

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

**Consolidated Financial Statements as of December 31, 2007
Together With Auditors' Report**

Arab Professionals
(Member of Grant Thornton)

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

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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 of December 31, 2007 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 10% and 17%, 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 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 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 of December 31, 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Arab Professionals

March 2, 2008

Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Consolidated Balance Sheet as of December 31, 2007
(In Jordanian Dinars)

	Notes	2007	2006
Assets			
Current Assets			
Cash and cash equivalents	3	84,961,692	67,753,909
Trading Securities	4	15,447,111	4,946,441
Accounts & notes receivable, net	5	48,663,115	45,339,974
Due from related parties		11,978,090	1,402,087
Checks under collection	6	33,324,070	17,233,715
Inventories	7	42,049,043	39,135,946
Other current assets, net	8	21,634,955	30,669,093
Total Current Assets		258,058,076	206,481,165
Non Current Assets			
Investment in capital guaranteed fund		-	3,617,852
Advance payments on the purchase of investments	9	16,864,602	10,108,768
Available for sales securities	10	16,424,756	449,100
Held to maturities securities	11	250,000	-
Investments in associates	12	71,000	4,592,078
Investment property		1,440,000	960,000
Property, plant & equipment, net	13	64,778,333	50,155,799
Projects under construction		8,844,025	11,434,860
Total Non Current Assets		108,672,716	81,318,457
Total Assets		366,730,792	287,799,622
Liabilities and Equity			
Current Liabilities			
Due to banks	14	3,590,704	7,926,664
Accounts payable		12,297,192	6,194,979
Due to related parties		12,455,260	2,897,949
Post dated checks & notes payable		23,990,673	18,482,268
Commercial papers	14	7,100,000	14,200,000
Short-term loans	14	48,301,326	27,326,173
Current portion of long term bond	14	8,520,000	8,520,000
Other current liabilities	15	4,692,642	2,840,700
Total Current Liabilities		120,947,797	88,388,733
Long Term liabilities			
Long-term loans	14	29,407,173	7,020,602
Long term bond	14	11,360,000	19,880,000
Long term liabilities		40,767,173	26,900,602
Total liabilities		161,714,970	115,289,335
Equity			
Paid-in capital	16	100,000,000	93,927,552
Shares premium		38,201,872	33,125,305
Statutory reserve		6,372,363	5,344,716
Voluntary reserve		6,451,913	6,451,913
Cumulative change in fair value		(230,403)	-
Treasury shares		(13,871,532)	(3,937,150)
Retained earnings		25,791,078	27,049,885
Total Shareholder's Equity		162,715,291	161,962,221
Minority interest		42,300,531	10,548,066
Total Equity		205,015,822	172,510,287
Total Liabilities and Equity		366,730,792	287,799,622

“The accompanying notes from (1) to (26) are an integral part of these financial statements”

**Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Consolidated Statement of Income for the Year Ended December 31, 2007**

(In Jordanian Dinars)

		<u>2007</u>	<u>2006</u>
Net sales		112,309,695	117,310,382
Cost of sales		(93,871,156)	(95,817,224)
Gross profit		18,438,539	21,493,158
General and administrative expenses	17	(4,047,115)	(4,069,661)
Selling and distribution expenses	18	(4,672,810)	(4,031,933)
Provision for doubtful debt		(30,000)	(40,000)
Provision for slow moving inventories		(95,000)	-
Income from sale of associate		1,330,566	1,253,274
Gain (loss) from sale of securities		2,734,489	(288,132)
Gain (loss) from reevaluation of securities		1,564,143	(1,669,998)
Income form affiliates		-	(258,452)
Financing expenses		(7,945,253)	(6,360,897)
Interest and other revenues		4,164,374	4,544,912
Other expenses	19	(341,659)	(343,205)
Income for the period before income tax		11,100,274	10,229,066
Income tax for the period		(320,753)	(352,151)
Income for the period		10,779,521	9,876,915
Attributable to:			
Equity holders of the parent		9,768,840	10,011,919
Minority interest		1,010,681	(135,004)
		<u>10,779,521</u>	<u>9,876,915</u>
Earnings per share attributable to equity holders	20	<u>0.098</u>	<u>0.106</u>

“The accompanying notes from (1) to (26) are an integral part of these 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, 2007

(In Jordanian Dinars)

