Citadel Capital Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the year ended 31 December 2007
&
Auditor's Report Thereon

Contents

KPMG

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Auditor's Report

To: The Shareholders of Citadel Capital Company

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

We conducted our audit in accordance with Egyptian Standards on Auditing and 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2007, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards.

Hassan Baa

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, 8 April, 2008

Citadel Capital (S. A. E)
Consolidated balance sheet as at 31 December 2007

	Note	2007 LE	2006 LE
Assets			
Fixed assets	(5)	1 640 756 680	696 261 640
Intangible assets	(6)	481 791 267	383 062 972
Investments in associates	(7)	73 051 041	43 636 703
Other investments	(8)	1 809 376 786	742 128 861
Deferred tax assets	(18)	218 695	218 695
Total non-current assets		4 005 194 469	1 865 308 871
Inventories	(9)	475 313 599	352 902 710
Other investments	(8.5)	49 151 975	54 149 311
Trade and other receivables	(10)	1 182 675 278	688 448 327
Assets held for sale	(11)	138 489	--
Cash and cash equivalents	(12)	1 130 648 931	1 301 864 902
Total current assets		2 837 928 272	2 397 365 250
Total assets		6 843 122 741	4 262 674 121
Equity			
Share capital	(13)	1 650 000 000	912 762 572
Reserves	(14)	55 277 532	8 710 884
Retained earnings		209 524 061	1 253 656 452
Net profit (loss) for the year		657 038 216	(103 147 001)
Prepaid / interim dividends	(15)	(575 808 114)	(894 896 684)
Total equity attributable to equity holders of the Company		1 996 031 695	1 177 086 223
Minority interest		2 593 464 524	1 637 782 642
Total equity		4 589 496 219	2 814 868 865
Liabilities			
Loans and borrowings	(16)	481 626 990	244 278 771
Long-term liabilities	(17)	38 130 099	--
Deferred tax liabilities	(18)	9 991 196	8 273 104
Total non-current liabilities		529 748 285	252 551 875
Banks overdraft	(19)	424 818 655	129 306 046
Loans and borrowings	(16)	165 118 072	114 522 429
Trade and other payables	(20)	967 439 400	773 428 389
Provisions	(21)	166 502 110	177 996 517
Total current liabilities		1 723 878 237	1 195 253 381
Total liabilities		2 253 626 522	1 447 805 256
Total equity and liabilities		6 843 122 741	4 262 674 121

The notes on pages 6 to 44 are integral part of these consolidated financial statements.

Auditor's report "attached"

Chairman	Managing Director	Managing Director / CFO
Dr. Ahmed Heikal	Hisham Hussein El Khazindar	Ahmed EL Shamy

Citadel Capital (S. A. E)
Consolidated income statement for the year ended 31 December 2007

	Note	2007 LE	2006 LE
Revenue	(22)	1 958 472 145	1 130 536 116
Cost of sales		(1 557 876 167)	(853 218 884)
Gross profit		400 595 978	277 317 232
Other income	(23)	1 216 440 201	14 902 286
Administrative expenses		(399 078 660)	(230 480 643)
Other expenses	(24)	(398 579 193)	(91 319 374)
Results from operating activities		819 378 326	(29 580 499)
Share of profit on associates		10 314 869	--
Finance income	(25)	62 516 669	93 527 664
Finance expenses	(26)	(151 311 218)	(62 315 659)
Net finance (expense) income		(78 479 680)	31 212 005
Profit before income tax		740 898 646	1 631 506
Income tax expense	(28)	(45 315 830)	(51 579 393)
Profit (loss) for the year		695 582 816	(49 947 887)
Attributable to:			
Equity holders of the Company		657 038 216	(103 147 001)
Minority interest		38 544 600	53 199 114
Profit (loss) for the year		695 582 816	(49 947 887)
Earnings per share	(29)	3.4	(1.13)

The notes on pages 6 to 44 are integral part of these consolidated financial statements.

Citadel Capital (S. A. E)
Consolidated statement of changes in equity for the year ended 31 December 2007

	Note	Share capital	Reserves			Retained earnings	Net profit / (loss) for the year	Interim /prepaid dividends	Total
			Legal reserve	Fair value reserve	F.C. translation reserve				
		LE	LE	LE	LE	LE	LE	LE	LE
Balance as at December 31,2005	(13)	2 000 000	--	--	--	--	1 127 347 939	(545 761 820)	583 586 119
Share capital increase	(13)	910 762 572	--	--	--	--	--	--	910 762 572
Exchange differences relating to foreign operations	(3-b)	--	--	--	7 329 780	--	--	--	7 329 780
Changes in the fair value of available – for– sale investments	(3-c)	--	--	1 217 044	--	--	--	--	1 217 044
2005 dividend payout	(3-q)	--	164 060	--	--	1 127 183 879	(1 127 347 939)	--	--
Notional Capital contribution - CCL	(3-a)	--	--	--	--	126 472 573	--	--	126 472 573
Interim dividends according to the ordinary general assembly meeting held on May 9, 2006	(15)	--	--	--	--	--	--	(349 134 864)	(349 134 864)
Net loss for the year		--	--	--	--	--	(103 147 001)	--	(103 147 001)
Balance as at January 1, 2007		912 762 572	164 060	1 217 044	7 329 780	1 253 656 452	(103 147 001)	(894 896 684)	1 177 086 223
Net loss for 2006		--	47 684 293	--	--	(1 045 727 978)	103 147 001	894 896 684	--
Employees and board of directors' share in profit		--	--	--	--	(8 732 230)	--	--	(8 732 230)
Notional capital distribution – NRT	(3-a)	--	--	--	--	10 327 817	--	--	10 327 817
Share capital increase	(13)	737 237 428	--	--	--	--	--	--	737 237 428
Exchange differences relating to foreign operations	(3-b)	--	--	--	(1 475 924)	--	--	--	(1 475 924)
Changes in the fair value of available -for- sale investments	(3-c)	--	--	358 279	--	--	--	--	358 279
Net profit for the year		--	--	--	--	--	657 038 216	--	657 038 216
Prepaid dividends	(15)	--	--	--	--	--	--	(575 808 114)	(575 808 114)
Balance as at December 31, 2007		1 650 000 000	47 848 353	1 575 323	5 853 856	209 524 061	657 038 216	(575 808 114)	1 996 031 695

The notes on pages 6 to 44 are integral part of these consolidated financial statements.

