

Citadel Capital Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the year ended 31 December 2006

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Auditor's Report Thereon

Contents	Page
Independent auditor report	
Consolidated balance sheet	1
Consolidated income statement	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4-5
Notes to the consolidated financial statements	6-39



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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 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow 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 2006, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards.


KPMG Hazem Hassan

Cairo, 10 April , 2007



Citadel Capital (S.A.E)
Consolidated balance sheet as at 31 December 2006

	Note	2006 LE	2005 LE
Assets			
Fixed assets	(5)	696 261 640	560 599 789
Intangible assets	(6)	383 062 972	728 190
Investments in associates	(7)	43 636 703	--
Other investments	(8)	742 128 861	198 783 746
Deferred tax assets	(17)	218 695	--
Total non-current assets		<u>1 865 308 871</u>	<u>760 111 725</u>
Inventories	(9)	352 902 710	221 283 423
Other investments	(8.5)	54 149 311	20 123 401
Trade and other receivables	(10)	689 424 236	561 223 585
Assets acquired for resale	(11)	--	61 212 503
Cash and cash equivalents	(12)	1 301 864 902	225 346 547
Total current assets		<u>2 398 341 159</u>	<u>1 089 189 459</u>
Total assets		<u>4 263 650 030</u>	<u>1 849 301 184</u>
Equity			
Share capital	(13)	912 762 572	2 000 000
Reserves	(14)	8 710 884	--
Retained earnings		1 253 656 452	--
Net (loss) profit for the year / period		(103 147 001)	1 127 347 939
Interim /prepaid dividends	(15)	(894 896 684)	(545 761 820)
Total equity attributable to equity holders of the Company		<u>1 177 086 223</u>	<u>583 586 119</u>
Minority interest		<u>1 637 782 642</u>	<u>270 968 979</u>
Total equity		<u>2 814 868 865</u>	<u>854 555 098</u>
Liabilities			
Loans and borrowings	(16)	244 278 771	208 719 417
Deferred tax liabilities	(17)	8 273 104	4 385 795
Total non-current liabilities		<u>252 551 875</u>	<u>213 105 212</u>
Banks overdraft	(18)	129 306 046	44 463 383
Loans and borrowings	(16)	114 522 429	35 066 634
Trade and other payables	(19)	774 404 298	581 863 137
Provisions	(20)	177 996 517	120 247 720
Total current liabilities		<u>1 196 229 290</u>	<u>781 640 874</u>
Total liabilities		<u>1 448 781 165</u>	<u>994 746 086</u>
Total equity and liabilities		<u>4 263 650 030</u>	<u>1 849 301 184</u>

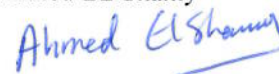
The notes on pages 6 to 39 are integral part of these consolidated financial statements.

Auditor's report "attached "

Chairman
Dr. Ahmed Heikal

Managing Director
Hisham Hussein El Khazendar

Managing Director / CFO
Ahmed EL Shamy

Citadel Capital (S.A.E)
Consolidated income statement for the year ended 31 December 2006

	Note	2006 LE	2005 LE
Revenue	(21)	1 130 536 116	880 029 007
Cost of sales		<u>(853 218 884)</u>	<u>(710 884 512)</u>
Gross profit		277 317 232	169 144 495
Other income	(22)	14 902 286	2 355 090 768
Administrative expenses	(31)	(230 480 643)	(111 272 589)
Other expenses	(23)	<u>(91 319 374)</u>	<u>(351 166 970)</u>
Results from operating activities		<u>(29 580 499)</u>	<u>2 061 795 704</u>
Finance income	(24)	93 527 664	13 740 900
Finance expenses	(25)	<u>(62 315 659)</u>	<u>(102 676 267)</u>
Net finance income (expense)		<u>31 212 005</u>	<u>(88 935 367)</u>
Profit before income tax		1 631 506	1 972 860 337
Income tax expense	(27)	<u>(51 579 393)</u>	<u>(14 942 798)</u>
(Loss) profit for the year/period		<u>(49 947 887)</u>	<u>1 957 917 539</u>
Attributable to:			
Equity holders of the Company		(103 147 001)	1 127 347 939
Minority interest		53 199 114	830 569 600
(Loss) profit for the year/period		<u>(49 947 887)</u>	<u>1 957 917 539</u>
Earnings per share	(28)	<u>(1.13)</u>	<u>2 818</u>

