

Citadel Capital Company
(An Egyptian Joint Stock Company)

Unconsolidated Financial Statements
For the year ended December 31, 2007
&
Auditor's Report thereon



Hazem Hassan

Public Accountants & Consultants

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AUDITOR'S REPORT

To the shareholders of Citadel Capital Company

We have audited the accompanying unconsolidated balance sheet of Citadel Capital Company as at December 31, 2007, and the related unconsolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of provisions of applicable Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have obtained the information and explanations which we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the unconsolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and of the results of its operations and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.



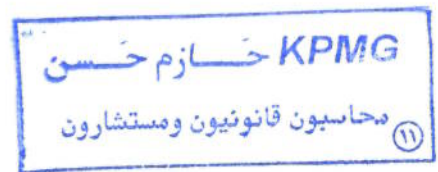
Hazem Hassan

The Company keeps proper accounting records which include all that is required by law and the statutes of the company, and the accompanying financial statements are in agreement therewith.

The financial information contained in the report of the Board of Directors prepared in conformity with law No. 159 of 1981 and its executive regulations is in agreement with the Company's accounting records within the limits that such information is recorded therein.

Hassan Bay
KPMG Hazem Hassan

Cairo, March 12 , 2008



Citadel Capital Company
(An Egyptian Joint Stock Company)
Unconsolidated balance sheet
As at December 31, 2007

Translation

	<u>Note</u> <u>no</u>	<u>31/12/2007</u> <u>LE</u>	<u>31/12/2006</u> <u>LE</u>
Current assets			
Cash on hand and at banks			
Cash on hand		256 582	105 465
Banks - current accounts		149 594 096	8 121 050
Checks under collection		789 307	-
Total cash on hand and at banks		<u>150 639 985</u>	<u>8 226 515</u>
Trading investments		16 747	14 000
Due from related parties	(4)	92 327 908	(37 869 649)
Other debit balances	(5)	27 766 151	1 754 062
		<u>120 110 806</u>	<u>(36 101 587)</u>
Total current assets		<u>270 750 791</u>	<u>(27 875 072)</u>
Current liabilities			
Short-term loans	(6-b)	39 480 000	-
Banks-overdraft	(7)	100 000 000	-
Due to related parties	(8)	145 008 663	2 857 097
Creditors & other credit balances	(9)	27 875 482	69 841 199
Total current liabilities		<u>312 364 145</u>	<u>72 698 296</u>
Excess of current liabilities over current assets		<u>(41 613 354)</u>	<u>(100 573 368)</u>
Non current assets			
Available-for-sale investments	(10)	18 844 742	18 904 379
Investments in subsidiaries & associates	(11)	961 522 927	485 813 138
Payments for investments	(12,20)	773 280 769	519 536 765
Fixed assets (net)	(13)	71 309 019	52 152 370
Total non current assets		<u>1 824 957 457</u>	<u>1 076 406 652</u>
Total investments		<u>1 783 344 103</u>	<u>975 833 284</u>
Financed through:			
Shareholders' equity			
Paid - in capital	(14)	1 650 000 000	912 762 572
Legal reserve	(3-11)	47 848 353	164 060
Retained earnings		14 221 991	3 117 110
Total shareholders' equity		<u>1 712 070 344</u>	<u>916 043 742</u>
Net profit for the year		599 942 681	953 685 858
Interim dividends		-	(894 896 684)
Total shareholders' equity including net profit for the year		<u>2 312 013 025</u>	<u>974 832 916</u>
Shareholders' current account	(15)	(575 808 114)	-
Non current liabilities			
Long-term loans	(6-b)	45 120 000	-
Deferred tax liabilities	(17)	2 019 192	1 000 368
Total non current liabilities		<u>47 139 192</u>	<u>1 000 368</u>
Total shareholders' equity and non current liabilities		<u>1 783 344 103</u>	<u>975 833 284</u>

The accompanying notes from Page (5) to Page (25) are an integral part of these financial statements and are to be read therewith .