Citadel Capital (S. A. E)
Consolidated statement of cash flows for the year ended 31 December 2007

	2007	2006
	LE	LE
Profit before tax	740 898 646	1 631 506
Adjustments for:		
Depreciation and amortisation	75 561 856	82 140 001
Provisions formed	37 548 555	75 562 080
Provisions used	(27 337 565)	(215 826)
Deconsolidation of EPBC	43 055 798	--
Reversal of provisions	(28 868 197)	(2 256 389)
Impairment loss on trade and other receivables	62 615 201	--
Loss on sale of assets acquired for resale	--	159 156
Reversal of impairment of assets	(6 176 442)	--
Gains on sale of assets held for sale	(9 621 158)	--
Gains on sale of investment in subsidiaries	--	(10 773 651)
Gains on sale of fixed assets	(528 045)	(4 961 115)
Impairment loss on investment in subsidiaries`	--	1 082 797
Impairment loss on goodwill	20 000 000	--
Impairment loss on available for–sale-investments	--	11 491 020
Impairment loss on fixed assets	--	6 000 000
Notional capital distribution / contribution	10 327 817	126 472 573
Share of profit on associates	(10 314 869)	--
Gains on sale of available-for-sale investments	(39 931 842)	(36 797 121)
Net change in the fair value of investments held for trading	(433 847)	(29 534)
Exchange differences	(25 608 073)	(8 011 288)
Operating gain before changes in working capital	841 187 835	241 494 209
Change in inventories	(122 100 768)	(131 619 287)
Change in trade and other receivables	(550 975 831)	(129 283 448)
Change in investments held for trading	5 431 183	(33 996 376)
Change in trade and other payables	119 519 358	144 630 382
Net cash from operating activities	293 061 777	91 225 480
Cash flow from investing activities		
Acquisition of fixed assets	(1 007 865 757)	(280 936 155)
Proceeds from sale of fixed assets	17 367 953	62 246 182
Acquisition of other investments	(652 178 460)	(599 710 324)
Acquisition of associates and subsidiaries	(755 930 983)	(43 636 703)
Proceeds from sale of other investments	339 615 981	--
Acquisition of intangible assets	(102 845 565)	(382 485 546)
Proceeds from sale of subsidiaries	--	20 182 480
Cost of acquisition subsidiaries	--	(9 408 829)

Citadel Capital (S. A. E)
Consolidated statement of cash flows for the year ended 31 December 2007

	2007	2006
	LE	LE
Cost of acquisition share of (ASCOM)	(3 612 328)	--
Proceeds from sale of assets held for sale	13 094 997	--
Proceeds from sale of available for sale investments	--	82 888 354
Proceeds from sale of assets acquired for resale	--	61 053 347
Net cash used in investing activities	(2 152 354 162)	(1 089 807 194)
Cash flows from financing activities		
Proceeds form issuance share capital	737 237 428	910 762 572
Proceeds from capital related to minority	939 900 369	1 423 028 310
Dividends related to minority	(22 763 087)	(109 413 761)
Dividends payout	(8 732 230)	--
Banks overdraft	295 512 609	84 842 663
Proceeds from borrowings	287 943 862	115 015 149
Increase in long-term liabilities	34 785 577	--
Prepaid dividends	(575 808 114)	(349 134 864)
Net cash from financing activities	1 688 076 414	2 075 100 069
Net change in cash and cash equivalents during the year	(171 215 971)	1 076 518 355
Cash and cash equivalents at 1 January	1 301 864 902	225 346 547
Cash and cash equivalents at 31 December	1 130 648 931	1 301 864 902

The notes on pages 6 to 44 are integral part of these consolidated financial statements.

1. Reporting entity

Citadel Capital Company (the "Company") is an Egyptian Joint Stock Company domiciled in the Arab Republic of Egypt. The address of the Company's registered office is 3 El Yemen St., Dokki - Giza.

The company is a private equity firm operating in the Middle East and North Africa (MENA) region, with completed and committed transactions. The company focuses primarily on the emerging economies of the MENA region, particularly Egypt, Algeria, Libya and Syria.

The company also invest selectively in other areas that are a natural outgrowth of the primary market, including sub- Saharan Africa.

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and applicable laws and regulations.

The financial statements were approved by the Board of Directors on [date].

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the followings:

- Financial instruments at fair value through the profit and loss
- Available-for-sale financial assets measured at fair value

The methods used to measure the fair value are discussed in note 4.

c) Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound, which is the Company's functional currency.

d) Used of estimate and judgements

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 6 measurement of the recoverable amounts of cash-generating units containing goodwill
- Note 21 provisions
- Note 8-1 and 8-2 valuation of financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation note no 37.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Acquisition of additional non controlling equity interest after business combination is accounted for as equity transaction.

(ii) Acquisitions from minorities and entities under common control

Business combinations arising from transfers of interests from minorities or in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated when practical. The assets and liabilities acquired are recognized at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entity or attributable to the minorities are added to the same components within the Group equity except that any share capital of the acquired entities is recognized as notional capital contribution. Any cash paid for the acquisition / distribution is recognized directly in equity.

(iii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised directly in equity.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Egyptian Pound at exchange rates at the reporting date.

The income and expenses of foreign operations are translated to Egyptian Pound at the exchange rate at the reporting date.

Foreign currency differences are recognised directly in equity in foreign currency translation reserve (FCTR). Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

c) Financial instruments

The group does not hold derivative financial instruments for hedging or trading purposes.

Non -derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3-x .

