

**Middle East Complex For Engineering,
Electronics And Heavy Industries
Public Shareholding Company**

**Consolidated Financial Statements as at December 31, 2008
Together With Independent Auditors' Report**

Arab Professionals
(Member firm within Grant Thornton International Ltd.)

**Middle East Complex
For Engineering, Electronics and Heavy Industries
Public Shareholding Company**

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Independent Auditors' Report

**To The Shareholders of
Middle East Complex for Engineering, Electronics and Heavy Industries Co. PLC.
Amman - Jordan**

We have audited the accompanying consolidated financial statements of **Middle East Complex for Engineering, Electronics and Heavy Industries Company PLC** which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated statement of income, consolidated statement of change in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of certain subsidiaries owned by the Company, which statements reflect total assets and revenues constituting 24% and 28%, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained and the reports of the other auditors is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Middle East Complex for Engineering, Electronics and Heavy Industries Company PLC** as at December 31, 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Explanatory Paragraph

During January 2009, the Board of Directors resolved to merge a 70% owned subsidiary (National Industrial Integrated Complex) with the Company. However, the General Assembly approval on the merger was not obtained up to date of the issuance of the accompanying financial statements.

Amman -Jordan
18 March 2009

Arab Professionals

Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Consolidated Balance Sheet as at December 31, 2008
(In Jordanian Dinars)

	Notes	2008	2007
Assets			
Current Assets			
Cash and cash equivalents	3	61,315,759	84,961,692
Trading Securities	4	10,158,303	15,447,111
Accounts & notes receivable, net	5	44,961,094	48,663,115
Due from related parties	25	36,199,592	11,978,090
Checks under collection	6	26,000,347	33,324,070
Inventories, Net	7	43,844,227	42,049,043
Other current assets, net	8	21,213,807	21,634,955
Total Current Assets		243,693,129	258,058,076
Non Current Assets			
Advance payments on the purchase of investments	9	2,793,232	16,864,602
Available for sales securities	10	8,220,139	16,424,756
Held to maturities securities	11	500,000	250,000
Investments in associates	12	21,286,790	71,000
Investment properties	13	8,607,380	1,440,000
Property, plant & equipment, net	14	78,237,432	64,778,333
Projects under construction	15	56,634,030	8,844,025
Goodwill	16	3,058,422	-
Total Non Current Assets		179,337,425	108,672,716
Total Assets		423,030,554	366,730,792
Liabilities and Equity			
Current Liabilities			
Due to banks	17	7,943,196	3,590,704
Accounts payable		11,544,950	12,297,192
Post dated checks & notes payable		32,466,795	23,990,673
Commercial papers	17	20,590,000	7,100,000
Short-term loans	17	71,059,637	48,301,326
short term bond	17	11,360,000	8,520,000
Other current liabilities	18	7,044,974	4,692,642
Total Current Liabilities		162,009,552	120,947,797
Long Term liabilities			
Due to related parties	25	35,856,761	12,455,260
Long terms Loans	17	17,518,291	29,407,173
Long term bond		-	11,360,000
Long term liabilities		53,375,052	53,222,433
Total liabilities		215,384,604	161,714,970
Equity			
Paid-in capital	19	100,000,000	100,000,000
Shares premium		38,201,872	38,201,872
Statutory reserve		6,967,993	6,372,363
Voluntary reserve		6,451,913	6,451,913
Cumulative change in fair value		(4,406,657)	(230,403)
Treasury shares		(6,250,294)	(13,871,532)
Retained earnings		30,729,549	25,791,078
Total Shareholder's Equity		171,694,376	162,715,291
Minority interest		35,951,574	42,300,531
Total Equity		207,645,950	205,015,822
Total Liabilities and Equity		423,030,554	366,730,792

“The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements”

**Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Consolidated Statement of Income for the Year Ended December 31, 2008**

(In Jordanian Dinars)