Auditor's Report "attached"

Chairman
Dr. Ahmed Heikal

Managing Director
Hisham Hussein El Khazindar

Citadel Capital Company
(An Egyptian Joint Stock Company)
Unconsolidated income statement
For the year ended December 31, 2007

	Note no	For the year ended <u>31/12/2007</u> LE	For the year ended <u>31/12/2006</u> LE
Dividend income		727 366 814	945 886 251
Advisory fee	(20)	9 261 791	-
		<u>736 628 605</u>	<u>945 886 251</u>
<u>Deduct:</u>			
Finance expense		(12 822 338)	-
General and administrative expenses	(20)	(115 007 084)	(105 628 955)
Key management bonus		(66 773 494)	(5 639 096)
Fixed assets depreciation	(13)	(6 971 881)	(459 091)
Net operating profit		<u>535 053 808</u>	<u>834 159 109</u>
<u>Add/(deduct):</u>			
Gains on sale of investments		13 731 843	2 632 678
Unrealized gains (losses) arising from trading investments		2 747	(978)
Interest income		2 524 983	2 448 402
Foreign currencies differences		(391 628)	(1 014 138)
Other revenues	(20)	50 039 752	116 443 006
Net profit before tax		<u>600 961 505</u>	<u>954 668 079</u>
<u>Deduct:</u> Deferred tax expense	(17)	(1 018 824)	(982 221)
Net profit for the year		<u><u>599 942 681</u></u>	<u><u>953 685 858</u></u>
Earnings per share	(18)	<u><u>3.11</u></u>	<u><u>10.42</u></u>

The accompanying notes from Page (5) to Page (25) are an integral part of these financial statements and are to be read therewith .

Citadel Capital Company
 (An Egyptian Joint Stock Company)
 Unconsolidated statement of changes in equity
 For the year ended December 31, 2007

	<u>Note</u> <u>no</u>	<u>Paid- in</u> <u>Capital</u>	<u>Legal</u> <u>reserve</u>	<u>Retained</u> <u>earnings</u>	<u>Net</u> <u>profit</u> <u>for the</u> <u>year</u>	<u>Interim</u> <u>dividend</u>	<u>Total</u>
		<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance as at December 31, 2005		2 000 000	-	-	3 281 170	-	5 281 170
Profit appropriation for the year 2005		-	164 060	3 117 110	(3 281 170)	-	-
Payment of increase in issued capital	(14)	910 762 572	-	-	-	-	910 762 572
Net profit for year ended December 31, 2006		-	-	-	953 685 858	-	953 685 858
Interim dividends in according to the extraordinary general assembly held on May 9, 2006		-	-	-	-	(894 896 684)	(894 896 684)
Balance as at December 31, 2006		912 762 572	164 060	3 117 110	953 685 858	(894 896 684)	974 832 916
Profit appropriation for the year 2006		-	47 684 293	11 104 881	(953 685 858)	894 896 684	-
Payment of increase in issued capital	(14)	737 237 428	-	-	-	-	737 237 428
Net profit for year ended December 31, 2007		-	-	-	599 942 681	-	599 942 681
Balance as at December 31, 2007		1 650 000 000	47 848 353	14 221 991	599 942 681	-	2 312 013 025

The accompanying notes from Page (5) to Page (25) are an integral part of these financial statements and are to be read therewith .

Citadel Capital Company
(An Egyptian Joint Stock Company)
Unconsolidated cash flow statement
For the year ended December 31, 2007