Available-for-sale investments

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note g) and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

d) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

e) Fixed assets

(i) Recognition and measurement

Fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs related to the acquisition or constructions of qualifying assets are recognised in profit or loss as incurred, with the exception of borrowing costs directly attributable to the construction and acquisition of new assets which are capitalized as part of the relevant assets cost and depreciated over assets' estimated useful lives. This capitalization ceases once the assets become in operational condition and ready for use.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the fixed asset and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20-50 years
Computer equipment	3 years

Furniture and fixtures	4 years
Tools and equipment	4 years
Cars and vehicles	4 years
Leasehold improvements and renovations	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Projects under construction

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

f) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

g) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for intangible assets range between 3, 4, 7 and 20 years.

h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 amortised 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 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 recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised 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 recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

i) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) thatare expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

j) Trade and other receivables

Non-interest bearing short-term trade and other receivables are stated at cost less impairment losses. An impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. 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 asset is reduced through the use of an allowance account, and the amount of the loss relating to trade receivables is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are based on the weighted average or first-in first-out principles depending on the nature of the inventory, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

l) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

m) Trade and other payables

Short-term trade and other payable are stated at cost.

n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event and it is 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.

o) Interest bearing borrowings

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

p) Legal reserve

As per the Company's statutes, 5% of net profit for the year is set aside to form a legal reserve. Transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued share capital. However, if the reserve balance falls below 50% of the Company's issued share capital transfers to the legal reserve are required to be resumed. The legal reserve is non-distributable but can be used to offset losses or to increase the issued share capital.

q) Dividends

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

r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

s) Earnings per share

The Group presents basic and diluted 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

t) Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

u) Employees benefits

(i) Pensions

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

(ii) Other short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

v) Revenue

(i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Construction contract

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.
The stage of completion is assessed by reference to cost incurred to date and the total estimated cost for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

w) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

x) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, dividend income is reported in other income caption in the income statement.

y) Financial income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on available-for-sale financial assets and financial assets at fair value through profit and loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

z) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Intangible assets

Intangible assets are stated at historical cost and amortized over a period of 3, 4, 7 and 20 years.

Other intangible assets that have finite useful lives are measured at cost less accumulated impairment loss.

(ii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Investment in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Fixed assets

	Land	Buildings	Lease hold improvements	Furniture & fixtures	Machines & equipment	Computer equipment	Transportation means	Barge	Assets on sites	Assets under construction	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Cost as at 1/1/2007	115 525 407	178 803 641	598 609	91 893 014	359 864 787	24 211 292	42 379 523	--	1 211 252	98 156 980	912 644 505
Deconsolidation of subsidiary	(3 500 000)	(5 010 568)	--	(412 658)	(43 468 991)	--	(150 000)	--	--	--	(52 542 217)
Acquisition through business combination	8 519 981	7 578 075	--	7 917 094	27 090 063	--	1 766 823	--	--	--	52 872 036
Foreign currency translation differences	3 083 664	891 361	1 370	679 179	(142 078)	2 068 580	46 591	--	--	--	6 628 667
Additions	82 106 609	45 195 311	291 228	35 207 698	135 350 388	1 481 678	25 699 289	8 583 000	792 707	688 933 986	1 023 641 894
Disposals	--	(59 083)	(40 247)	(759 122)	(16 272 006)	(6 961)	(2 019 055)	--	--	--	(19 156 474)
Cost as at 31/12/2007	205 735 661	227 398 737	850 960	134 525 205	462 422 163	27 754 589	67 723 171	8 583 000	2 003 959	787 090 966	1 924 088 411
Accumulated depreciation as at 1/1/2007	--	19 075 644	187 179	40 157 983	122 667 520	6 139 772	27 707 506	--	447 261	--	216 382 865
Deconsolidation of subsidiary	--	(381 872)	--	19 653	(16 447 044)	--	(62 500)	--	--	--	(16 871 763)
Acquisition through business combination	--	2 415 798	--	1 872 713	7 818 061	--	89 519	--	--	--	12 196 091
Foreign currency translation differences	--	19 622	(876)	(140 896)	387 125	75 203	23 503	--	--	--	363 681
Depreciation	--	6 901 841	138 878	17 035 697	38 890 700	2 472 838	7 541 407	348 925	247 137	--	73 577 423
Disposals	--	(9 343)	(29 068)	(413 377)	(179 857)	(2 524)	(1 682 397)	--	--	--	(2 316 566)
Accumulated depreciation as at 31/12/2007	--	28 021 690	296 113	58 531 773	153 136 505	8 685 289	33 617 038	348 925	694 398	--	283 331 731
Net book value as at 31 December 2007	205 735 661	199 377 047	554 847	75 993 432	309 285 658	19 069 300	34 106 133	8 234 075	1 309 561	787 090 966	1 640 756 680
Net book value as at 31 December 2006	115 525 407	159 727 997	411 430	51 735 031	237 197 267	18 071 520	14 672 017	--	763 991	98 156 980	696 261 640

- Assets under construction include the cost incurred on the Suez administrative building for LE 320 224, electricity stations for LE 20 443 016, Asec Cement Holding Manufactory for LE 731 284 788 as well as other projects for LE 32 15 951.

6. Intangible assets

	Goodwill LE	Patents LE	Others LE	Total LE
Cost				
Balance as at 1 January 2007	374 699 020	6 763 836	6 073 226	387 536 082
Foreign currency translation differences	17 867 163	--	--	17 867 163
Acquisitions through business combinations	137 741 001	--	20 566 606	158 307 607
Disposal	(55 462 042)	--	--	(55 462 042)
Balance as at 31 December 2007	474 845 142	6 763 836	26 639 832	508 248 810
Amortization and impairment loss				
Balance as at 1 January 2006	--	4 322 346	--	4 322 346
Amortisation	--	150 764	--	150 764
Balances at 31 December 2006	--	4 473 110	--	4 473 110
Balance as at 1 January 2007	--	4 473 110	--	4 473 110
Amortisation	--	584 349	1 400 084	1 984 433
Impairment loss	20 000 000	--	--	20 000 000
Balance as at 31 December 2007	20 000 000	5 057 459	1 400 084	26 457 543
Carrying amounts				
At 31 December 2007	454 845 142	1 706 377	25 239 748	481 791 267
At 31 December 2006	374 699 020	2 290 726	6 073 226	383 062 972

6.1 Goodwill is relating to the acquisition of the following subsidiaries:

	2007 LE	2006 LE
Alamia for Taqa Company	56 056 190	--
ESACO	46 961 354	--
Mashreq Petroleum Company	32 143 224	--
Nile Valley Company	98 690 816	93 777 689
Trans Gas Company	19 330 295	39 330 293
Gulf Gas Energy Company	1 476 337	--
REPECO Gas Company	5 982 761	5 982 759
Gas and Energy Company (GENCO)	180 313 397	160 658 362
Master Gas Company	566 471	--
International Company for Gas Work (House Gas)	959 797	180 004
City Gas Company	12 364 500	11 025 712
Global Energy Company	--	63 744 201
	454 845 142	374 699 020

6.2 Patents

Patents are capitalised and amortised over a period of 4 to 5 years.