The notes on pages 6 to 39 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 2006

Note	Share capital	Reserves				Retained earning	Net profit / (loss) for the period / year	Prepaid / interim dividends	Total
		Legal reserve	F.C translation reserve	Fair value reserve					
	LE	LE	LE	LE	LE	LE	LE	LE	
Issue of share capital	2 000 000	--	--	--	--	--	--	2 000 000	
Prepayment of dividends	--	--	--	--	--	(545 761 820)	--	(545 761 820)	
Net profit for the period	--	--	--	--	--	1 127 347 939	--	1 127 347 939	
Balance as at 31 December 2005	2 000 000	--	--	--	--	1 127 347 939	(545 761 820)	583 586 119	
Share capital increase	910 762 572	--	--	--	--	--	--	910 762 572	
Exchange differences relating to foreign operations	--	--	7 329 780	--	--	--	--	7 329 780	
Changes in the fair value of available - for- sale investments	--	--	--	1 217 044	--	--	--	1 217 044	
2005 dividends payout	--	164 060	--	--	1 127 183 879	(1 127 347 939)	--	--	
Notional capital contribution- CCL	--	--	--	--	126 472 573	--	--	126 472 573	
Interim dividends	--	--	--	--	--	--	(349 134 864)	(349 134 864)	
Net loss for the year	--	--	--	--	--	(103 147 001)	--	(103 147 001)	
Balance as at 31 December 2006	912 762 572	164 060	7 329 780	1 217 044	1 253 656 452	(103 147 001)	(894 896 684)	1 177 086 222	

The notes on pages 6 to 39 are integral part of these consolidated financial statements.

Citadel Capital (S.A.E)
Consolidated statement of cash flows for the year ended 31 December 2006

	2006	2005
	LE	LE
(Loss) profit for the year / period	1 631 506	1 972 860 337
Adjustments for:		
Depreciation and amortisation	82 140 001	53 703 006
Provisions formed	75 562 080	25 388 389
Provisions used	(215 826)	--
Reversal of provisions	(2 256 389)	--
Impairment loss on trade and other receivables	--	100 410
Loss on sale of assets acquired for resale	159 156	--
Loss on sale of available for sale investments	--	351 195
Gains on sale of fixed assets	(4 961 115)	(708 277)
Impairment loss on investments in subsidiaries	1 082 797	--
Impairment loss on fixed assets	6 000 000	--
Gains on sale of available –for– sale investments	(36 797 121)	--
Gains on sale of investments in subsidiaries	(10 773 651)	(2 352 890 525)
Impairment loss on goodwill	--	324 840 928
Impairment loss on available-for-sale investments	11 491 020	872 387
National capital contribution	126 472 573	--
Net change in the fair value of investments held for trading	(29 534)	(1 930 243)
Exchange differences	(8 011 288)	--
Operating profit before changes in working capital	241 494 209	22 587 607
Change in inventories	(131 619 287)	(221 283 423)
Change in trade and other receivables	(129 283 448)	(561 323 995)
Change in investment held for trading	(33 996 376)	(18 193 158)
Change in trade and other payables	144 630 382	566 938 486
Net cash from (used in) operating activities	91 225 480	(211 274 483)
Cash flow from investing activities		
Acquisition of fixed assets	(280 936 155)	(421 280 120)
Proceeds from sale of fixed assets	62 246 182	3 892 440
Acquisition of assets acquired for resale	--	(61 212 503)
Acquisition of associates and subsidiaries	(43 636 703)	(786 982 750)
Proceeds from sale of available - for- sale investments	82 888 354	--
Acquisition of other investments	(599 710 324)	(199 656 133)
Acquisition of intangible assets	(382 485 546)	(867 593)
Cost of acquisition subsidiaries	(9 408 829)	--
Proceeds from sale of subsidiaries	20 182 480	2 717 840 696
Proceeds from sale of assets acquired for resale	61 053 347	--
Net cash (used in) from investing activities	(1 089 807 194)	1 251 734 037