	Note	2008	2007
Net sales		122,167,927	112,309,695
Cost of sales		(104,539,212)	(93,871,156)
Gross profit		17,628,715	18,438,539
General and administrative expenses	20	(4,423,539)	(4,047,115)
Selling and distribution expenses	21	(4,398,368)	(4,672,810)
Provision for doubtful debt	5	(310,000)	(30,000)
Provision for slow moving inventories		-	(95,000)
Income from sale of associate		-	1,330,566
Gain from sale of securities		242,432	2,734,489
Gain from reevaluation of securities		1,074,325	1,564,143
Share of profit from an associate	12	280,644	-
Financing expenses		(10,393,028)	(7,945,253)
Interest revenue		5,673,565	4,224,189
Other revenues (expenses)		1,035,585	(59,815)
Fees and other expenses	22	(224,670)	(341,659)
Income for the period before income tax		6,185,661	11,100,274
Income tax for the year	26	(435,552)	(320,753)
Income for the year		5,750,109	10,779,521
Attributable to:			
Equity holders of the parent		5,534,101	9,768,840
Minority interest		216,008	1,010,681
		5,750,109	10,779,521
Earnings per share attributable to equity holders	23	0.057	0.103

“The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements”

Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Consolidated Statement of Changes in Equity for the Year Ended December 31, 2008

(In Jordanian Dinars)

	Paid - In Capital	Reserves			Cumulative change in fair value	Treasury Shares	Retained Earnings	Total	Minority Interest	Total Equity
		Shares Premium	Statutory Reserve	Voluntary Reserve						
Balance as of January 1, 2008	100,000,000	38,201,872	6,372,363	6,451,913	(230,403)	(13,871,532)	25,791,078	162,715,291	42,300,531	205,015,822
Income for the year	-	-	-	-	-	-	5,534,101	5,534,101	216,008	5,750,109
Cumulative change in fair value	-	-	-	-	(4,176,254)	-	-	(4,176,254)	(6,534,092)	(10,710,346)
Treasury shares	-	-	-	-	-	7,621,238	-	7,621,238	-	7,621,238
Change in minority interest	-	-	-	-	-	-	-	-	(30,873)	(30,873)
Reserves	-	-	595,630	-	-	-	(595,630)	-	-	-
Balance as at December 31, 2008	100,000,000	38,201,872	6,967,993	6,451,913	(4,406,657)	(6,250,294)	30,729,549	171,694,376	35,951,574	207,645,950
Balance as of January 1, 2007	93,927,552	33,125,305	5,344,716	6,451,913	-	(3,937,150)	27,049,885	161,962,221	10,548,066	172,510,287
Capital increase	6,072,448	5,076,567	-	-	-	-	-	11,149,015	-	11,149,015
Cash dividends	-	-	-	-	-	-	(10,000,000)	(10,000,000)	-	(10,000,000)
Income for the year	-	-	-	-	-	-	9,768,840	9,768,840	1,010,681	10,779,521
Cumulative change in fair value	-	-	-	-	(230,403)	-	-	(230,403)	-	(230,403)
Treasury shares	-	-	-	-	-	(9,934,382)	-	(9,934,382)	-	(9,934,382)
Change in minority interest	-	-	-	-	-	-	-	-	30,741,784	30,741,784
Reserves	-	-	1,027,647	-	-	-	(1,027,647)	-	-	-
Balance as at December 31, 2007	100,000,000	38,201,872	6,372,363	6,451,913	(230,403)	(13,871,532)	25,791,078	162,715,291	42,300,531	205,015,822

“The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements”

Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Consolidated Statement of Cash Flows for the Year Ended December 31, 2008
(In Jordanian Dinars)