	Attributable to Equity Holders of the Parent						Total	Minority Interest	Total Equity	
	Paid - In Capital	Shares Premium	Statutory Reserve	Voluntary Reserve	Revaluation Reserve	Treasury Shares				Retained Earnings
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
Balance as of January 1, 2006	40,000,000	3,461,827	4,287,831	5,395,028	-	-	19,151,736	72,296,422	7,986,312	80,282,734
Capital increase	53,927,552	29,663,478	-	-	-	-	-	83,591,030	-	83,591,030
Income for the year	-	-	-	-	-	-	10,011,919	10,011,919	(135,004)	9,876,915
Treasury shares	-	-	-	-	-	(3,937,150)	-	(3,937,150)	-	(3,937,150)
Change in minority interest	-	-	-	-	-	-	-	-	2,696,758	2,696,758
Reserves	-	-	1,056,885	1,056,885	-	-	(2,113,770)	-	-	-
Balance as at December 31, 2006	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

“The accompanying notes from (1) to (26) are an integral part of these 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, 2007
(In Jordanian Dinars)

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Income for the year	9,768,840	10,011,919
Depreciation and amortization	2,881,047	2,564,785
Income from affiliates	-	258,452
Losses from revaluation of securities	(1,564,143)	1,669,998
Provision for doubtful debt	30,000	40,000
Provision for slow moving inventories	95,000	-
Changes in Working Capital		
Accounts & notes receivable	(3,353,141)	(10,630,615)
Trading securities	(8,936,527)	4,832,609
Due from related parties	(1,018,692)	2,072,273
Checks under collection	(16,090,355)	(11,513,826)
Inventories	(3,008,097)	(5,526,546)
Other current assets	9,034,138	2,979,023
Accounts payable	6,102,213	4,323,638
Postdated checks & notes payable	5,508,405	(11,749,373)
Other current liabilities	1,851,942	907,577
Cash Flows From Operating Activities	<u>1,300,630</u>	<u>(9,760,086)</u>
Cash Flows From Investing Activities		
Property, plant & equipment and other assets to maturities securities Held	(17,503,581)	(8,813,167)
Investment in affiliate	(250,000)	-
Projects under construction	4,521,078	687,328
Investment property	2,590,835	(11,434,860)
Available for sales securities	(480,000)	-
Investment in capital guaranteed fund	(16,206,059)	(449,100)
Advance payments on the purchase of investments	3,617,852	(3,617,852)
Cash Flows From Investing Activities	<u>(30,465,709)</u>	<u>(33,736,419)</u>
Cash Flows From Financing Activities		
Due to banks	(4,335,960)	(1,630,729)
Dividends paid	(10,000,000)	-
Capital increase	11,149,015	-
Long term bond	(8,520,000)	-
Loans	43,361,724	3,713,846
Commercial papers	(7,100,000)	-
Treasury shares	(9,934,382)	(3,937,150)
Minority interest	31,752,465	2,561,754
Cash Flows From Financing Activities	<u>46,372,862</u>	<u>707,721</u>
Change in cash and cash equivalents	17,207,783	(42,788,784)
Cash and cash equivalents, beginning of the year	67,753,909	110,542,693
Cash and cash equivalents, end of the year	<u><u>84,961,692</u></u>	<u><u>67,753,909</u></u>

“The accompanying notes from (1) to (26) are an integral part of these financial statements”

**Middle East Complex for Engineering, Electronics and Heavy Industries
Public Shareholding Company
Notes to the Consolidated Financial Statements
December 31, 2007**

(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 objective 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 March 2, 2008. These financial statements require the approval of the General Assembly.

(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.

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>
General Amman for Industry and Marketing Ltd	Investment	3,000,000	86.7%
National Star for Electronic and Electrical Industries Ltd.	Manufacturing	10,000,000	60.4%
AL Asalah Electromechanics Ltd	Manufacturing	100,000	52.0%
Al Yousef Transporting & Clearing Ltd.	Service	30,000	52.0%
South Electronics Plc.	Trading	50,000,000	30.6%
Haier Middle Appliances Ltd	Manufacturing	25,000,000	28.3%

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 2007. The Directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company.

Standards No.	Subject	Effective Date
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 28	Investment in Associates	July 2009
IAS 31	Interests in Joint Ventures	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.
- Management evaluates its investments for impairment on a regular basis where there is a prolonged decline. Management estimates the value of impairment and the same is charged in the income statement.

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%	
Net works	5%	
Furniture and decoration	10%	
Machines and Equipment	10%	(Subject to the plant utilized capacity)
Forklifts	15%	
Computers	20%	
Tools	10%	

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.

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 Checks on Hand and at Banks

	<u>2007</u>	<u>2006</u>
Cash on hand	1,328,145	2,350,062
Current accounts	19,780,214	1,428,368
Checks on hands	1,658,834	518,041
Time Deposits	<u>62,194,499</u>	<u>63,457,438</u>
	<u>84,961,692</u>	<u>67,753,909</u>

- Included in the balance of time deposits restricted cash margin against credit facilities granted to the Company of JD 34,078,895 with an annual interest rate ranging between 4.5% and 6%.
- Time deposits mature within one year and bear interest ranging between 4.5% and 6%.