Translation

	For the year ended 31/12/2007 LE	For the year ended 31/12/2006 LE
<u>Cash flows from operating activities</u>		
Net profit before tax	600 961 505	954 668 079
<u>Adjustments to reconcile net profit to net cash provided from operating activities :</u>		
Losses on sale of investments in subsidiaries	-	159 156
Fixed assets depreciation	6 971 881	459 091
Gains on sale of investments	(13 731 843)	-
Unrealized loss (gains) arising from trading investments	(2 747)	978
Other revenue	(22 434 917)	-
Income tax paid	-	(729 874)
Operating profit before changes in working capital	571 763 879	954 557 430
<u>Decrease (increase) in assets</u>		
Due from related parties	(148 410 134)	16 609 380
Other debit balances	(26 012 089)	136 685 187
Trading investments	-	16 283 731
Shareholders' current accounts - debit	(575 808 114)	545 761 820
<u>Increase (decrease) in liabilities</u>		
Due to related parties	142 151 566	(1 050 294 754)
Creditors & other credit balances	(54 397 332)	65 927 573
Net cash (used in) provided from operating activities	(90 712 224)	685 530 367
<u>Cash flows from investing activities</u>		
Payments to purchase fixed assets	(13 696 915)	(20 844 445)
Payments to purchase investments in subsidiaries and associates	(553 524 297)	(321 611 290)
Proceeds from sale of investments in subsidiaries and associates	99 999 702	249 700
Payments to purchase available-for-sale investments	(9 983 750)	(43 396)
Proceeds from sale of available -for - sale investments	21 865 299	-
Payments for purchase of investments	(233 371 773)	(388 149 347)
Net cash used in investing activities	(688 711 734)	(730 398 778)
<u>Cash flows from financing activities</u>		
Proceeds from banks - overdraft	100 000 000	-
Proceeds from loans	84 600 000	-
Proceeds from increasing shares capital	737 237 428	910 762 572
Interim dividends paid	-	(894 896 684)
Net cash provided from financing activities	921 837 428	15 865 888
Net change in cash and cash equivalent during the year	142 413 470	(29 002 523)
Cash and cash equivalent as at the beginning of the year	8 226 515	37 229 038
Cash and cash equivalent at the end of the year	150 639 985	8 226 515

Non cash transactions

For the purpose of preparing the cash flow statement, these amounts were eliminated :

- An amount of LE 12 431 615 from payments under purchase of fixed assets and creditors and other credit balances (represents unpaid additions of fixed assets).
- An amount of LE 18 462 300 from payment for investments and due from related parties (amount transferred to payments for investments).
- An amount of LE 249 700 from proceeds from sale of investments in subsidiaries & associates and due from related parties (represents sale of Bonyan investment to Mena Home).

The accompanying notes from Page (5) to Page (25) are an integral part of these financial statements and are to be read therewith .

Citadel Capital Company
(An Egyptian joint Stock Company)
Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2007

1. Company background

Citadel Capital Company - An Egyptian Joint Stock Company - was founded in accordance with the Egyptian applicable laws & in pursuance to executive regulation of law No.159/1981& the Company has been registered under the number of 11121 on 11 April 2004. The purpose of the Company is represented as follows:

- Providing consultancy in financial and financing fields for different companies and preparing and presenting the feasibility studies in the economical, technological, engineering, marketing, financing, management, borrowing contracts arrangements fields and financing studies in addition to preparing and presenting studies and consultancy regarding projects' promotion and offering the necessary technical support in different fields except legal consultancy.
- Working as an agent in contracting and negotiation in different fields and steps especially negotiation in the management contracts, participation and technical support.
- Managing, executing and restructuring of projects.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as fair value

- Financial instruments at fair value through profit and loss.
- Available-for-sale investments.

2.3 Functional and presentation currency

These financial statements are presented in Egyptian pounds (L.E), which is the Company's functional currency. All financial information presented in Egyptian pounds.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note (11) – measurement of the recoverable amount of investments in subsidiaries and associates.
- Note (17) – recognition of deferred tax assets.

2.5 Consolidated financial statements

The company has subsidiaries and according to the Egyptian Accounting Standard No. 17 "Consolidated Financial Statements" and the article No. 188 of the executive regulation of law No. 159/1981, the Company is required to prepare consolidated financial statements which present fairly the financial position, the result of operations and cash flows for the group as a whole.

3. Significant accounting policies applied

The following accounting policies have been consistently applied by the Company to all periods presented in these financial statements.

Certain comparative figures have been reclassified to conform to the current year's presentation of the financial statements (note 23).