	2006	2005
	LE	LE
Cash flows from financial activities		
Proceeds from issue of share capital	910 762 572	2 000 000
Proceeds from capital related to minority	1 423 028 310	91 016 996
Dividends related to minority	(109 413 761)	(650 617 617)
Dividends paid	(349 134 864)	(545 761 820)
Banks overdraft	84 842 663	44 463 383
Proceeds from borrowings	115 015 149	243 786 051
Net cash from (used in) financing activities	<u>2 075 100 069</u>	<u>(815 113 007)</u>
Net increase in cash and cash equivalents during the year/ period	1 076 518 355	225 346 547
Cash and cash equivalents at 1 January	225 346 547	--
Cash and cash equivalents at 31 December	<u>1 301 864 902</u>	<u>225 346 547</u>

The notes on pages 6 to 39 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 invests 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 2006 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 20 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 are 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 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, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, 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 purpose .

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.

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 equipments	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 equity accounted investees, 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.

(iv) 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 4 to 5 years.

g) 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, 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.

h) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are 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.

i) 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.

j) 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 inventories, 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.

k) 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.

l) Trade and other payables

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

m) 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.

n) 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.

o) 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.

p) Dividends

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

q) 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.

r) 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 equity holders 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 equity holders of the company 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.

s) 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.

t) 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.

u) 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.

v) 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.

w) 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.

x) Financial income and expense

Finance income comprises interest income on funds invested , 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 that are recognised in 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, discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. 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.

y) 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.

Citadel Capital Company
Notes to the consolidated financial statements for the year ended 31 December 2006

5. Fixed assets

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Furniture & fixtures</u>	<u>Machines & equipment</u>	<u>Computer equipment</u>	<u>Transportation means</u>	<u>Assets on site</u>	<u>Other assets</u>	<u>Assets under construction</u>	<u>Total</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Cost as at 1/1/2006	103 546 879	134 488 144	--	53 453 980	367 903 673	442 225	40 459 033	1 211 252	1 777 473	53 622 833	756 905 492
Additions	17 156 938	73 892 524	598 609	42 986 714	61 799 948	23 769 067	16 198 208	--	--	44 534 147	280 936 155
Disposals	(5 178 410)	(29 577 027)	--	(4 547 680)	(69 838 834)	--	(14 277 718)	--	(1 777 473)	--	(125 197 142)
Cost as at 31/12/2006	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
Accumulated depreciation as at 1/1/2006	--	19 927 990	--	27 877 716	127 618 544	110 354	19 469 720	232 005	1 069 374	--	196 305 703
Depreciation	--	4 358 318	187 179	15 988 819	44 220 250	6 029 418	10 281 898	215 256	708 099	--	81 989 237
Disposals	--	(5 210 664)	--	(3 708 552)	(55 171 274)	--	(2 044 112)	--	(1 777 473)	--	(67 912 075)
Impairment loss	--	--	--	--	6 000 000	--	--	--	--	--	6 000 000
Accumulated depreciation as at 31/12/2006	--	19 075 644	187 179	40 157 983	122 667 520	6 139 772	27 707 506	447 261	--	--	216 382 865
Carrying amount as at 31/12/2006	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
Carrying amount as at 31/12/2005	103 546 879	114 560 154	--	25 576 264	240 285 129	331 871	20 989 313	979 247	708 099	53 622 833	560 599 789

- Assets under construction include the cost incurred on the administrative buildings for the Group of National company for Developing and Trading in Maadi, Suez and the fixture of El Tebeen factory for LE 36 659 731, electricity stations, warehouse at El Obour for LE 13 716 771, gas related projects for LE 15 783 067 as well as other projects for LE 31 997 411.