(4) Trading Securities

	<u>2007</u>	<u>2006</u>
Listed shares	<u>15,447,111</u>	<u>4,946,441</u>

(5) Accounts & Notes Receivable, Net

	<u>2007</u>	<u>2006</u>
Local receivable and notes receivable	21,951,000	12,500,050
Export receivables	27,732,115	33,829,924
Provision for doubtful debts	<u>(1,020,000)</u>	<u>(990,000)</u>
	<u>48,663,115</u>	<u>45,339,974</u>

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

	<u>2007</u>	<u>2006</u>
Receivables past due for less than one year	48,606,989	45,271,342
Receivables past due for more than one year	56,126	68,632
	<u>48,663,115</u>	<u>45,339,974</u>

(6) Checks under collection

Included in this item checks belonging to related parties totaling JD 20,611,274.

(7) Inventories, Net

	<u>2007</u>	<u>2006</u>
Raw materials	13,342,635	16,933,763
Finished goods and work in process	28,806,408	22,207,183
Provision for slow moving Inventory	(100,000)	(5,000)
	<u>42,049,043</u>	<u>39,135,946</u>

(8) Other Current Assets

	<u>2007</u>	<u>2006</u>
Goods in transit and letter of credit	16,876,881	27,340,906
Prepaid expenses	1,032,355	969,042
Key money and trade marks	255,765	245,100
Value added tax	222,707	215,728
Refundable deposits	163,436	104,896
Margins against letters of guarantee	2,256,125	456,810
Employees' receivables	227,673	508,666
Others	600,013	827,945
	<u>21,634,955</u>	<u>30,669,093</u>

(9) Advance Payments on the Purchase of Investments

- Included in this item an amount of JOD 8,471,370 and JOD 5,600,000 representing what has been paid by Amman General for Industry and Marketing (subsidiary Company) and Middle East Complex respectively as part of their share in the capital increase of Darwish Khalili and Sons Co. Plc.
- Included this item an amount of JOD 2,793,232 representing what has been paid by Middle East Complex 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>2007</u>	<u>2006</u>
Listed securities	14,300,000	-
Unlisted securities	2,124,756	449,100
	<u>16,424,756</u>	<u>449,100</u>

- All of the listed securities are pledged as collateral against the credit facilities granted to the Company.
- 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).
The bonds bear interest rate of 9.5% and mature in 2012.

(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>Share of Income</u>	<u>Ending Balance</u>	<u>Market Value</u>
Rum Aladin	1,453,341	(1,453,341)	-	-	
Darwish Khalili & Sons	3,067,737	(3,067,737)	-	-	
Arab Future - Sudan	71,000	-	-	71,000	Not listed
	<u>4,592,078</u>	<u>(4,521,078)</u>	<u>-</u>	<u>71,000</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>
Arab Future - Sudan	Manufacturing	34%	943,333	841,334	313,778	38,796

The Company's investment in the share capital of Rum Aladin and Darwish Khalili & Sons have been reclassified during 2007 as trading securities because the Company has lost its significant influence over the financial and operating results of these entities.

(13) 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 1/1/2007	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>	<u>87,204,709</u>
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>	<u>22,426,376</u>
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>
Cost						
Balance as of 1/1/2006	1,680,152	10,073,282	45,288,761	1,234,868	3,127,730	61,404,793
Additions	140,700	844,557	4,936,755	687,533	1,696,476	8,306,021
Retirements	-	-	-	48,154	37,520	85,674
Balance as of 31/12/2006	<u>1,820,852</u>	<u>10,917,839</u>	<u>50,225,516</u>	<u>1,874,247</u>	<u>4,786,686</u>	<u>69,625,140</u>
Accumulated depreciation						
Balance as of 1/1/2006	-	1,506,355	13,034,193	645,715	1,372,008	16,558,271
Additions	-	459,372	2,016,513	175,325	301,355	2,952,565
Retirements	-	-	-	38,115	3,380	41,495
Balance as of 31/12/2006	-	<u>1,965,727</u>	<u>15,050,706</u>	<u>782,925</u>	<u>1,669,983</u>	<u>19,469,341</u>
Net book value as of 31/12/2006	<u>1,820,852</u>	<u>8,952,112</u>	<u>35,174,810</u>	<u>1,091,322</u>	<u>3,116,703</u>	<u>50,155,799</u>

(14) Credit Facilities

Type	Currency	Rate	Maturity	JOD equivalent	
				Face Value	Book Value
Overdraft	JOD	7.5-8.5%	2008	8,368,000	3,089,826
Margin Trading	JOD	7.5-8.5%	2008	1,500,000	500,878
Loan	USD	1%+ Libor	2008	34,284,177	33,620,167
Loan	JOD	7.5-8.5%	2008	18,500,000	14,681,159
Commercial papers	USD	7.54%	2008	7,100,000	7,100,000
Bonds	USD	6%	2008-2009	28,400,000	19,880,000
Loan	USD	1.9%+Libor	2008-2011	20,590,000	14,407,173
Loan	JOD	9%	2009-2010	15,000,000	15,000,000
Total				132,242,177	108,279,203

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.