6.3 Other intangible assets are represented in

	2007 LE	2006 LE
Customer lists	20 541 880	--
City gas study	2 332 603	3 499 088
Service fees	1 815 521	1 980 568
Computer software	549 744	593 570
	25 239 748	6 073 226

The amortisation and impairment loss are recognised in other expenses caption in the income statement.

7. Investments in associates

The Group investments in associates are represented in :

	Percentage		Carrying amount	
	2007 %	2006 %	2007 LE	2006 LE
Dar El Shrooq	--	30	--	30 101 250
Qatar Gas	23	23	2 394 764	2 500 429
El Kateb for Marketing & Distribution	48,88	--	121 561	--
Pharos	35	--	54 373 561	--
Elsharq	40	--	10 152 339	--
ASCOM for Mining - Emirates	49	49	4 958 816	9 985 024
Aresco KSA Company	35	35	1 050 000	1 050 000
			73 051 041	43 636 703

Summary financial information on associates (equity accounted investees)

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Expenses
	LE	LE	LE	LE	LE	LE	LE	LE
2007								
Pharos company	547 520 440	20 815 059	568 335 499	456 689 292	296 301	456 985 593	36 897 636	23 392 866
El Kateb company	1 978 198	5 477 000	7 455 198	7 211 473	--	7 211 473	--	6 275
El Sherouk company	56 863 617	146 845 078	203 708 695	106 188 708	--	106 188 708	103 376 234	81 966 152
El Sharq company	3 439 438	2 762 577	6 202 015	3 787 087	1 610 520	5 397 607	11 668 154	10 709 061
Lotus Management Investment	28 054 344	62 819 761	90 874 105	4 418 376	--	4 418 376	188	1 807 459
Capalla	29 383 190	39 183 793	68 566 983	2 699 834	--	2 699 834	--	1 736 503
Ascom for Mining – Emirates company	8 221 001	34 133 481	42 354 482	9 596 896	26 334 808	35 931 704	16 763	4 912 269

During 2007, the Group acquired/ participated in the following investments:
El Kateb for Marketing & Distribution company
Pharos company
Elsharq company
ASCOM for Mining – Emirates

8. Other investments

	Note	2007 LE	2006 LE
Non-current investments:			
Available-for-sale investments			
Debt securities available–for-sale - Foreign	8.1	--	299 864 139
Equity securities available-for-sale	8.2	512 596 419	19 242 986
Available-for-sale investments (net)		512 596 419	319 107 125
Payments for investments	8.3	1 238 161 922	423 021 736
Assets for investments acquisition	8.4	58 618 445	--
		1 809 376 786	742 128 861
Current investments:			
Investments held for trading	8.5	49 151 975	54 149 311
		1 858 528 761	796 278 172

8.1 The balance of December 2006 represented the Group investment in Shahama Investment Certificates, issued by the Sudanese Government. The certificates are listed on Khartoum Stock Exchange, the certificates price as of 31 December 2006 is SD 10 600 460 350 (equivalent to LE 299 864 139). During 2007, the certificates were sold and the Group realized a net gain of LE 26 200 000 included in income statement.

8.2 The amount represents the Group investments in a number of unlisted companies domiciled in Egypt.

8.3 The amounts represent payments made by the Group for new investments or increasing its existing participation interest in affiliates. The details of these payments are as follows:

	2007 LE	2006 LE
Al-Watanya for Merchandies Transportation	--	250 000
Al-Watanya for Rivers Ports Administration	--	250 000
Al-Watanya for Navigation Ports Administration	--	250 000
Grand View Investment Holding	58 723 092	44 923 842
Morningtide Investment Ltd.	--	206 615 060
Golden Crescent Investment Ltd.	256 224 388	120 485 401
Orient Investment	44 922 667	265 000
Lotus Management Investment.	35 830 634	24 383 950
Capella Management Investment	37 001 098	24 383 950
Aroco Steel	932 199	--
Logria Holding Corporation	209 939 625	--
Sudanese Egyptian Bank	3 592 938	--

	2007 LE	2006 LE
Medcom National Development and Trading Company	914 019	914 019
National Development & Trading Company (IRAQ)	300 514	300 514
Zahana Algeria	279 730 000	--
Mena Home Furnishings	11 280 000	--
Mena Glass Ltd.	83 706 081	--
Falcon Agriculture Investments	88 642 385	--
CC Algeria	6 236 762	--
Dar El-Sheouk Ltd	64 642 360	--
Ameryah Metal & Alexandria for Car Foundries	54 905 000	--
Others	638 160	--
	1 238 161 922	423 021 736

8.4 Assets for investments acquisition

The balance of assets for investments acquisition is represented the following:

- An amount of US $ 2 million for assigning of license of constructing a black cement factory in Arab Republic of Syria for Asec Syria Cement Company and an amount of Syrian Lira 58 million for geological research and the exploitation of GRD company Cement plant for manufacturing and trading.
- An amount of US $ 6.7 million for the exploitation right of the land specified for the implementation of the project.
- An amount of US $ 524 thousand represents the value of Geological Research on the Land provided by Orascom Company.

8.5 Investments held for trading are represented in:

	2007 LE	2006 LE
Abo-Keer Fertilizers	16 747	14 000
Al-Shrooq for Printing	1 471 439	1 167 417
Egyptian Gulf Bank	--	23 447 550
Mutual Funds' certificates	47 663 789	15 513 407
Treasury Bills	--	14 006 937
	49 151 975	54 149 311

The financial assets designated at fair value through profit and loss are equity securities, treasury bills and investments certificates.