3.1 Foreign currency translation

The Company maintains its accounts in Egyptian pounds. Transactions dominated in foreign currencies are translated at foreign exchange rate ruling at the date of transactions. Monetary assets and liabilities dominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. Foreign currency differences arising on the retranslation are recognized in the profit and loss.

3.2 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (note 3.7). Depreciation is charged to the income statement over the estimated useful life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

<u>Assets depreciation</u>	<u>Estimated useful life</u>
- Furniture & Fixtures & Electric Equipment & Tools	4 years
- Computer	3 years
- Vehicles	4 years
- Buildings & Constructions	20 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

3.3 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

3.4 Intangible assets

Intangible assets are recorded at historical cost and presented in the balance sheet net of accumulated amortization and impairment (note 3.7) Amortization is charged to income statement over the estimated useful – life using the straight line method.

3.5 Treasury bills and other bills eligible for rediscounting

Treasury bills and other bills eligible for rediscounting are recorded at nominal value and the issuance discount is recorded under the item of "creditors and other credit balances". Treasury bills are presented on the balance sheet net of the issuance discount.

3.6 Investments

3.6.1 Investments at fair value through profit and loss

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

3.6.2 Available-for-sale investments

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment

losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale identifies, based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably, are stated at cost less impairment loss.

3.6.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less impairment (note 3.7). At each balance sheet date, management assesses the investments' recoverable amount and in case that the recoverable amount is less than the carrying amount then an impairment loss is recognized in the profit and loss.

3.6.4 Investment property

Investment property is recorded at cost. Any decline in the fair value (impairment) is charged to income statement.

3.7 Impairment

3.7.1 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

3.7.2 Non-financial assets

The carrying amounts of the company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.8 Cash and cash equivalents

For the purpose of preparing the Cash Flow Statement, cash and cash equivalents are represented in the cash on hand, current accounts, cheques under collection and time deposits with banks.

3.9 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, Interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

3.11 Legal reserve

The company's Statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be stopped when the total reserve reaches an amount equal to half of the company's issued capital and when the reserve falls below this limit, it shall be necessary to resume the deduction.

3.12 Issued capital

3.12.1 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

3.12.2 Dividends

Dividends are recognized as a liability in the year in which they are declared.

3.13 Revenues

3.13.1 Gains (losses) on sale of investments

Gains (losses) resulted from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses.

3.13.2 Dividend income

Dividend income is recognized when declared.

3.13.3 Consulting fees

Consulting fees are recognized upon presented service and according to accrual basis.

3.13.4 Advisory fees

Advisory fees are calculated by agreed percentage (in accordance with contract – term) with company and recognized according to accrual basis.

3.14 Expenses

3.14.1 Interest expense

Interest expense on interest -bearing borrowing is recognized in the profit or loss using the effective interest rate method.

3.14.2 Employees pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting.

3.14.3 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except

to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.15 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

3.16 Profit sharing to employees

The Company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

4. Due from related parties

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Arab Co. for Financial Investments	5 585 645	4 106 401
National Company for Building Materials	6 472	-
National Company for Printing	187 500	187 500
National Petroleum Company	1 210 730	251 197
Cordoba Management Investment Ltd.	34 424	34 424
National Drilling Co.	41 593	41 593
National Refinery Co.	1 977 674	970 199
Citadel Capital for Projects	5 074 651	2 140 004
Cairo Company for Petroleum Production	--	12 136 107
CAKATA	--	219 185
Citadel Company for Scholarship	2 129 684	1 356 782
Capella Management Investments Inc.	1 378 066	1 378 066
Lotus Management Investments Ltd.	1 780 084	1 779 684
ASEC for Mining (ASCOM)	--	18 462 300
Granda Capital Holding	--	539 999
Arab Company for Refinery	277 871	251 450
Citadel Capital – Algeria	5 753 902	1 062 922
Citadel for River Transport	761 616	14 344
Citadel Capital Ltd	4 699 950	--
National Company for River Transportation	263 801	(82 801 806)
Egyptian Company for Petroleum Production	875	--
National Co. for Transportation and Storage	659 213	--
El Kateb for Marketing and Distribution	7 211 473	--
El Takamol for Cement	730 240	--
Bonyan for Development and Trading	24 539	--
Logria Corporation Ltd.	6 347 385	--
Egyptian Refinery Company	19 431	--
Mena Glass Ltd.	1 456 292	--
National Co. for Investments & Agriculture	5 625	--
Mena Development Ltd.	67 764	--
Mena Enterprises Ltd.	67 084	--
Mena Home Furnishings Mall	652 180	--