(15) Other Current Liabilities

	2007	2006
Accrued expenses	443,475	753,786
Board of Directors' remunerations	45,000	45,000
Provision for Jordanian Universities' fees	207,894	337,191
Provision for scientific research and vocational training	254,999	225,765
Shareholders' deposits	987,713	228,786
Provision for professional and technical training fund	77,228	81,777
Value added tax	1,593,993	-
Provision for income tax	537,755	448,120
Others	544,585	720,275
	4,692,642	2,840,700

(16) Shareholders Equity

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.

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 subsidiary (South Electronics Plc.).

(17) General and Administrative Expenses

	<u>2007</u>	<u>2006</u>
Salaries and benefits	1,458,463	1,424,618
Post and telephone	91,787	81,866
Subscriptions and fees	459,814	421,789
Professional fees	98,540	100,137
Others	1,938,511	2,041,251
	<u>4,047,115</u>	<u>4,069,661</u>

(18) Selling and Distribution Expenses

	<u>2007</u>	<u>2006</u>
Salaries and benefits	326,997	254,178
Export expenses	877,072	439,969
Advertisement	801,329	804,778
Rents	5,403	33,049
Commissions	215,860	275,561
Others	2,446,149	2,224,398
	<u>4,672,810</u>	<u>4,031,933</u>

(19) Fees and Other Expenses

	<u>2007</u>	<u>2006</u>
Scientific research and vocational training	102,359	107,414
Jordanian Universities' fees	102,359	107,414
Professional and technical training fund	91,941	83,377
Board of Directors' remunerations	45,000	45,000
	<u>341,659</u>	<u>343,205</u>

(20) Earning per Share

	<u>2007</u>	<u>2006</u>
Income for the period	9,768,840	10,011,919
Weighted average number shares	100,000,000	93,927,552
Basic and diluted earning per share	<u>0.098</u>	<u>0.107</u>

(21) Contingent Liabilities

	<u>2007</u>	<u>2006</u>
Letters of guarantees	17,491,941	8,359,000
Letter of credit	6,178,319	4,973,236
	<u>23,670,260</u>	<u>13,332,236</u>

(22) Related Party Transactions

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

<u>Party</u>	<u>Relation</u>	<u>Volume</u>	<u>Nature</u>	<u>Balance</u>	
				<u>Debit</u>	<u>Credit</u>
National Complex - UAE	Associate	-	Commercial	2,641,765	-
Arab Future - Sudan	Associate	-	Commercial	828,911	-
Jordan Electronics	Sister Co.	-	Commercial	481,126	-
Middle East for Investments	Sister Co.	-	Commercial	-	10,197,017
Haier Middle East Trading	Sister Co.	3,040,584	Commercial	371,333	575,808
Rum Aladdin	Sister Co.	5,755,689	Commercial	5,139,630	4,899,766
Ittisalcom	Sister Co.	1,675,687	Commercial	2,401,245	1,191,795
Others	-	-	Commercial	114,076	59,038

The salaries and remunerations of the executive management amounted to JD 208,150 and JD 145,110 during 2007 and 2006 respectively.

(23) Income Tax

The Company has settled its tax liabilities with the Income Tax Department up to December 31, 2002.

The income tax return for the years 2003, 2004, 2005 and 2006 have 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.

(24) Segment Reporting

	<u>2007</u>	<u>2006</u>
Local Sales	57,915,769	68,901,527
Export Sales	54,540,936	48,408,855
Income from Investments	5,316,772	704,856

(25) 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 13,315,077 of the accounts receivables carrying amount at December 31, 2007. (2006 : JOD 8,104,316)

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 1,544,711 during 2007 (2006: JD 494,644) and the equity would have been reduced / increased by JD 1,597,566 during 2007 (2006: JD Nil).

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.

	<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
Due to banks	3,590,704	-	3,590,704
Accounts payable	12,297,192	-	12,297,192
Due to related parties	12,455,260	-	12,455,260
Post dated checks & notes payable	23,990,673	-	23,990,673
Commercial papers	7,100,000	-	7,100,000
Loans	48,301,326	29,407,173	77,708,499
Bonds	8,520,000	11,360,000	19,880,000
Other current liabilities	4,692,642	-	4,692,642
Total	<u><u>120,947,797</u></u>	<u><u>40,767,173</u></u>	<u><u>161,714,970</u></u>

26. 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.