9. Inventories

	2007	2006
	LE	LE
Spare parts	222 357 377	235 263 507
Raw materials	175 700 875	61 680 110
Work in progress	33 474 168	37 911 937
Finished goods	11 334 105	11 167 686
Tools	675 910	12 516 991
Goods in transit	8 613 035	85 478
Others	31 940 911	9 312 093
	484 096 381	367 937 802
Write down	(8 782 782)	(15 035 092)
	475 313 599	352 902 710

10. Trade and other receivables

	Note	2007	2006
		LE	LE
Trade receivables	10.1	303 289 459	272 914 814
Other receivables	10.2	645 749 850	365 576 361
		949 039 309	638 491 175
Due from related parties	10.3	233 635 969	49 957 152
		1 182 675 278	688 448 327

10.1 Trade receivables are represented in:

	2007	2006
	LE	LE
Customers	336 885 100	297 160 000
Notes receivable	6 954 765	2 281 446
	343 839 865	299 441 446
Impairment	(40 550 406)	(26 526 632)
	303 289 459	272 914 814

10.2 Other receivables are represented in:

	2007	2006
	LE	LE
Prepaid Expenses	10 976 938	11 060 477
Deposits with others	75 269 412	26 722 279
Tax Authority	51 184 260	44 035 039
Advances to suppliers	228 661 805	79 462 895
Advances to employees	3 759 800	2 203 901
Letters of credits	5 153 358	13 627 149
Letters of guarantee margin	14 748 505	37 429 154
Debit balances under settlement	71 106	59 919 660
Imprest	3 710 935	1 187 446
Customs Authorities	1 959 667	--
Employees' share in profit paid in advance	10 430 383	--
Accrued revenue	118 247 281	24 973 580
Retentions	6 440 681	--
Advanced payment to purchase fixed assets	11 015 052	--
Sundry debit balances	121 197 867	77 574 738
	662 827 050	378 196 318
Impairment	(17 077 200)	(12 619 957)
	645 749 850	365 576 361

10.3 Due from related parties

During the year the Group made payment on behalf of and provided services to certain companies in which it holds directly and indirectly insignificant financial interest. Total payment made on behalf of these companies is LE 85 162 979, total under capital participation is LE 7 211 473, the total current account is LE 470 143, total finance account is LE 134 224 648, settled letter of guarantee is LE 6 566 726.

11. Assets held for sale

The balance of assets held for sale in the balance sheet as of December 31, 2007 amounting to LE 138 489 represents the unsold portion of National Development and Trading Company (one of the subsidiaries – 59.18%) share in the capital of ASEC Company for Geology & Mining - ASCOM (5 195 shares represent 0.28%).

12. Cash and cash equivalents

	2007	2006
	LE	LE
Cash	1 522 519	2 778 664
Cheques under collection	16 647 641	4 379 409
Banks current account	525 573 934	457 386 586
Call deposits	586 904 837	837 320 243
Cash and cash equivalents in the statement of cash flow	1 130 648 931	1 301 864 902

12.1 Non cash transactions

For purpose of preparing cash flow, the following transactions have been eliminated:
Amount of LE15 776 137 from acquisition of fixed assets and other credit balances (the amount represents purchased fixed assets not paid).
Amount of LE 18 462 300 from payment under investment and current account - debit balance (represent transfer from current account balances to payment under investment).
Amount of LE 249 700 from proceeds from sales of investment and current account – debit balances (the balance represent transfer from current account to investment).

13. Share capital

	2007	2006
	LE	LE
On issue at 1 January	912 762 572	2 000 000
Issued for cash	737 237 428	910 762 572
On issue at 31 December	1 650 000 000	912 762 572

The Company's authorised share capital, on inception, was fixed at LE 2.5 million and the issued share capital was fixed at 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 23 February 2006, the extraordinary shareholders meeting approved the increase of the issued and paid in share capital from LE 2 million to LE 1 billion, represented in 200 million share 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 3 October 2007, the extraordinary shareholders meeting approved increasing the issued and paid in share capital by LE 194 767 565 by issuing 38 953 513 share of a par value of a par value of LE 5 each. The share capital increase was paid for in full and accordingly the issued and paid in share capital became LE 1 194 767 565 represented in 238 593 513 share.

The Commercial Register was updated on 15 November 2007 to reflect the share capital increase.

On 26 December 2006, the extraordinary shareholders meeting approved increasing the issued and paid in share capital from LE 1 194 767 565 to LE 1 650 000 000 by issuing 330 million 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 1 650 000 000 represented in 330 million share. The Commercial Register was updated on 31 December 2007 to reflect the share capital increase.

14. Reserves

14-1 Legal reserve

As per the Company's statutes, 5% of net profit for the year is set aside to form a legal reserve. Transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued share capital. However, if the reserve balance falls below 50% of the Company's issued share capital transfers to the legal reserve are required to be resumed. The legal reserve is non-distributable but can be used to offset losses or to increase the issued share capital.

14-2 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

15. Prepaid / interim dividends

- The balance as at 31 December 2007 represents payment made to the shareholders on account of dividends of the year 2007.
- The balance as at 31 December 2006. The Company's ordinary general meeting held on 9 May 2006 approved the distribution of interim dividends to the shareholders, board of directors and employees.

16. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost for information about the Group's exposure to interest rate foreign currency risks, see note no.30

	2007	2006
	LE	LE
Non-current liabilities:		
Secured bank loans	481 626 990	244 278 771
	481 626 990	244 278 771
Current liabilities:		
Secured bank loans	165 118 072	114 522 429
	165 118 072	114 522 429

Bank loans are secured by a pledge on the shares of some subsidiaries, certain properties, cash flow relating to certain projects and promissory notes.

17. Long-term liabilities

	2007	2006
	LE	LE
Deposits from others	29 869 958	--
Port Said Authority	2 769 107	--
Sales tax	910 562	--
Others	4 580 472	--
	38 130 099	--

18. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	LE	LE	LE	LE	LE	LE
Fixed assets	--	--	9 991 196	8 273 104	(9 991 196)	(8 273 104)
Provisions	218 695	218 695	--	--	218 695	218 695
	218 695	218 695	9 991 196	8 273 104	(9 772 501)	(8 054 409)

19. Banks overdraft

Overdraft balances represent short-term credit facilities granted to the Group, the overdraft facilities are partially secured by promissory notes, saving certificates, shipping documents, contract demission. The unsecured portion amounts to LE 99 477 090 in 2007 (2006: 33 155 289).

20. Trade and other payables

	Note	2007	2006
		LE	LE
Trade payables	20.1	417 865 406	400 749 499
Due to related parties	20.2	157 209 390	55 005 661
Other credit balances	20.3	392 364 604	317 673 229
		967 439 400	773 428 389

20.1 Trade payables

	2007	2006
	LE	LE
Suppliers	143 060 002	10 780 544
Deposits from others	23 572 709	25 447 201
Notes payable	49 263 259	58 218 475
Advances from customers	174 587 573	293 288 481
Customers credit balance	--	2 015 688
Deferred revenue	27 381 863	10 999 110
	417 865 406	400 749 499

20.2 Due to related parties

The amounts due to related parties are principally represented in payments made on behalf of the Group by other companies in which the Group holds directly and indirectly insignificant interest, the total value of these payments is LE 53 613 270, as well as payments made by a shareholder on behalf of the Group amounting to LE 103 596 120 .