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Falcon Agriculture Investments Ltd.	2 386 155	--
United Foundries	2 496 440	--
National Company for Food Products	67 517	--
Regional Investments Holding	987 563	--
Arab Energy	157 154	--
Pharos Holding	628 616	--
Silverstone Capital Investment Ltd.	70 932	--
CC Holding for Financial Investments	37 127 767	--
Balance	<u>92 327 908</u>	<u>(37 869 649)</u>

5. Other debit balances

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Deposits with others	75 652	36 952
Employees' advances	463 771	206 480
Advances to suppliers	6 796 248	1 219 981
Prepaid dividends (employees)	9 327 483	--
Prepaid expenses	274 329	--
Other debit balances *	10 828 668	290 649
Balance	<u>27 766 151</u>	<u>1 754 062</u>

- * Other debit balances include an amount of LE. 62 425 represents the company's investments in National Company for Investments and Agriculture which was sold at the date of August 31, 2007 to Falcon Agriculture Investments Ltd. and transferred procedures are in process.

6. Loans from banks

- a) The Company has signed a medium-term loan contract with the Arab African International Bank with an amount of US \$ 17.5 millions for a period of one year starting from December 28, 2006 till December 29, 2007 and renewed after the approval of both parties with Libor average of six months +2 %interest rate.

Loan is to be paid in full on the due date or after sale of part or all shares owned by the Company indirectly in the Egyptian company for fertilizers SAE or from the company's dividends or income from investments whichever is closer, guaranteed as follows:

- 1- Lien contract of 15 158 078 shares equals to 200% of total loan value based on acquisition price in 2005 after adjusting the no. of shares (US \$ 2.31 per share) which owned by the Company in the Egyptian Company for Fertilizers SAE – indirectly- in favor of the bank, the contract is executed as soon as shares ownership is transferred and registered under the name of the Company.
- 2- Custody lien contract for a no. of 2002 shares of Morningtide Investment Ltd. Company which is owned by the company.
- 3- Custody lien contract for a no. of 1000 shares of Belamy peak corp. which is owned by the Company.
- 4- Custody lien contract for a no. of 31 147 998 shares of Morningtide Investment Ltd. Company which is owned by the company to be executed directly after issuance of shares so that the guarantee represents 178% of total loan value.
- 5- Shares of the Egyptian Company for Fertilizers SAE are to be kept at the Arab African International Bank SAE.

The total amount of the loan was paid in full at June 5, 2007 according to article (7) in the loan contract that the Company has the right to accelerate payment of the full amount of loan or part of it without any penalties.

- b) The Company has signed a short-term loan contract with CitiBank with an amount of US\$ 15 million that to be settled on two installments, the first with an amount of US\$ 7 million (equivalent to LE. 39 480 000) to be paid at the date of January 31, 2008 and the second with an amount of US\$ 8 million (equivalent to LE. 45 120 000) to be paid at the date of January 31, 2009 with 2 % interest rate over Libor average of 3 months , Guaranteed as follows:

- 1- Lien contract of 219 954 shares of ASCOM company.

- 2- The Company must provide participation contracts amounted to US\$ 1 Billion and prove that it has a percentage of 1% represents advisory fees.

