 35,000,000 | 684,749 | 14,418 | 33,958,218 |

"The attached notes from (1) to (25) are an integral part of these financial statements"

United Cable Industries Company
Public Shareholding Company
Statement of Cash Flows
For the Year Ended 31 December 2019

(In Jordanian Dinar)

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Operating activities | | |
| Loss for the year | (683,060) | (1,752,794) |
| Depreciation | 1,276,128 | 1,231,026 |
| Gain from sale of property, plant and equipment | (25,850) | - |
| Changes in working capital | | |
| Checks under collection | (2,834,191) | (159,284) |
| Accounts receivable | 295,610 | (2,362,253) |
| Notes receivable | 532,820 | 1,073,376 |
| Inventories | 5,411,771 | 2,674,096 |
| Spare parts | 51,626 | (186,021) |
| Other current assets | (102,355) | (55,824) |
| Accounts payable | 4,165,362 | (2,047,478) |
| Postdated checks | 299,624 | 36,375 |
| Other current liabilities | (39,662) | 20,524 |
| Sales tax withholdings | 861,337 | (1,980,353) |
| Paid income tax | - | (74,602) |
| Net cash flows from (used in) operating activities | <u>9,209,160</u> | <u>(3,583,212)</u> |
| Investing activities | | |
| Property, plant and equipment | (74,612) | (396,956) |
| Projects under construction | - | (1,368,577) |
| Net cash flows used in investing activities | <u>(74,612)</u> | <u>(1,765,533)</u> |
| Financing activities | | |
| Bank facilities | (8,958,257) | 5,472,827 |
| Shareholders withholdings | (47,783) | - |
| Capital decrease | - | (4,994,603) |
| Paid dividends | - | (843,138) |
| Net cash flows used in financing activities | <u>(9,006,040)</u> | <u>(364,914)</u> |
| Changes in cash and cash equivalents | 128,508 | (5,713,659) |
| Cash and cash equivalents, beginning of the year | <u>2,128,109</u> | <u>7,841,768</u> |
| Cash and cash equivalents, end of the year | <u>2,256,617</u> | <u>2,128,109</u> |

"The attached notes from (1) to (25) are an integral part of these financial statements"

(In Jordanian Dinar)

1 . General

United Cable Industries Company was established on 5 July 2007 in accordance with Jordanian Companies Law No. (441) as a Public Shareholding Company. The Company head office is in the Hashemite Kingdom of Jordan. Company's main objective is manufacturing cables and related products.

Company's shares are listed in Amman Stock Exchange.

The accompanying financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 27 February 2020 and it is subject to the General Assembly approval.

2 . Summary of Significant Accounting Policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in the Jordanian Dinar, which is also the functional currency of the Company.

The accounting policies are consistent with those used in the previous year, except for the adoption of new and amended standards effective as at the beginning of the year.

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2019. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

| Standard No. | Title of Standards | Effective Date |
|--------------|---------------------------------------|----------------|
| IFRS 3 | Definition of a Business (Amendments) | 1 January 2020 |
| IFRS 17 | Insurance Contracts | 1 January 2021 |

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the provisions. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The main estimates used in the preparation of the financial statements are as follow:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the statement of profit or loss.
- Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.
- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

Property, Plant and Equipment

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis at annual depreciation rates:

| | |
|-------------------------|--------|
| Buildings | 2-10% |
| Machinery and equipment | 5% |
| Production tools | 10-20% |
| Solar power system | 5% |
| Others | 10-25% |

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property plant and equipment.

Inventories, spare parts and raw materials

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads.

Accounts Receivable

Accounts receivables are carried at original invoice amount less an estimate made for expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and at bank in current accounts and call deposits. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Accounts Payable and Accruals

Accounts payable and accrued expenses are recognized when goods are received and services are performed.

Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Short-term-leases and leases of low-value assets

The company applies the short-term lease recognition exemption to some of its short-term leases (I.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Revenue

Revenues from sale of goods are recognized when control transferred to the buyer, while revenues from rendering services are recognized over time and according to percentage of completion. In all cases, it is necessary that the amount of revenue can be measured reliably.

Interest is recognized on a time proportion basis that reflects the effective yield on the assets.

Other revenues are recognized on the accrual basis.

Borrowings

Borrowing costs are expensed as incurred.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the statement of profit or loss.