20.3 Other credit balances

	2007	2006
	LE	LE
Tax Authority	79 212 072	78 973 842
Social Insurance Authority	3 908 986	4 803 067
Accrued expenses	67 129 461	24 405 276
Dividends payable	8 177 960	7 920 585
Employees' fund	1 875 339	17 427
Accrued interest	3 476 221	--
Subcontractors	55 600 395	--
Sundry credit balances	172 984 170	201 553 032
	392 364 604	317 673 229

21 Provisions

	Claims	Lawsuits	Others	Total
	LE	LE	LE	LE
Balance as at 1 January 2007	134 985 187	350 000	42 661 330	177 996 517
Deconsolidation of EPBC	(183 601)	(250 000)	--	(433 601)
Acquired through business combination	7 596 401	--	--	7 596 401
Provisions formed	24 588 129	--	12 960 426	37 548 555
Provisions used	(24 447 564)	--	(2 890 001)	(27 337 565)
Reversal of provisions	(12 894 062)	--	(15 974 135)	(28 868 197)
Balance as at 31 December 2007	129 644 490	100 000	36 757 620	166 502 110

Claims provisions relate to claims expected to be made by external party in connection with the Company's operations. The information usually required by Accounting Standards is not disclosed because the management believes that it would seriously prejudice the outcome of the negotiation with that external party. These provisions are reviewed by management every year and the amount provided is adjusted based on latest development, discussions and agreements with the external party.

22 Revenue

	2007	2006
	LE	LE
Sales	1 943 796 095	1 117 294 741
Consulting income	14 676 050	13 241 375
	1 958 472 145	1 130 536 116

23 Other income

	2007	2006
	LE	LE
Gains on sale of fixed assets	528 045	4 961 115
Advisory fees	9 261 791	--
Dividend income	1 142 490 446	5 202 881
Others *	64 159 919	4 738 290
	1 216 440 201	14 902 286

* Other revenue include an amount of LE 27 604 834 represent difference between proceeds from Orient Investment Company by an amount of US$ 7 500 000 (equivalent to LE. 42 787 500) and payment an amount of LE 15 182 666 (represent settlement expenses on behalf of Orient Investment Company) and that accordance to contract between the two parties.

24 Other expenses

	2007	2006
	LE	LE
Provision formed	37 548 555	75 562 080
Consulting expense	375 441 981	--
Impairment loss on goodwill	20 000 000	--
Impairment loss on investments in subsidiaries	--	11 491 020
Impairment loss on fixed assets	--	6 000 000
Reversal of provisions	(28 868 197)	(2 256 389)
Reversal of impairment loss	(6 176 442)	--
Others	633 296	522 663
	398 579 193	91 319 374

25 Finance income

Recognized in the income statement

	2007	2006
	LE	LE
(Loss) /gains on sale of investments held for trading	(1 616 541)	5 442 972
Gains on sale of investment available-for-sale	39 931 842	36 797 121
Gain on sale of investment in subsidiaries	--	10 773 651

	2007	2006
	LE	LE
Gains on sale of assets held for sale	9 621 158	--
Net change in the fair value of investments held for trading	433 847	29 534
Interest on time deposits	14 146 363	40 484 386
	62 516 669	93 527 664

26 Finance expenses

	2007	2006
	LE	LE
Impairment loss on trade and other receivables	62 615 201	1 082 797
Interest on overdraft	84 216 329	49 755 542
Loss on sale of assets acquired for resale	--	159 156
Net foreign exchange loss	4 479 688	11 318 164
	151 311 218	62 315 659

27 Finance income and expenses recognized in equity

	2007	2006
	LE	LE
Foreign currency translation differences	5 256 161	14 984 819
Net change in the fair value of available-for-sale financial assets	2 921 745	2 056 503
Finance income and expense recognized in equity, net of tax	8 177 906	17 041 322
Attributable to:		
Equity holders of the Company	7 429 179	8 546 824
Minority interest	748 727	8 494 498
	8 177 906	17 041 322

28 Income tax expense

	2007	2006
	LE	LE
Current income tax expense	44 160 235	50 411 477
Deferred tax expense	1 155 595	1 167 916
Total income tax expense	45 315 830	51 579 393

29. Earnings per share

The calculation of earnings per share at 31 December 2007 is based on net profit attributable to the equity holders of the Company which amounts to LE 657 038 216 (2006: net loss of LE 103 147 001) and a weighted average number of shares outstanding 101 299 195 (2006: 91 476 257) calculated as follows:

	2007	2006
	LE	LE
Profit (losses) for the year	695 582 816	(49 947 887)
Profit (losses) attributable to equity holders of the Company	657 038 216	(103 147 001)
Weighted average number of shares:		
Issued shares at 1 January 2007	91 476 257	400 000
Effect of shares issued in 2007	101 299 195	91 076 257
	192 775 452	91 476 257
Earnings per share	3.4	(1.13)

30 Financial instruments and management of related risks

The Group's financial instruments are represented in the financial assets and liabilities. Financial assets include cash and cash equivalents, other investments, and trade and other receivables while financial liabilities include; overdraft, loans and borrowing and trade and other payables. Note 3 include significant accounting policies for the recognition and measurement of the important financial instruments and related revenues and expense.

30.1 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest rate risk on its loans and borrowings and time deposit; however, time deposits are short-term in nature

30.2 Exchange rate risk

The exchange rate risk is represented in the fluctuations in exchange rates, which could affect the Group's cash inflows and outflows as well as the value of monetary assets and liabilities denominated in foreign currencies.

30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge his obligation and cause the other party to incur financial loss. The Group's financial assets include trade receivables representing amounts due from customers, time deposits and investment balances; none of these assets has significant concentration of risk. Trade receivables are widely spread among customers' segmentation. Strict credit control is maintained and further appropriate level of impairment loss is made.