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Income for the year before tax	5,969,653	10,089,592
Depreciation	3,993,330	2,881,047
Share of profit from an associate	(280,644)	-
Gain from revaluation of securities	(1,074,325)	(1,564,143)
Provision for doubtful debt	310,000	30,000
Provision for slow moving inventories	-	95,000
Changes in Working Capital		
Accounts & notes receivable	3,392,021	(3,353,141)
Trading securities	6,363,133	(8,936,527)
Due from related parties	(820,001)	(1,018,692)
Checks under collection	7,323,723	(16,090,355)
Inventories	(1,795,184)	(3,008,097)
Other current assets	421,148	9,034,138
Accounts payable	(752,242)	6,102,213
Postdated checks & notes payable	8,476,122	5,508,405
Other current liabilities	2,312,977	1,762,308
Paid income tax	(396,197)	(231,118)
Net Cash Flows From Operating Activities	<u>33,443,514</u>	<u>1,300,630</u>
Cash Flows From Investing Activities		
Property, plant & equipment and other assets	(17,452,429)	(17,503,581)
Held to maturities securities	(250,000)	(250,000)
Investment in affiliate	(9,922,198)	4,521,078
Projects under construction	(47,790,005)	2,590,835
Investment property	(7,167,380)	(480,000)
Available for sales securities	4,028,363	(16,206,059)
Investment in capital guaranteed fund	-	3,617,852
Advance payments on the purchase of investments	-	(6,755,834)
Net Cash Flows From Investing Activities	<u>(78,553,649)</u>	<u>(30,465,709)</u>
Cash Flows From Financing Activities		
Due to banks	4,352,492	(4,335,960)
Dividends paid	-	(10,000,000)
Capital increase	-	11,149,015
Bond	(8,520,000)	(8,520,000)
Loans	10,869,429	43,361,724
Commercial papers	13,490,000	(7,100,000)
Treasury shares	7,621,238	(9,934,382)
Minority interest	(6,348,957)	31,752,465
Net Cash Flows From Financing Activities	<u>21,464,202</u>	<u>46,372,862</u>
Change in cash and cash equivalents	(23,645,933)	17,207,783
Cash and cash equivalents, beginning of the year	<u>84,961,692</u>	<u>67,753,909</u>
Cash and cash equivalents, end of the year	<u><u>61,315,759</u></u>	<u><u>84,961,692</u></u>

“The accompanying notes from (1) to (29) are an integral part of these consolidated financial statements”

Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Notes to the Consolidated Financial Statements
December 31, 2008

(In Jordanian Dinars)

1. General

Middle East Complex for Engineering, Electronics and Heavy Industries Plc. was established on September 12, 1994. The Company's head office is in Jordan and its main objectives is the manufacturing of electric and electronic home appliances such as televisions, stereos, washing machines, VCRs, air conditioners, refrigerators, vacuum cleaners and gas heaters.

The financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 18 March 2009 and it is subject to the General Assembly approval.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as published by International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Jordanian Diner which is the functional currency of the company.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of the companies that it controls. This control is normally evidenced when the company owns, either directly or indirectly more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

The following subsidiaries have been consolidated:

	<u>Activity</u>	<u>Capital</u>	<u>Ownership</u>
National industrial integrated complex	Manufacturing	10,000,000	70%
General Amman for Industry and Marketing Ltd	Investment	50,000,000	92%
National Star for Electronic and Electrical Industries Ltd.	Manufacturing	10,000,000	64.1%
AL Asalah Electromechanics Ltd	Manufacturing	100,000	55.2%
Al Yousef Transporting & Clearing Ltd.	Service	300,000	69%
South Electronics Plc.	Trading	50,000,000	37.9%
Haier Middle Appliances Ltd	Manufacturing	25,000,000	35.1%

Although the Company holds less than 50% of the voting shares in South Electronics Co. Ltd and its subsidiary (Haier Middle East Trading Co. Ltd), the Company has the power to control the financial and operating policies of the entity.

Adoption of new and revised IFRS standards

The following amendments to existing standards have been published that are mandatory for accounting periods after 31 December 2008. The Directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company.

<u>Standards No.</u>	<u>Subject</u>	<u>Effective Date</u>
IFRS 3	Business Combination	July 2009
IFRS 8	Operating Segments	January 2009
IAS 1	Presentation of Financial Statements	January 2009
IAS 23	Borrowing Costs	January 2009
IAS 27	Consolidated and separate financial statements	June 2009
IAS 28	Investment in Associates	July 2009

Use of Estimates and Judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible and intangible assets in order to assess the amortization and depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the income statement.
- Inventories are held at the lower of cost and 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.
- An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short- term highly liquid investments.

Trade Receivables

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

Accounts payable

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Trading securities

These are initially recognized at cost and subsequently remeasured at fair value. All related realized and unrealized gains and losses resulting from the changes in fair value upon the translation of non-monetary assets in foreign currencies are taken to the income statement. - Interest earned is included in interest income and dividends received are included in dividend income.