Income tax

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

3 . Property, Plant and Equipment

| | <u>Lands</u> | <u>Buildings</u> | <u>Machinery & Equipment</u> | <u>Production tools</u> | <u>Solar power system</u> | <u>Others</u> | <u>Total</u> |
|---|----------------|------------------|--------------------------------------|-----------------------------|-----------------------------------|------------------|-------------------|
| Cost | | | | | | | |
| Balance as at 1/1/2019 | 465,403 | 5,167,517 | 16,236,966 | 4,184,657 | 2,640,072 | 1,737,262 | 30,431,877 |
| Additions | - | - | - | 56,298 | - | 44,164 | 100,462 |
| Disposals | - | - | - | - | - | (115,000) | (115,000) |
| Balance as at 31/12/2019 | <u>465,403</u> | <u>5,167,517</u> | <u>16,236,966</u> | <u>4,240,955</u> | <u>2,640,072</u> | <u>1,666,426</u> | <u>30,417,339</u> |
| Accumulated depreciation | | | | | | | |
| Balance as at 1/1/2019 | - | 1,519,392 | 7,034,509 | 4,029,472 | 66,002 | 1,419,740 | 14,069,115 |
| Depreciation | - | 164,215 | 811,848 | 64,660 | 132,004 | 103,401 | 1,276,128 |
| Disposals | - | - | - | - | - | (115,000) | (115,000) |
| Balance as at 31/12/2019 | <u>-</u> | <u>1,683,607</u> | <u>7,846,357</u> | <u>4,094,132</u> | <u>198,006</u> | <u>1,408,141</u> | <u>15,230,243</u> |
| Net book value as at 31/12/2019 | <u>465,403</u> | <u>3,483,910</u> | <u>8,390,609</u> | <u>146,823</u> | <u>2,442,066</u> | <u>258,285</u> | <u>15,187,096</u> |
| Cost | | | | | | | |
| Balance as at 1/1/2018 | 465,403 | 5,051,242 | 16,106,735 | 4,159,364 | - | 1,612,105 | 27,394,849 |
| Additions | - | 116,275 | 130,231 | 25,293 | - | 125,157 | 396,956 |
| Transfer from projects under construction | - | - | - | - | 2,640,072 | - | 2,640,072 |
| Balance as at 31/12/2018 | <u>465,403</u> | <u>5,167,517</u> | <u>16,236,966</u> | <u>4,184,657</u> | <u>2,640,072</u> | <u>1,737,262</u> | <u>30,431,877</u> |
| Accumulated depreciation | | | | | | | |
| Balance as at 1/1/2018 | - | 1,355,644 | 6,225,009 | 3,954,542 | - | 1,302,894 | 12,838,089 |
| Depreciation | - | 163,748 | 809,500 | 74,930 | 66,002 | 116,846 | 1,231,026 |
| Balance as at 31/12/2018 | <u>-</u> | <u>1,519,392</u> | <u>7,034,509</u> | <u>4,029,472</u> | <u>66,002</u> | <u>1,419,740</u> | <u>14,069,115</u> |
| Net book value as at 31/12/2018 | <u>465,403</u> | <u>3,648,125</u> | <u>9,202,457</u> | <u>155,185</u> | <u>2,574,070</u> | <u>317,522</u> | <u>16,362,762</u> |

4 . Inventories

| | <u>2019</u> | <u>2018</u> |
|--|------------------|-------------------|
| Finished goods | 5,576,703 | 10,621,291 |
| Raw materials, packaging and consumables | 1,420,928 | 2,105,884 |
| Work in process | 2,257,048 | 1,939,275 |
| | <u>9,254,679</u> | <u>14,666,450</u> |

5 . Other Current Assets

| | 2019 | 2018 |
|------------------------|----------------|----------------|
| Letters of credit | 185,890 | 125,689 |
| Refundable sales tax | 98,201 | 97,902 |
| Refundable deposits | 65,996 | 66,465 |
| Prepaid expenses | 45,739 | 8,197 |
| Employees receivable | 52,592 | 53,033 |
| Income tax withholding | 43,391 | 43,391 |
| Others | 26,460 | 21,237 |
| | <u>518,269</u> | <u>415,914</u> |

6 . Accounts Receivable

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| Accounts receivable | 5,977,173 | 6,272,783 |
| Provision for expected credit loss | (251,725) | (251,725) |
| | <u>5,725,448</u> | <u>6,021,058</u> |

The movement on the provision for expected credit loss was as follows:

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 251,725 | 171,725 |
| Transfers | - | 80,000 |
| | <u>251,725</u> | <u>251,725</u> |

Company's management believes that all past due not impaired accounts receivables are collectable in full.