Citadel Capital Company (S.A.E)
Notes to the consolidated financial statements for the year ended 31 December 2006

6. Intangible assets

	Note	2006 LE	2005 LE
Goodwill	6.1	374 699 020	--
Patents	6.2	2 290 726	--
Others	6.3	6 073 226	728 190
		<u>383 062 972</u>	<u>728 190</u>

6.1 Goodwill

Company name	Cost at the date of acquisition	
	2006 LE	2005 LE
Nile Valley Company	93 777 689	--
Trans Gas Company	39 330 293	--
Global Energy Company	63 744 201	--
REBECO Gas Company	5 982 759	--
Gas and Energy Company (GENCO)	160 658 362	--
International Company for Gas Works (House Gas)	180 004	--
City Gas Company	11 025 712	--
	<u>374 699 020</u>	<u>--</u>

6.2 Patents

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

6.3 Others

	2006 LE	2005 LE
City gas study	3 499 088	--
Service fees	1 980 568	--
Computer software	593 570	728 190
	<u>6 073 226</u>	<u>728 190</u>

Citadel Capital Company (S.A.E)
Notes to the consolidated financial statements for the year ended 31 December 2006

7. Investments in associates

The Group investments in associates are represented in :

	Percentage %	Carrying amount	
		2006 LE	2005 LE
Dar El Shrooq	30	30 101 250	--
Qatar Gas	23	2 500 429	--
ASCOM for Mining – Emirates	49	9 985 024	--
ARESCO KSA Company	35	1 050 000	--
		<u>43 636 703</u>	<u>--</u>

8. Other investments

	Note	2006 LE	2005 LE
Non-current investments			
Available-for-sale investments			
Debt securities available for sale	8.1	299 864 139	--
Equity securities available for sale	8.2	20 115 374	47 423 726
Impairment	8.3	<u>(872 388)</u>	<u>(872 387)</u>
Available-for-sale investments (net)		319 107 125	46 551 339
Payments for investments	8.4	<u>423 021 736</u>	<u>152 232 407</u>
		<u>742 128 861</u>	<u>198 783 746</u>
Current investments			
Investments held for trading	8.5	<u>54 149 311</u>	<u>20 123 401</u>
		<u>796 278 172</u>	<u>218 907 147</u>

8.1 The amount represents 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). The certificates mature during 2007 and the management intends to sell the certificates during 2007.

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

Citadel Capital Company (S.A.E)**Notes to the consolidated financial statements for the year ended 31 December 2006**

8.3 Impairment loss relates to Investment in MEFEK Company.

8.4 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:

	2006	2005
	LE	LE
National Medecom for Development and Trading	914 019	898 000
Al-Watanya for Developing and Trading - Iraq	300 514	300 514
Al-Watanya for Merchandies Transportation	250 000	--
Al-Watanya for Rivers Ports Administration	250 000	--
Al-Watanya for Navigation Ports Administration	250 000	--
Asec Cement	--	999 925
Horus Private Equity Fund II	--	18 646 550
Grand View Investment Holding	44 923 842	--
Morningtide Investment Ltd.	206 615 060	131 387 418
Golden Crescent Investment Ltd.	120 485 401	--
Orient Investment	265 000	--
Lotus Management Investment	24 383 950	--
Capella Management Investment	24 383 950	--
	<u>423 021 736</u>	<u>152 232 407</u>

8.5 Investments held for trading are represented in:

	2006	2005
	LE	LE
Abo-Keer Cement	14 000	14 978
Raya Holding	--	15 318 118
Rally Energy Corp.	--	4 790 305
Al-Shrooq for Printing.	1 167 417	--
Egyptian Gulf Bank.	23 447 550	--
Treasury Bills	14 006 937	--
Certificates of Mutual Funds	15 513 407	--
	<u>54 149 311</u>	<u>20 123 401</u>

Citadel Capital Company (S.A.E)
Notes to the consolidated financial statements for the year ended 31 December 2006

9. Inventories

	2006	2005
	LE	LE
Spare parts	235 263 507	168 536 878
Raw materials	61 680 110	32 784 583
Work in progress	37 911 937	7 286 910
Finished goods	11 167 686	--
Tools	12 516 991	--
Goods in transit	85 478	566 941
Others	9 312 093	16 502 806
	<u>367 937 802</u>	<u>225 678 118</u>
Write down	(15 035 092)	(4 394 695)
	<u>352 902 710</u>	<u>221 283 423</u>