7. Banks – overdraft

- a- The Company has signed an agreement with Piraeus Bank to grant it with a credit facility with an amount of LE. 45 Million for a period of one year starting from May 15, 2007 till May 15, 2008 with 1.5% interest rate over basic borrowing rate and that guaranteed by Lien contract of 1 119 300 shares of ASCOM which is amounted to LE. 141 407 884 with market value of LE 126.336 per share which is owned by the company. And the company is committed to cover the debt balance during all the facility period with an amount of 3 times the debit balance and at the date of December 31, 2007 the balance amounted to LE. 45 million.
- b- The company signed an agreement with NSBG bank to grant it with a credit facility with an amount of LE. 55 million for a period starting from August 15, 2007 till August 31, 2008 with 10.5% day by day interest rate over the withdrawal amounts. The bank has the right to receive monthly paid .005% as a monthly commission based on the maximum debit balance which is guaranteed by Lien contract of 360 000 share of ASCOM & the Company guaranteed to increase the value of the liened shares by 200% of the authorized debit balance. According to the valuation of the shares based on the latest market value recognized in Cairo & Alexandria Stock Exchange or the average market price recognized during the latest 3 months whichever is less.
- The balance is amounted to L.E. 55 million as at December 31, 2007.
- c- The Company signed an agreement with Arab African International Bank to grant it with LE. 53 million starting from September 20, 2007 till November 22, 2007 with 2% interest rate over Libor average of 3 months and that is guaranteed by blocking all the Company's accounts in the bank, also the company has used an amount of LE. 39 193 995 from the minimum credit limit as at September 2007.

The amount of credit facility was paid in full as at November 22, 2007

8. Due to related parties

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Citadel Company for Promotion	2 313 358	2 382 200
Grandview Investments Holding	239 895	34 894
National Company for Developing & Trading	--	483 378
Morningtide Investment Ltd.	--	(43 375)
Citadel Capital Partners	86 568 467	--
Financial Holding International	42 486 943	--
Emirates International for Investment Company	13 400 000	--
Balance	<u>145 008 663</u>	<u>2 857 097</u>

9. Creditors and other credit balances

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Tax Authority	16 253 325	1 035 434
Social Insurance Authority	91 339	63 323
Accrued Expenses	383 774	2 970 778
Accrued interest	2 432 773	--
Ledville Holding Ltd.	--	51 636 600
Sundry credit balances	8 714 271	14 135 064
Balance	<u>27 875 482</u>	<u>69 841 199</u>

10. Available-for-sale investments

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
The Egyptian Company for Marketing and Distribution	--	50 103
Arab Swiss for Engineering (ASEC)	17 479	17 479
Egyptian Fertilizers Company	--	146 851
Modern Company for Isolating Materials	43 396	43 396
Horus Private Equity Fund II	18 783 867	18 646 550
Balance	<u>18 844 742</u>	<u>18 904 379</u>

The available-for- sale investments are represented in unlisted investments in the Stock Exchange.

11. Investments in subsidiaries and associates

	Percentage	31/12/2007	31/12/2006
	%	<u>LE</u>	<u>LE</u>
Dar El Shoruk	--	--	30 101 250
Arab Financial Investments Company	94%	58 750	58 750
National Development and Trading Company	53.92%	488 436 913	273 119 264
Citadel for Projects	99.88%	249 700	249 700
National Company for River Transportation *	--	--	99 999 702
ASEC for Mining (ASCOM)	61.52%	133 271 556	82 284 449
Citadel Capital Ltd.	--	--	23
National Company for Building Materials	99.88%	249 700	--
National Company for Transportation & Storage	79.88%	199 700	--
El Kateb for Marketing & Distribution	48.88%	122 200	--
CC Holding for Financial Investments	99.99%	276 747 000	--
Pharos Holding	35%	51 651 432	--
Diwaan	40%	10 535 976	--
Balance		<u>961 522 927</u>	<u>485 813 138</u>

Investments in subsidiaries and associates are represented in unlisted securities in the Stock Exchange except ASEC for Mining (ASCOM) see note (20).