The Group manages credit risk on investment by ensuring that investments are made only after careful credit evaluation for these investments. The time deposits are placed with commercial banks after careful credit evaluation of those banks

31 Segmental analysis

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Cement	Mining	Energy	Transportation	Investments
National Co. for Trading and Development	ASEC Company. for Geology and Mining (ASCOM)	Silver Stone Capital Investments	Regional Holding for Investments	Citadel Company for Financial Consultation
Arab Swiss Engineering Company (ASEC)	ASCOM for Chemical and Carbon Manufacturing	Arab Company for Energy and Water (TAQA)	National Company for River Transportation	Citadel Capital Limited BVI
ASEC for Casting and Heat Treatment (ARESCO)		Gas and Energy Group Limited BVI	National Company for Goods Transport	Arab Co. for Financial Investments
United Foundries and Heat Treatment		Gas and Energy Company (GENCO Group) Egypt	National Company for River Ports Management	Sphinx Egypt Company
ASEC Company for Cement Manufacturing		Trans Gas Company	National Company for Sea Ports	Citadel Company for Projects
ASEC Environmental Protection Company (ASENPRO)		Repeco Gas Company	National Company for Transportation and Storage	Citadel Holding for Financial Investments
ASEC Automation (ASA)		Nile Valley Gas Company		Focus Ventures Investments Inc. - BVI
ASEC Research and Technology (ARTEC)		Global Energy		National for Building Materials Trading
ESACO S.A.E		City Gas Company		Citadel Company for Promotion
		International Company for Gas Works (House Gas)		
		Engineering Company for Suez Gulf (EGUSCO)		
		Master Gas Company		
		Gulf Gas and Energy FZE, Dubai		
		Pharaonic Gas Company		
		Alamia for Taqa		
		Mashreq Petroleum S.A.E		

Business segments

	Cement	Mining	Energy	Investments	Transportation	Eliminations	Consolidated
			2007				
	LE	LE	LE	LE	LE	LE	LE
Total external revenues	1 349 217 715	241 362 546	353 215 834	14 676 050	--	--	1 958 472 145
Intersegement revenues	24 875 848	--	--	--	--	(24 875 848)	--
Segment results	1 374 093 563	241 362 546	353 215 834	14 676 050	--	(24 875 848)	1 958 472 145
Gross profit	211 120 339	56 051 403	133 082 911	14 676 050	--	(14 334 725)	400 595 978
Other income	12 318 346	307 806	1 862 428	2 706 844 375	159 633	(1 505 052 387)	1 216 440 201
Administrative expenses	(98 468 467)	(26 654 013)	(47 686 307)	(208 871 355)	(17 398 518)	--	(399 078 660)
Other expenses	(12 913 770)	6 771 436	(15 756 414)	(373 657 038)	(3 023 407)	--	(398 579 193)
Results from operating activities	112 056 448	36 476 632	71 502 618	2 138 992 032	(20 262 292)	(1 519 387 112)	819 378 326
Share of profit of associates	--	(5 026 208)	--	15 341 077	--	--	10 314 869
Finance income	35 676 418	1 773 528	11 640 081	12 319 093	1 107 549	--	62 516 669
Finance expenses	(103 604 966)	(1 374 001)	(28 797 760)	(13 630 345)	(3 904 146)	--	(151 311 218)
Net finance income	(67 928 548)	(4 626 681)	(17 157 679)	(14 029 825)	(2 796 597)	--	(78 479 680)
Income tax expense	(16 830 124)	(5 591 772)	(19 750 989)	(2 931 758)	(211 187)	--	(45 315 830)
Profit for the year	27 297 776	26 258 179	34 593 950	2 150 090 099	(23 270 076)	(1 519 387 112)	695 582 816
Segment assets	3 616 446 356	234 826 960	1 558 498 217	2 436 058 793	506 797 962	(1 869 199 719)	6 483 428 569
Investments in associates	281 994 533	10 623 184	2 394 764	62 343 838	--	2 337 853	359 694 172
Total assets	3 898 440 889	245 450 144	1 560 892 981	2 498 402 631	506 797 962	(1 866 861 866)	6 843 122 741
Segment liabilities	1 293 048 335	65 673 882	526 341 366	428 801 666	23 368 852	(83 607 579)	2 253 626 522
Total liabilities	1 293 048 335	65 673 882	526 341 366	428 801 666	23 368 852	(83 607 579)	2 253 626 522
Depreciation	48 825 637	7 263 009	9 430 996	7 389 672	668 109	--	73 577 423
Amortisation of intangible assets	584 349	--	1 400 084	--	--	--	1 984 433
Impairment loss on intangible assets and fixed assets	--	--	20 000 000	--	--	--	20 000 000

Business segments

	2006						
	Cement	**Mining**	**Energy**	**Investments**	**Other**	**Eliminations**	**Consolidated**
	LE	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**
Total external revenues	799 247 620	209 438 963	108 608 158	13 241 375	--	--	1 130 536 116
Intersegement revenues	--	4 821 143	--	--	--	(4 821 143)	--
Segment results	799 247 620	214 260 106	108 608 158	13 241 375	--	(4 821 143)	1 130 536 116
Gross profit	184 238 094	39 912 118	39 925 645	13 241 375	--	--	277 317 232
Other income	11 713 296	119 548	2 969 487	1 062 398 957	--	(1 062 299 002)	14 902 286
Administrative expenses	(70 561 560)	(13 926 231)	(14 857 767)	(120 771 870)	(10 363 215)	--	(230 480 643)
Other expense	(78 750 215)	436 540	(1 453 189)	(121 485 252)	(61 490)	109 994 232	(91 319 374)
Results from operating activities	46 639 615	26 541 975	26 584 176	833 383 210	(10 424 705)	(952 304 770)	(29 580 499)
Finance income	78 832 856	1 165 060	2 926 883	10 309 577	293 288	--	93 527 664
Finance expenses	(2 898 000)	(783 640)	(3 681 644)	(973 968)	(196 431)	(53 781 976)	(62 315 659)
Net finance income	75 934 856	381 420	(754 761)	9 335 609	96 857	(53 781 976)	31 212 005
Income tax expense	(36 299 454)	(5 464 415)	(6 895 352)	(2 920 172)	--	--	(51 579 393)
Losses for the year	86 275 017	21 458 980	18 934 063	839 798 647	(10 327 848)	(1006 086 746)	(49 947 887)
Segment assets	2 624 100 074	159 645 122	892 664 791	1 150 549 066	89 797 647	(696 623 163)	4 220 013 327
Investments in associates	1 050 000	9 985 024	2 500 429	30 101 250	--	--	43 636 703
Total assets	2 625 150 074	169 630 146	895 165 220	1 180 650 316	89 677 437	(696 623 163)	4 263 650 030
Segment liabilities	876 860 766	95 999 454	417 238 004	190 233 764	5 285	(131 556 108)	1 448 781 165
Total liabilities	876 860 766	95 999 454	417 238 004	190 233 764	5 285	(131 556 108)	1 448 781 165

32 Related parties

32.1 Transactions with shareholders and key management personnel

During 2007, the Company made a payment on account of dividends amounting to LE 575 808 114 to the shareholders.