10. Trade and other receivables

		2006	2005
	Note	LE	LE
Trade receivables	10.1	299 441 446	256 142 316
Other receivables	10.2	378 196 318	267 319 752
		<u>677 637 764</u>	<u>523 462 068</u>
Impairment		(39 146 589)	(25 246 525)
		638 491 175	498 215 543
Due from related parties	10.3	50 933 061	63 008 042
		<u>689 424 236</u>	<u>561 223 585</u>

10.1 Trade receivables are represented in:

	2006	2005
	LE	LE
Customers	297 160 000	248 980 642
Notes receivable	2 281 446	7 161 674
	<u>299 441 446</u>	<u>256 142 316</u>
Impairment	(26 526 632)	(18 674 529)
	<u>272 914 814</u>	<u>237 467 787</u>

Citadel Capital Company (S.A.E)**Notes to the consolidated financial statements for the year ended 31 December 2006**

10.2 Other receivables are represented in:

	2006	2005
	LE	LE
Prepaid expenses	11 060 477	5 850 237
Deposits with others	26 722 279	17 238 351
Accrued interest	24 973 580	3 318 176
Withholding tax	44 035 039	40 212 498
Advances to suppliers	79 462 895	19 285 042
Advances to employees	2 203 901	735 261
Imprest	1 187 446	--
Letters of credits	13 627 149	28 432 424
Letters of guarantee margin	37 429 154	18 338 441
Debit balances under settlement	59 919 660	2 232 217
Sundry debit balances	77 574 738	131 677 105
	<u>378 196 318</u>	<u>267 319 752</u>
Impairment	<u>(12 619 957)</u>	<u>(6 571 996)</u>
	<u>365 576 361</u>	<u>260 747 756</u>

10.3 Due from related parties

During the year the Group made payments on behalf of and provided services to certain companies in which it holds directly and indirectly insignificant financial interest. Total payments made on behalf of these companies are LE 30 821 468, the value of services rendered is LE 7 121 716, total under capital participation is LE 12 817 533 and the total current account is LE 172 344.

11. Assets acquired for resale

The balance as at 31 December 2005 represents the cost of investment in Modern Company for Isolation Materials which was acquired exclusively for resale. Final sale of this investment took place on 10 December 2006.

12. Cash and cash equivalents

	2006	2005
	LE	LE
Cash	2 778 664	904 589
Cheques under collection	4 379 409	8 353 817
Bank balances	457 386 586	172 034 016
Call deposits	837 320 243	44 054 125
Cash and cash equivalents in the statement of cash flow	<u>1 301 864 902</u>	<u>225 346 547</u>

Citadel Capital Company (S.A.E)**Notes to the consolidated financial statements for the year ended 31 December 2006**

13. Share capital

	2006	2005
	LE	LE
On issue at 1 January	2 000 000	2 000 000
Issued for cash	<u>910 762 572</u>	<u>--</u>
On issue at 31 December	<u>912 762 572</u>	<u>2 000 000</u>

The Company's authorised share capital is LE 2.5 million and the issued share capital is 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.

The Company's extraordinary general assembly approved in its meeting held on February 23, 2006 increasing the Company's issued and paid in share capital from LE 2 million to LE 1 billion, represented in 200 million shares of a par value LE 5 each. An amount of LE 910 762 572 of the said increase has been paid, accordingly, the paid in share capital became LE 912 762 572 .The increase has been registered in the Commercial Register on 28 June 2006.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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. Interim / prepaid dividends

- The Company's ordinary general meeting held on 9 May 2006 approved the distribution of LE 894 846 684 as interim dividends to the shareholders, board of directors and employees.
- The prepaid dividends presented in the balance sheet with an amount of LE 545 761 820 at 31 December 2005 represents the amount paid to shareholders on account of dividends for the year then ended December 31, 2005.

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 and foreign currency risks, see note no 29.