Available for sale Securities

Available for sale securities are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available for sale investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Investments for which fair value can not be reliably determined are stated at cost. Impairment loss is recognized in net profit or loss for the period.

Gains or losses on measurement to fair value of available for sale investments are recognized directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Available for sale securities are classified as current assets if management intends to realize them within twelve months of the balance sheet date.

Held-to-maturity investments

These are initially recognized at cost, being the fair value of the consideration given including directly attributable transaction costs. Investments classified as held-to-maturity with fixed or determinable payments and fixed maturity are carried at amortized cost less a provision for impairment.

Investments in affiliates

Investments in affiliated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains and losses on transactions between the Company and its associated undertakings are eliminated to the extent of the Company's interest in the affiliated undertakings.

Trading and settlement date accounting

Purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits its self to purchase or sell the asset.

Fair value

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on balance sheet date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale investments, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

Inventories

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

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in the consolidated income statement.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Projects under Construction

Capital work in progress is stated at cost until the construction is complete. Upon the completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalized borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

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 income statement.

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 over the following estimated useful lives:

Buildings	2-4%	
Vehicles	15%	
Furniture and decoration	10%	
Machines and Equipment	10%	(Subject to the plant utilized capacity)
Others	5- 20%	

The useful life and depreciation method are reviewed annually 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.

Projects in progress represent plant and properties under construction and are stated at cost. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with definite lives are amortized over the economic useful lives using the straight line method and assessed for impairment when there is an indication that the intangible asset may be impaired. Intangible assets are reviewed for any indication of impairment on the date of the consolidated financial statement. The estimated useful lives are reassessed and any adjustments are made in the subsequent periods.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Revenue Recognition

Sales are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Sales are shown net of sales taxes and discounts, and after eliminating sales within the Group.

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 income.

3. Cash and Cash equivalents

	<u>2008</u>	<u>2007</u>
Cash on hand	48,300	1,328,145
Checks on hands	479,883	1,658,834
Current accounts	1,864,580	19,780,214
Time deposit	58,922,996	62,194,499
	<u>61,315,759</u>	<u>84,961,692</u>

Time deposits mature within one year and bear interest rate ranging between 4.5% and 6%, all time deposit are restricted against Bank facilities granted to a Company.

4. Trading Securities

	<u>2008</u>	<u>2007</u>
Listed shares	<u>10,158,303</u>	<u>15,447,111</u>

5. Accounts & Notes Receivable, Net

	<u>2008</u>	<u>2007</u>
Local receivable and notes receivable	17,773,344	21,951,000
Export receivables	28,517,750	27,732,115
Provision for doubtful debts	(1,330,000)	(1,020,000)
	<u>44,961,094</u>	<u>48,663,115</u>

The age of receivables past due but not impaired is as follows:

	<u>2008</u>	<u>2007</u>
Receivables past due for less than one year	44,871,920	48,606,989
Receivables past due for more than one year	89,174	56,126
	<u>44,961,094</u>	<u>48,663,115</u>

- Management believes that all past due but not impaired accounts receivable are collectable in full.

6. **Checks under collection**

Included in this item checks belonging to related parties totaling JD 22,642,208.

7. **Inventories, Net**

	<u>2008</u>	<u>2007</u>
Raw materials	14,179,035	13,342,635
Finished goods and work in process	29,765,192	28,806,408
Provision for slow moving Inventory	<u>(100,000)</u>	<u>(100,000)</u>
	<u>43,844,227</u>	<u>42,049,043</u>

8. **Other Current Assets**

	<u>2008</u>	<u>2007</u>
Goods in transit and letter of credit	15,776,846	16,876,881
Prepaid expenses	612,443	1,032,355
Key money and trade marks	303,648	255,765
Margins against letters of guarantee	2,405,289	2,419,561
Employees' receivables	216,187	227,673
Others	<u>1,899,394</u>	<u>822,720</u>
	<u>21,213,807</u>	<u>21,634,955</u>

9. **Advance Payments on the Purchase of Investments**

This item represents an amount of JOD 2,793,232 representing what has been paid by Middle East Complex during 2007 against 40% interest in the share Capital of National Complex for Industry Co. which is registered in UAE. The Company is still under establishment and has no commercial operations yet.