12. Payments for investments

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Orient Investments Proprieties Ltd	43 197 761	265 000
AROCO STEEL	932 199	--
Morningtide Investment Ltd.	--	206 615 060
National Company for Development & Trading	--	121 233
ASEC for Mining (ASCOM)	--	13 500
Lotus Management Investment Ltd.	32 825 561	24 383 950
Capella Management Investment Inc.	33 962 056	24 383 950
Silverstone Capital Investment Ltd	154 672 808	98 344 829

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Grandview Investment Holding	58 723 092	44 923 842
Golden Crescent Investment Ltd.	--	120 485 401
Logria Corporation Ltd.	203 040 000	--
Sudanese Egyptian Bank	3 592 938	--
Mena Home Furnishings Mall	11 280 000	--
Mena Glass Ltd.	83 706 081	--
Regional Investment Holding	83 428 261	--
Citadel Capital – Algeria	6 236 762	--
Dar El Shourk - BVI	57 683 250	--
Balance	<u>773 280 769</u>	<u>519 536 765</u>

13. Fixed Assets

<u>Description</u>	<u>Land</u>	<u>Building and constructions</u>	<u>Computer and software</u>	<u>Furniture and fixture</u>	<u>Vehicles</u>	<u>Total</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance as at 1/1/2007	--	33 742 368	2 923 546	16 186 945	--	52 852 859
Additions during the year	24 000 000	--	513 733	1 344 897	269 900	26 128 530
Total cost as at 31/12/2007	<u>24 000 000</u>	<u>33 742 368</u>	<u>3 437 279</u>	<u>17 531 842</u>	<u>269 900</u>	<u>78 981 389</u>
Accumulated depreciation as at 1/1/2007	--	--	409 535	290 954	--	700 489
Depreciation during the year	--	1 687 118	1 009 925	4 269 215	5 623	6 971 881
Accumulated depreciation as at 31/12/2007	<u>--</u>	<u>1 687 118</u>	<u>1 419 460</u>	<u>4 560 169</u>	<u>5 623</u>	<u>7 672 370</u>
Net cost as at 31/12/2007	<u>24 000 000</u>	<u>32 055 250</u>	<u>2 017 819</u>	<u>12 971 673</u>	<u>264 277</u>	<u>71 309 019</u>
Net cost as at 31/12/2006	<u>--</u>	<u>33 742 368</u>	<u>2 514 011</u>	<u>14 919 319</u>	<u>976 672</u>	<u>52 152 370</u>

14. Capital

The Company's authorized share capital was LE 2.5 million and the issued share capital was LE 2 million, represented in 400 000 shares of a par value of LE 5 each, all of which are cash shares. The issued capital has been fully paid.

On February 23, 2006, the extraordinary meeting approved the increase of the issued capital from LE 2 million to LE 1 billion, represented in 200 million shares of a par value LE 5 each. The share capital increase was paid in full, and accordingly the issued and paid - in share capital became LE 1 billion. The Commercial Register was updated on 11 September 2007 to reflect the share capital increase.

On October 3, 2007, the extraordinary meeting approved increasing the issued capital by LE 194 767 565 by issuing 38 953 513 share of a par value of LE 5 each. The share capital increase was paid in full and accordingly the issued and paid - in share capital became LE 1 194 767 565 represented in 238 593 513 shares. The Commercial Register was updated on 15 November 2007 to reflect the share capital increase.

On December 26, 2007, the extraordinary meeting approved increasing the issued capital from LE 1 194 767 565 to LE 1 650 000 000. The share capital increase was paid in full and accordingly the issued and paid in share capital became LE 1 650 000 000 represented in 330 million shares. The Commercial Register was updated on December 31, 2007 to reflect the share capital increase.

15. Shareholders' current account

The shareholders' current account presented in the balance sheet with an amount of LE 575 808 114 represents the amounts paid to the shareholders under the profit appropriation for the period ended 31 December, 2007.