	2006	2005
	LE	LE
Non-current liabilities		
Secured bank loans	244 278 771	208 719 417
Current liabilities		
Secured bank loans	114 522 429	35 066 634
	<u>358 801 200</u>	<u>243 786 051</u>

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

17. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
	LE	LE	LE	LE	LE	LE
Fixed assets	--	--	(8 273 104)	(4 385 795)	(8 273 104)	(4 385 795)
Provisions	218 695	--	--	--	218 695	--
	<u>218 695</u>	<u>--</u>	<u>(8 273 104)</u>	<u>(4 385 795)</u>	<u>(8 054 409)</u>	<u>(4 385 795)</u>

18. 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 and contract demission. The unsecured portion amounts to LE 33 155 289 in 2006 (2005: Nil).

19. Trade and other payables

		2006	2005
	Note	LE	LE
Trade and other payables	19.1	400 749 499	213 651 681
Due to related parties	19.2	55 981 570	194 381 054
Other credit balances	19.3	317 673 229	173 830 402
		<u>774 404 298</u>	<u>581 863 137</u>

Citadel Capital Company (S.A.E)
Notes to the consolidated financial statements for the year ended 31 December 2006

19-1 Trade and other payables

	2006	2005
	LE	LE
Suppliers	10 780 544	100 761 000
Deposits from others	25 447 201	19 670 707
Notes payable	58 218 475	--
Advances from customers	293 288 481	26 908 666
Customers credit balance	2 015 688	--
Deferred revenue	10 999 110	66 311 308
	<u>400 749 499</u>	<u>213 651 681</u>

19-2 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 insignificant interest amounting to LE 2 063 399, as well as amounts paid by a shareholder on behalf of the Group amounting to LE 53 918 171.

19-3 Other credit balances

	2006	2005
	LE	LE
Tax Authority	78 973 842	29 808 193
Social Insurance Authority	4 803 067	15 405
Accrued expenses	24 405 276	57 611 177
Dividends payable	7 920 585	63 763 190
Employees' fund	17 427	1 618 879
Other credit balances	<u>201 553 032</u>	<u>21 013 558</u>
	<u>317 673 229</u>	<u>173 830 402</u>

20. Provisions

	2006	2005
	LE	LE
Balance as at 1/1	120 247 720	--
Provision acquired through business acquisition	--	94 859 331
Formed during the year / period	75 562 080	25 388 389
Used during the year	(215 826)	--
Reversal of provision	(2 256 389)	--
Foreign currency differences	(15 341 068)	--
	<u>177 996 517</u>	<u>120 247 720</u>

Citadel Capital Company (S.A.E)**Notes to the consolidated financial statements for the year ended 31 December 2006**

- The balance represented in claims expected from external parties related to company's activities. The company did not provide full disclosure regarding the nature of this provision using the exemption provided in the Egyptian Accounting Standard 28, because the company believes that such disclosure could have a negative impact on the result of negotiation with this party. This provision is reviewed and adjusted by the management every year, thus the amount provided based on latest development.

21. Revenue

	2006	2005
	LE	LE
Sales	1 117 294 741	864 795 944
Consulting income	13 241 375	15 233 063
	<u>1 130 536 116</u>	<u>880 029 007</u>

22. Other income

	2006	2005
	LE	LE
Gains on sale of fixed assets	4 961 115	708 277
Gain on sale of investments in subsidiaries	--	2 352 890 525
Dividend income on available-for-sale investments	5 202 881	--
Others	4 738 290	1 491 966
	<u>14 902 286</u>	<u>2 355 090 768</u>

23. Other expenses

	2006	2005
	LE	LE
Provision formed during the year / period	75 562 080	25 338 389
Impairment of fixed assets	6 000 000	--
Impairment of available for sale investments	--	872 387
Impairment loss on investments in subsidiaries	11 491 020	--
Impairment loss on goodwill	--	324 840 928
Reversal of provision	(2 256 389)	--
Others	522 663	115 266
	<u>91 319 374</u>	<u>351 166 970</u>

Citadel Capital Company (S.A.E)**Notes to the consolidated financial statements for the year ended 31 December 2006****24. Finance income****Recognized in the income statement**