10. **Available for Sales Securities**

	<u>2008</u>	<u>2007</u>
Listed securities	6,540,657	14,300,000
Unlisted securities	<u>1,679,482</u>	<u>2,124,756</u>
	<u>8,220,139</u>	<u>16,424,756</u>

- Include in figures above, securities pledged against Bank facilities has market value 4,600,000 JOD as at 31/12/2008.
- Unlisted securities are carried at cost as there is no reliable method for measuring their fair value.

11. Held to Maturity Securities

This item represents the bonds held by South Electronics Plc. (subsidiary Company) as follow:

<u>Company</u>	<u>Amount</u>	<u>Interest</u>	<u>Maturity date</u>
Arab real state development	250,000	9.5%	2012
Specialized investments compounds	250,000	10%	2011

12. Investment in Associates

The following table summarizes the movements over the Company's investments in associates:

<u>Company</u>	<u>Beginning Balance</u>	<u>Additions (Disposals)</u>	<u>Cash dividends</u>	<u>Share of Income</u>	<u>Ending Balance</u>	<u>Market Value</u>
Darwish Khalili & Sons	-	10,105,146	-	186,786	10,291,932	9,633,160
Middle east for investment	-	10,830,000	-	93,858	10,923,858	unlisted
Arab Future – Sudan	71,000	-	-	-	71,000	unlisted
	<u>71,000</u>	<u>20,935,146</u>	<u>-</u>	<u>280,644</u>	<u>21,286,790</u>	

The following table summarizes key financial information of the associates:

<u>Company</u>	<u>Activity</u>	<u>Ownership</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Income</u>
Darwish Khalili & Sons	commercial	40,9%	41,814,095	25,246,177	35,747,134	456,556
Middle east for investment	Investment	34,6%	112,832,657	81,232,439	684,657	148,574
Arab Future – Sudan	industrial	34%	1,104,194	846,257	49,167	2,999
			<u>155,750,946</u>	<u>107,324,873</u>	<u>36,480,957</u>	<u>608,134</u>

13. Investment Properties

The estimated fair market value of properties (lands) based on the valuation report of independent professional qualified valuers was JD 8,757,380 as of December 31 2008.

14. Property, Plant and Equipment, Net

	<u>Lands</u>	<u>Buildings</u>	<u>Equipments & Furniture</u>	<u>vehicles</u>	<u>Others</u>	<u>Total</u>
Cost						
Balance as of 1/1/2008	1,815,422	11,143,710	68,840,625	2,367,582	3,037,370	87,204,709
Additions	6,963,957	1,326,031	8,400,057	321,116	564,993	17,576,154
Retirements	-	-	(399,878)	(130,165)	(20,109)	(550,152)
Balance as of 31/12/2008	<u>8,779,379</u>	<u>12,469,741</u>	<u>76,840,804</u>	<u>2,558,533</u>	<u>3,582,254</u>	104,230,711
Accumulated depreciation						
Balance as of 1/1/2008	-	2,402,148	17,731,680	919,976	1,372,572	22,426,376
depreciation	-	333,260	3,047,576	316,068	296,427	3,993,331
Retirements	-	-	(369,807)	(52,437)	(4,184)	(426,428)
Balance as of 31/12/2008	-	<u>2,735,408</u>	<u>20,409,449</u>	<u>1,183,607</u>	<u>1,664,815</u>	25,993,279
Net book value as of 31/12/2008	<u>8,779,379</u>	<u>9,734,333</u>	<u>56,431,355</u>	<u>1,374,926</u>	<u>1,917,439</u>	<u>78,237,432</u>
Cost						
Balance as of 1/1/2007	1,321,652	10,917,839	51,740,151	2,092,921	2,540,162	68,612,725
Additions	493,770	225,871	17,180,361	567,555	527,603	18,995,160
Retirements	-	-	79,887	292,894	30,395	403,176
Balance as of 31/12/2007	<u>1,815,422</u>	<u>11,143,710</u>	<u>68,840,625</u>	<u>2,367,582</u>	<u>3,037,370</u>	87,204,709
Accumulated depreciation						
Balance as of 1/1/2007	-	1,965,727	15,328,400	854,351	1,176,813	19,325,291
Additions	-	436,421	2,420,658	217,911	201,262	3,276,252
Retirements	-	-	17,378	152,286	5,503	175,167
Balance as of 31/12/2007	-	<u>2,402,148</u>	<u>17,731,680</u>	<u>919,976</u>	<u>1,372,572</u>	22,426,376
Net book value as of 31/12/2007	<u>1,815,422</u>	<u>8,741,562</u>	<u>51,108,945</u>	<u>1,447,606</u>	<u>1,664,798</u>	<u>64,778,333</u>