The Board of Directors approved the payment of a bonus amounting to LE 66 773 494 (2006: 5 639 096) to the key management, the decision will be presented to the first general meeting of the Company for approval. The amount is included in administrative expenses caption in the income statement.

32.2 Transactions with related entities

The Company transferred its entire investment in the Arab Company for Energy and Water to Silverstone Capital Investment (Subsidiary Company).

The transfer was concluded at book value.

33 Tax status

33.1 Corporate tax

The Parent Company's accounting records have not been yet inspected by the tax authority.

The Parent Company submitted its tax return for the first financial period ended on 31 December 2005 within the timeframe prescribed by the Tax Law.

The Parent Company is not subjected to income tax for this year according to the Tax Law No. 91 of 2005.

33.2 Payroll tax

The Parent Company deducts payroll tax according to Tax Law No.91of 2005. The tax authority has not yet inspected the Parent Company's records for the first financial period ended on 31 December 2005.

33.3 Stamp tax

The Parent Company's records have not yet been inspected, by the tax authority, for stamp tax purposes

34. Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest 2007 %	2006 %
Arab Company for Financial Investments	Arab Republic of Egypt	94	94
National Development and Trading Company	Arab Republic of Egypt	53.92	59.18
Citadel Company for Projects	Arab Republic of Egypt	99.9	99.88
Regional Holding for Investments	British Virgin Island	28.77	--
National Company for River Transportation	Arab Republic of Egypt	28.77	99.99
National Company for Goods Transport	Arab Republic of Egypt	99.99	--
National Company for River Ports Management	Arab Republic of Egypt	99.99	--
National Company for Sea Ports	Arab Republic of Egypt	99.99	--
Citadel Capital Ltd BVI	British Virgin Island	100	100
ASEC Company for Geology and Mining (ASCOM)	Arab Republic of Egypt	61.50	70.10
ASCOM for Chemical and Carbon Manufacturing	Arab Republic of Egypt	99.99	--
Citadel Company for Promotion	Arab Republic of Egypt	99.9	99.40
Arab Swiss Engineering Company. (ASEC)	Arab Republic of Egypt	100	100
ASEC for Casting and Heat Treatment (ARESCO)	Arab Republic of Egypt	99.47	98.96
United Foundries and Heat Treatment	Arab Republic of Egypt	90.82	90.82
ASEC Company for Cement Manufacturing	Arab Republic of Egypt	50.99	50.99
ASEC Environmental Protection Company (ASENPRO)	Arab Republic of Egypt	63.01	63.01
ASEC Automation (ASA)	Arab Republic of Egypt	53.64	53.64
Egyptian for Polypropylene Bags Company (EPBC)	Arab Republic of Egypt	--	99.97

Significant subsidiaries (continued)

	Country of incorporation	Ownership interest 2007 %	Ownership interest 2006 %
ASEC Research and Technology (ARTEC)	Arab Republic of Egypt	99	99
ESACO S.A.E.	Arab Republic of Egypt	70	--
National Company for Transportation and Storage	Arab Republic of Egypt	84.88	--
Silver Stone Capital Investments Limited BVI	British Virgin Island	32.54	30.05
Arab Company for Energy and Water (TAQA)	Arab Republic of Egypt	76.25	76.25
Gas and Energy group Limited BVI	British Virgin Island	100	100
Gas and Energy Company (GENCO Group) Egypt	Arab Republic of Egypt	100	100
Sphinx Egypt Company	Arab Republic of Egypt	59.88	59.88
Trans Gas Company	Arab Republic of Egypt	91.58	91.58
Pharaonic Gas Company	Arab Republic of Egypt	98.50	98.50
Repeco Gas Company	Arab Republic of Egypt	100	100
Nile Valley Gas Company	Arab Republic of Egypt	100	100
Global Energy Company	Arab Republic of Egypt	99.99	99.99
City Gas Company	Arab Republic of Egypt	97.92	97.92
International Company for Gas Works (House Gas)	Arab Republic of Egypt	99.38	88.88
Engeneering Company for Suez Gulf (EGUSCO)	Arab Republic of Egypt	97.93	97.93
Master Gas Company	Arab Republic of Egypt	99.99	85.71
Gulf Gas and Energy FZE, Dubai	Unite Arab of Emirates	100	100
Alamia for Taqa	Arab Republic of Egypt	100	--
Mashreq Petroleum S.A.E	Arab Republic of Egypt	95	--
Citadel Holding for Financial Investments	Arab Republic of Egypt	99.99	--
Focus Ventures Investments Inc. - BVI	British Virgin Island	100	--
National for Building Materials Trading	Arab Republic of Egypt	99.88	--

35 Contingencies

ASEC for Mining (ASCOM)

As of December 31, 2007, ASCOM has certain contingent liabilities in favour of banks and other entities. The contingent liabilities are represented in letters of guarantee arising from its ordinary operating activities.

The cover of the letters of guarantee has been included in the balance sheet under the debtors and other debit balances caption.

Ascom's contingent liabilities and cash margins are analyzed as follows:

	Liability Amount		Margin Amount	
	2007	2006	2007	2006
	LE	LE	LE	LE
Letters of guarantee	14 564 415	4 122 090	1 248 529	170 663

Arab Company for Energy (TAQA)

As of December 31, 2007, TAQA has certain contingent liabilities in favour of banks. The contingent liabilities are represented in letters of guarantee issued by TAQA on behalf of its subsidiaries.

The cover of the letters of guarantee has been included in the balance sheet under the debtors and other debit balances caption.

TAQA's contingent liabilities and cash margins are analyzed as follows:

	Liability Amount	Margin Amount
	2007	2007
	LE	LE
Letters of guarantee	25 630 099	1 031 864

36 Subsequent events

- On 1 January 2008, National Development and Trading Company ("NDT"), majority owned subsidiary, sold 2% of its investments in ASEC Cement Company (ACH) to the National Company for Building & Constructions. As a result of the sale NDT's interest in ACH went down from 50.99% to 48.99%.

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

37. Comparative figures

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