	2006	2005
	LE	LE
Gain on sale of investment in subsidiaries	10 773 651	--
Gains on sale of investments held for trading	5 442 972	392 433
Gains (losses) on sale of investment available-for-sale	36 797 121	(351 195)
Net change in the fair value of investments held for trading	29 534	1 930 243
Interest on banks deposits	40 484 386	11 769 419
	<u>93 527 664</u>	<u>13 740 900</u>

25. Finance expense

	2006	2005
	LE	LE
Interest on overdraft	49 755 542	89 821 685
Loss on sale of assets acquired for resale	159 156	--
Impairment loss on trade and other receivables	1 082 797	100 410
Net foreign exchange losses	11 318 164	12 754 172
	<u>62 315 659</u>	<u>102 676 267</u>

26. Finance income and expenses recognized in equity

	2006	2005
	LE	LE
Foreign currency translation differences for foreign operations	14 984 819	--
Net change in the fair value of available-for-sale financial assets	2 056 503	--
Finance income and expense recognized in equity, net of tax	<u>17 041 322</u>	<u>--</u>
Attributable to:		
Equity holders of the Company	8 546 824	--
Minority interest	8 494 498	--
	<u>17 041 322</u>	<u>--</u>

27. Income tax expense

	2006	2005
	LE	LE
Current income tax expense	50 411 477	14 924 651
Deferred tax expense	1 167 916	18 147
Total income tax expense	<u>51 579 393</u>	<u>14 942 798</u>

Citadel Capital Company (S.A.E)**Notes to the consolidated financial statements for the year ended 31 December 2006****28. Earnings per share**

The calculation of earnings per share at 31 December 2006 and 31 December 2005 were attributable to the equity shareholders of the company as (2006: net loss of LE 103 147 001 and 2005: net profit of LE 1 127 347 939) and a weighted average number of shares outstanding (2006: 91 476 257) and (2005: 400 000) calculated as follows:

	2006	2005
	LE	LE
(Losses) profit for the year/period	(49 947 887)	1 957 917 539
(Losses) profit attributable to equity holders of the Company	(103 147 001)	1 127 347 939
Weighted average number of shares:		
Issued shares at 1 January 2006	400 000	--
Effect of shares issued in 2006	91 076 257	400 000
	91 476 257	400 000
Earnings per share	(1.13)	2 818

29. 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.

29.1 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

29.2 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.

29.3 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.

Citadel Capital Company (S.A.E)

Notes to the consolidated financial statements for the year ended 31 December 2006

30. Segmental analysis

Segment information is presented in respect of the Group's business. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

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, loans and borrowings and related expenses, corporate assets (primarily the company's headquarters) and income tax assets and liabilities.

	2006													
	Cement		Mining		Energy		Investments		Other		Eliminations		Consolidated	
	LE		LE	LE	LE	LE	LE	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 expense	(2 898 000)		(783 640)		(3 681 644)		(973 968)		(196 431)		(53 781 976)		(62 315 659)	
Net finance expenses	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		89 677 437		(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	

Citadel Capital Company (S.A.E)

Notes to the consolidated financial statements for the year ended 31 December 2006

Cement	Mining	Energy	Investments	Others
National Co. for Trading and Development	ASEC Co. for Geology and Mining (ASCOM)	Silver Stone Capital Investments Limited BVI	Citadel Company for Financial Consultation	National Company for River Transportation
Arab Swiss Engineering Co. (ASEC)		Arab Company for Energy and Water (TAQA)	Citadel Capital Limited BVI	
ASEC for Casting and Heat Treatment (ARESCO)		Gas and Energy Group Limited BVI	Arab Co. for Financial Investments	
ASEC for Foundries and Heat Treatment - United		Gas and Energy Company (GENCO Group) Egypt	Sphinx Egypt Co.	
ASEC Cement Company		Trans Gas Company	Citadel Company for Promotion	
Egyptian Polypropylene Bags Co. (EPBC)		Pharaonic Gas Company	Citadel Company for Projects	
ASEC Environmental Protection Company (ASENPRO)		Repeco Gas Company		
ASEC Automation (ASA)		Nile Valley Gas Company		
ASEC Research and Technology (ARTEC)		Global Energy		
		City Gas Company		
		International Company for Gas Works (House Gas)		
		Engineering Company for Suez Gulf (EGUSCO)		
		Master Gas Company		
		Gulf Gas and Energy FZE, Dubai		

31 Related parties

31.1 Transactions with shareholders and key management personnel

On 31 March 2006, the Company made a payment on account of dividends amounting to LE 683 840 136 to the two main shareholders who serve as a Chairman and Managing directors of the Company.