15. Projects under construction

	<u>2008</u>	<u>2007</u>
Buildings and hungers	13,466,943	8,221,400
Production lines and production tools	38,737,393	-
Others	4,429,694	622,625
	<u>56,634,030</u>	<u>8,844,025</u>

16. Goodwill

This amount represent the excess of acquisition cost paid by Amman General Company (acquirer) over the fair value of identifiable net asset of South for Electronics Company (acquiree), management believe that there is no impairment in the goodwill value based on cash flows projection.

17. Credit Facilities

<u>Type</u>	<u>Currency</u>	<u>Rate</u>	<u>Maturity</u>	<u>JOD equivalent</u>	
				<u>Face Value</u>	<u>Outstanding balance</u>
Overdraft	JOD	7.5 - 8.5%	2009	10,640,500	7,943,196
Loan	USD	1-2.25%+ Libor	2009	96,134,000	51,389,019
Loan	JOD	5.5 - 8.5%	2009	17,500,000	12,622,356
Commercial papers	USD	4.85%	2009	35,500,000	20,590,000
Bonds	USD	6%	2009	28,400,000	11,360,000
Loan	USD	4.5 - 6.9%	2009-2011	20,590,000	14,407,944
Loan	JOD	9%	2008-2010	15,000,000	10,158,609
				<u>223,764,500</u>	<u>128,471,124</u>

The above facilities are granted to the Company against the personal guarantee of certain Board members, assignment of the property, plant and equipment, insurance policy, pledge of listed securities and cash margin.

18. Other Current Liabilities

	<u>2008</u>	<u>2007</u>
Accrued expenses	598,126	443,475
Board of Directors' remunerations	45,000	45,000
Provision for Jordanian Universities' fees	82,435	207,894
Provision for scientific research and vocational training	122,457	254,999
Shareholders' deposits	577,391	987,713
Provision for professional and technical training fund	44,186	77,228
Value added tax	3,586,116	1,593,993
Provision for income tax	577,110	537,755
Contractors obligation	550,635	-
Others	861,518	544,585
	<u><u>7,044,974</u></u>	<u><u>4,692,642</u></u>

19. Shareholders Equity

Paid- in capital

The authorized, subscribed and paid up capital is JOD (100) Millions divided equally into (100) Million shares with par value of JOD 1 for each share.

Shares Premium

Shares premium amounting to 38,201,872 as at December 31, 2008 & 2007 resulted from the issuance of some shares above the par value of JD 1.

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 Company has the option to cease such appropriations when the balance of this reserve reaches 25 % of the Company's authorized capital. The statutory reserve is not available for distribution to shareholders.

Voluntary Reserve

The accumulated amounts in this account represent 20% of the Company's net income before income tax according to the Companies Law. The voluntary reserve is available for distribution to shareholders

Change in Fair Value

This amount represent the change in available for sale securities fair value at year end.

Treasury shares

This item represents the Company's own shares acquired indirectly through its subsidiaries.

Minority interest

This amount represents the portion of subsidiary's profit and loss and net asset that is net held by group.