16. Reconciliation of effective tax rate

	31/12/2007	
	<u>LE</u>	<u>LE</u>
Profit before tax		600 961 505
Tax rate		20%
Calculated tax based on accounting profit		120 192 301
Non deductible expenses	1 206 063	
Fixed assets (taxable depreciation variances)	186 871	
Tax exemptions	(145 954 079)	
Total tax differences		(24 368 845)
Income tax according to the tax return		--
Effective tax rate		--

17. Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 31/12/2007	Liabilities 31/12/2006
<u>Deferred Tax</u>	<u>LE</u>	<u>LE</u>
Fixed assets (depreciation)	(2 019 192)	(1 000 368)
Total deferred tax liabilities	(2 019 192)	(1 000 368)

18. Earnings per share

	31/12/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Net profit for the year / period	599 942 681	953 685 858
The weighted average number of shares	192 775 452	91 476 257
Earnings per share	3.11	10.42

19. Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. Note (No. 3) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the Company to minimize the consequences of such risks.

19.1 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group management aims to maintain flexibility in funding by keeping committed credit lines available.

19.2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As disclosed in note (3.1) the Company has used the prevailing exchange rates to revalue monetary assets and liabilities at the balance sheet date.

19.3 Financial instruments' fair values

The financial instruments' fair values does not substantially deviated from their book values at the balance sheet date.

20. Related party transactions

- The Company has transferred the shares of Morningtide Investment Ltd, with an amount of US\$ 21 658 967 to an investment of Belamy – Peack corporation.
- On January 1, 2007 the Company has transferred its entire share in Morningtide Investment and Belamy- Peack Corporation to Citadel Capital

- Limited (one of the subsidiaries - which are wholly owned by the company) for increasing the Company's share in the Citadel Capital Limited.
- On June 10, 2007 the company has sold its share in the National Company for River Transportation to Regional Investment Holding (one of the related parties) with the par value.
 - Other revenues presented in the income statement include an amount of LE 27 604 834 represents the difference between the amount collected from Orient Investment of US\$ 7.5 million (equivalent to LE 42 787 500) and the amount spent directly of LE 15 182 666 in addition to the indirect expenses that were represented in salaries, travel expenses, consultancy and meeting expenses till the date of starting operation of Orient Investment.
 - General & administrative expenses include an amount of LE. 13 400 000 represents financial & technical consultancy for Emirates International for Investments Company (one of the shareholders with a percentage of 16.08%) according to the signed contract between the two companies on April 1, 2007.
 - The company has signed a contract with Citadel Capital Partners (the main shareholder with a percentage of 64.19%) to arrange all air travel for the six members of Citadel Capital S.A.E's executive Committee for quarterly fees amounted to US\$ 1 million (equivalent to LE 22 534 500) which is recognized in General & Administrative expenses.
 - During December 2007 the company has sold some of its investments to its subsidiary (Citadel Capital Holding for Financial Investments) by a transaction amounted to LE 359 129 296 represented as follows:

Company's name	<u>LE</u>
Golden Crescent Investment Ltd.	256 224 388
Citadel Capital Ltd.	14 262 523
Falcon Agriculture Investments Ltd.	88 642 385
Total	<u>359 129 296</u>

- Advisory fee item presented in the income statement as at December 31, 2007 amounted to LE. 9 261 791 are represented in the advisory services provided to other related parties as follows:

Company's name	<u>LE</u>
Mena Glass Ltd.	1 426 246
Mena Home Furnishings Mall	402 478
Regional Investment Holding	987 565
Falcon Agriculture Investments Ltd.	2 386 153
Logria Corporation Ltd.	4 059 349
Total	<u>9 261 791</u>

21. Tax Status

Corporate tax

- The company's books have not been inspected yet.
- The company had submitted its tax return on regular basis for 2005 and 2006 according to tax law No. 91/2005.

Payroll tax

The company deducts the payroll tax according to tax law no. 91 / 2005 and no tax inspection for payroll tax has taken place yet.

Stamp tax

The company was not inspected yet.

Withholding tax

The company applies the withholding tax provisions on its transactions according to tax law No. 91/2005.

22. Subsequent events

The Company's extra ordinary meeting held on February 20, 2008 approved to add a new article to the company Article of Association to adopt a plan or more to motivate employees, managers and executive board of directors – Employees Stock Option Plan (ESOP) in accordance with decision No. 282 for 2005 which modified executive regulation for the law No 159 / 1981.

23. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.