7 . Notes Receivable

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| Notes receivable | 2,012,258 | 2,545,078 |
| Provision for expected credit loss | (239,768) | (239,768) |
| | <u>1,772,490</u> | <u>2,305,310</u> |

The movement on the provision for expected credit loss was as follows:

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 239,768 | 319,768 |
| Transfers | - | (80,000) |
| | <u>239,768</u> | <u>239,768</u> |

8 . Cash and Cash Equivalents

| | 2019 | 2018 |
|---------------------------|------------------|------------------|
| Cash on hand | 5,229 | 6,424 |
| Current accounts at banks | 2,251,388 | 2,121,685 |
| | <u>2,256,617</u> | <u>2,128,109</u> |

9 . Equity

Paid in Capital

The Company's authorized, subscribed and paid in capital is JOD (35) million divided equally into (35) million shares with par value of JOD (1) each as at 31 December 2019 and 2018.

Statutory Reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

Voluntary Reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income. This reserve is available for distribution to shareholders.

10 . Bank Facilities

| Credit Type | Currency | Interest rate | Maturity date | JOD Equivalent Amount | |
|----------------|----------|---------------|---------------|-----------------------|---------------------|
| | | | | Facility limit | Outstanding balance |
| Revolving Loan | USD | 4% | 2020 | 14,180,000 | 3,092,362 |
| Murabaha Loan | JOD | 2.4% | 2020 - 2023 | 2,500,000 | 1,626,530 |
| | | | | | <u>4,718,892</u> |

11 . Shareholders Withholdings

| | 2019 | 2018 |
|---|----------------|----------------|
| Shareholders' withholdings against dividends | 258,738 | 270,658 |
| Shareholders' withholdings against capital decrease | 353,226 | 389,089 |
| | <u>611,964</u> | <u>659,747</u> |

12 . Other Current Liabilities

| | 2019 | 2018 |
|------------------------------|---------------|---------------|
| Social security withholdings | 30,787 | 33,816 |
| Accrued expenses | 7,808 | 40,004 |
| Others | 5,206 | 9,643 |
| | <u>43,801</u> | <u>83,463</u> |

13 . Accounts payable

This account includes supplier's payable with a balance of JOD (3,622,956) , subject to (3.5%) annual interest.

14 . Segment Information

The Company manufactures and trades electrical wires and cables.

The following is an analysis of the Company's sales based on geographical area:

| | 2019 | 2018 |
|---------------|-------------------|-------------------|
| Local sales | 18,610,160 | 21,092,672 |
| Foreign sales | 15,132,511 | 16,679,086 |
| | <u>33,742,671</u> | <u>37,771,758</u> |

15 . Cost of Sales

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Beginning balance of finished goods and work in process inventories | 12,560,566 | 15,102,448 |
| Raw materials used in production | 25,252,773 | 31,021,034 |
| Manufacturing expenses (Note 16) | 3,218,990 | 4,373,225 |
| Ending balance of finished goods and work in process inventories | (7,833,751) | (12,560,566) |
| | <u>33,198,578</u> | <u>37,936,141</u> |

16 . Manufacturing Expenses

| | 2019 | 2018 |
|-----------------------------------|------------------|------------------|
| Salaries, benefits and allowances | 1,188,523 | 1,643,884 |
| Depreciation | 1,245,964 | 1,204,176 |
| Insurance | 226,065 | 191,946 |
| Travel and transportation | 187,573 | 264,411 |
| Maintenance | 133,242 | 323,297 |
| Loading and lifting | 44,267 | 109,339 |
| Quality control | 42,428 | 51,659 |
| Consumables | 36,653 | 90,986 |
| Hospitality and cleaning | 11,233 | 19,916 |
| Electricity | 10,779 | 369,092 |
| Vehicles expenses | 9,920 | 13,983 |
| Water | 8,600 | 9,960 |
| Others | 73,743 | 80,576 |
| | <u>3,218,990</u> | <u>4,373,225</u> |