20. General and Administrative Expenses

	<u>2008</u>	<u>2007</u>
Salaries and benefits	1,722,409	1,458,463
Post and telephone	107,124	91,787
Subscriptions and fees	219,017	459,814
Professional fees	201,798	98,540
Others	2,173,191	1,938,511
	<u>4,423,539</u>	<u>4,047,115</u>

21. Selling and Distribution Expenses

	<u>2008</u>	<u>2007</u>
Salaries and benefits	685,385	326,997
Export expenses	1,190,131	877,072
Advertisement	195,993	801,329
Rents	364,232	5,403
Commissions	213,553	215,860
Others	1,749,074	2,446,149
	<u>4,398,368</u>	<u>4,672,810</u>

22. Fees and Other Expenses

	<u>2008</u>	<u>2007</u>
Provision for Scientific research and vocational training	67,742	102,359
Provision for Jordanian Universities' fees	67,742	102,359
Provision for Professional and technical training fund	44,186	91,941
Provision for Board of Directors' remunerations	45,000	45,000
	<u>224,670</u>	<u>341,659</u>

23. Earning per Share

	<u>2008</u>	<u>2007</u>
Income for the period	5,534,101	9,768,840
Weighted average number shares	97,438,563	94,495,424
Basic and diluted earning per share	<u>0.057</u>	<u>0.103</u>

24. Contingent Liabilities

	<u>2008</u>	<u>2007</u>
Letters of guarantees	20,174,550	17,491,941
Letter of credit	3,790,671	6,178,319
	<u>23,965,221</u>	<u>23,670,260</u>

25. Related Party Transactions

The Company had the following transactions with related parties during the year:

Party	Relation	Volume	Nature	Balance	
				Debit	Credit
Middle East for Investments	Associate co	38,575,993	Financing	17,579,061	-
Rum Aladdin	Sister Co.	7,446,965	Commercial	7,887,027	-
international Jordanian far east company	Sister Co.	1,704,719	Commercial	2,844,635	-
Itisalcom	Sister Co.	408,445	Commercial	2,130,614	-
Hair middle east	Sister Co.	2,262,005	Commercial	2,059,180	-
Hikmat Yassein Sons	Sister Co.	10,970,178	Commercial	1,861,802	-
Arab Future	associate co	96,438	Commercial	845,158	-
Darwish Alkhaliliy and sons	associate co	41,330,939	Commercial	521,448	-
Jordan electronix Company	sister co	80,199	Commercial	349,305	-
Middle east for diversified investment	Sister Co.	11,926	Commercial	4,749	-
National industrial for manufacturing	associate co	38,575,993	Financing	-	35,856,761
Others				116,613	-
				36,199,592	35,856,761

The salaries and remunerations of the executive management amounted to JD 287,622 and JD 269,771 during 2008 and 2007 respectively.

26. Income Tax

- The Company has settled its tax liabilities with the Income Tax Department up to December 31, 2004.
- The income tax department reviewed the Company's records for the year 2005 and 2006, but has not issued the tax clearance up to date of accompanying consolidated financial statement.
- The income tax return for the year 2007 has been filed with the Income Tax Department but the department has not reviewed the Company's records till the date of this report.
- The income tax liability for 2007 was computed in accordance with the Jordanian Income Tax Law.

27. Segment Reporting

	2008	2007
Local Sales	72,150,868	57,915,769
Export Sales	50,017,059	54,540,936
Income from Investments	1,316,757	5,629,198

28. Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include bank balances and cash, receivables and securities. Financial liabilities of the Company include loans from financial institutions and accounts payable.

Fair Value

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.

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 Company's most significant customer accounts for JOD 3,860,511 of the accounts receivables carrying amount at December 31, 2008. (2007: JOD 13,315,077)

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 Dinars or US Dollars. As the Jordanian Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

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.

Equity Price Risk

Equity price risk result from the change in the fair value of equity securities. The Company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the net result for the year would have been reduced / increased by JD 1,015,830 during 2008 (2007: JD 1,544,711) and the equity would have been reduced / increased by JD 654,065 during 2008 (2007: 1,430,000 JD).

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 and quoted securities.

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

	Less than one year	More than one year	Total
Due to banks	7,943,196	-	7,943,196
Accounts payable	11,544,950	-	11,544,950
Due to related parties	-	35,856,761	35,856,761
Post dated checks & notes payable	32,466,795	-	32,466,795
Commercial papers	20,590,000	-	20,590,000
Loans	71,059,637	17,518,291	88,577,928
Bonds	11,360,000	-	11,360,000
Other current liabilities	7,044,974	-	7,044,974
	<u>162,009,552</u>	<u>53,375,052</u>	<u>215,384,604</u>

29. 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 pricing products and services commensurately with the level of risk.