17 . Administrative Expenses

| | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| Salaries, benefits and allowances | 286,206 | 358,123 |
| Professional fees | 64,961 | 52,731 |
| Depreciation | 30,164 | 26,850 |
| Subscription and governmental fees | 29,079 | 44,073 |
| Travel and transportation | 20,756 | 12,086 |
| Rents | 18,500 | 45,900 |
| Insurance | 17,354 | 15,112 |
| Vehicles expenses | 11,871 | 18,616 |
| Bank fees | 9,649 | 44,047 |
| Utilities | 3,687 | 8,994 |
| Telephone and post | 2,970 | 6,267 |
| Maintenance | 2,786 | 4,619 |
| Hospitality and cleaning | 1,257 | 2,987 |
| Printing and advertising | 642 | 2,490 |
| Others | 8,226 | 14,098 |
| | <u>508,108</u> | <u>656,993</u> |

18 . Selling and Distribution Expenses

| | 2019 | 2018 |
|-----------------------------------|----------------|----------------|
| Salaries, benefits and allowances | 78,509 | 122,204 |
| Bank commissions and expenses | 66,491 | 23,009 |
| Loading and lifting | 54,797 | 189,202 |
| Stamps and tenders | 33,019 | 30,825 |
| Exporting expenses | 21,069 | 27,064 |
| Exhibitions | 16,080 | 7,646 |
| Travel and transportation | 12,016 | 8,858 |
| Advertisement and promotions | 4,219 | 5,129 |
| Tenders expenses | 1,621 | 18,244 |
| Prices changes | 1,465 | 130 |
| Sales commission | - | 3,457 |
| Others | 42,922 | 39,861 |
| | <u>332,208</u> | <u>475,629</u> |

19 . Basic and Diluted Losses Per Share

| | 2019 | 2018 |
|-----------------------------------|----------------|----------------|
| Loss for the year | (683,060) | (1,752,794) |
| Weighted average number of shares | 35,000,000 | 37,671,233 |
| | <u>(0.020)</u> | <u>(0.047)</u> |

20 . Income Tax

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2018 except for the year 2017.
- The income tax return for year 2017 has been filed with the Income Tax Department but the Department has not reviewed the company's records till the date of this report.
- No income tax provision has been taken on the Company's results of operations for the year 2019 as the Company's expenses exceeded its taxable revenues.

21 . Contingent Liabilities

| | 2019 | 2018 |
|-------------------|-----------|-----------|
| Letters of credit | 4,777,998 | 700,138 |
| Bank guarantees | 1,253,343 | 1,173,048 |

22 . Lawsuits Against the Company

The Company appears as a defendant in several lawsuits amounted to JOD (310,500). The management and Company's lawyer believe that the complainants have no right in their claims, since the company has fulfilled all its contractual obligations towards them, and these cases will have no material effect on the financial position of the Company.

23 . Fair Value of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, notes and accounts receivable and sales tax withholdings. Financial liabilities of the Company include bank facilities, accounts payable, postdated checks and shareholders withholdings.

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

24 . Financial Risk Management**Credit Risk**

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the largest client amounted to JOD (1,633,416) from the total balance of outstanding accounts and notes receivables as at 31 December 2019, JOD (2,166,236) as at 31 December 2018.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As most of the Company's financial instruments have fixed interest rate and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

Currency Risk

The management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in either Jordanian Dinar or US Dollar. As the Jordanian Dinar is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the financial position to the contractual maturity date.

| 2019 | Less than one year | More than one year | Total |
|---------------------------|-----------------------|-----------------------|-------------------|
| Bank facilities | 3,584,947 | 1,133,945 | 4,718,892 |
| Accounts payable | 5,619,248 | - | 5,619,248 |
| Shareholders withholdings | 611,964 | - | 611,964 |
| Postdated checks | 335,999 | - | 335,999 |
| Other current liabilities | 43,801 | - | 43,801 |
| | <u>10,195,959</u> | <u>1,133,945</u> | <u>11,329,904</u> |
| 2018 | Less than one year | More than one year | Total |
| Bank facilities | 12,053,930 | 1,623,219 | 13,677,149 |
| Accounts payable | 1,453,886 | - | 1,453,886 |
| Shareholders withholdings | 659,747 | - | 659,747 |
| Postdated checks | 36,375 | - | 36,375 |
| Other current liabilities | 83,463 | - | 83,463 |
| | <u>14,287,401</u> | <u>1,623,219</u> | <u>15,910,620</u> |

25 . Capital Management

The Company manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders by keeping a balance between shareholders equity and total debt.

The table below shows the debt to equity ratio:

| | 2019 | 2018 |
|----------------------|------------|------------|
| Total Debt | 4,718,892 | 13,677,149 |
| Total Equity | 33,275,158 | 33,958,218 |
| Debt to Equity ratio | <u>14%</u> | <u>40%</u> |