The Board of Directors, in its meeting held on 1 June 2006, approved the payment of a bonus amounting to LE 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.

31.2 Transactions with related entities

On January 30, 2006, the Company transferred its investment in Rally Energy Corporation – Canada and the balance of its current account at Royal Bank- Canada at their carrying amounts of LE 7 595 409 and LE 3 945 871 respectively to the National Petroleum Company.

The Company transferred its entire investment in the Arab Company for Energy and Water to Silverstone Capital Investment. The transfer was concluded at book value.

32 Tax status

32.1 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.

32.2 Salary tax

The Parent Company deducts salary 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 till now.

32.3 Stamp tax

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

Citadel Capital Company (S.A.E)

Notes to the consolidated financial statements for the year ended 31 December 2006

33. Group entities

Significant subsidiaries

	Country of incorporation		Ownership interest %	
	2006	2005	2006	2005
Arab Co. for Financial Investments	Arab Republic of Egypt		94	94
National Development and Trading Co.	Arab Republic of Egypt		59.18	59.18
Citadel Company for Projects	Arab Republic of Egypt		99.88	--
National Company for River Transportation	Arab Republic of Egypt		99.99	--
Citadel Capital Ltd BVI	British Virgin Island		100	--
ASEC Co. for Geology and Mining (ASCOM)	Arab Republic of Egypt		70.1	82.9
Egyptian for Propylene Bags Company (EPBC)	Arab Republic of Egypt		99.97	70
Citadel Company for Promotion	Arab Republic of Egypt		99.4	--
Arab Swiss Engineering Co. (ASEC)	Arab Republic of Egypt		100	100
ASEC for Casting and Heat Treatment (ARESCO)	Arab Republic of Egypt		98.96	98.83
United for Foundries and Heat Treatment	Arab Republic of Egypt		90.82	81.64
ASEC Co. for Cement Manufacturing	Arab Republic of Egypt		51	51
ASEC Environmental Protection Company (ASENPRO)	Arab Republic of Egypt		63.01	53.01
ASEC Automation (ASA)	Arab Republic of Egypt		53.64	52.21
ASEC Research and Technology (ARTEC)	Arab Republic of Egypt		99	99
Silverstone Capital Investments Limited BVI	British Virgin Island		30.05	--
Arab Company for energy and water (TAQA)	Arab Republic of Egypt		76.25	--
Gas and Energy Group Limited BVI	British Virgin Island		100	--
Gas and Energy Company (GENCO Group) Egypt	Arab Republic of Egypt		100	--

34 Contingencies

The parent company is liable to contingent liabilities as of 31 December 2006 in favour of banks and other guarantees as well as other issues resulting from its routine activities for which material liabilities are not predicted.

The company has also issued letters of credit and letters of guarantees which amount to L.E 4 124 180 compared to L.E 7 056 666 in year 2005 in favour of other parties.

**Citadel Capital Company S.A.E
Contingent Liabilities**

The parent company has signed a medium-term loan contract with the Arab African International Bank with an amount of US\$ 17.5 Million for a period of one year starting from 28 December 2006 till December 29 December 2007 and renewed after the approval of both parties with Libor for 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 or from the company's dividends or income from investments whichever is closer.

ARAB COMPANY FOR ENERGY (TAQA)

Contingent Liabilities

In addition to amounts provided for in the balance sheet, the company had the following contingent liabilities at December 31, 2006:-

Letters of guarantee issued by the company subsidiaries' banks on their behalf in the following currencies:

Description

	Liability value				Margin value			
	Sterling pound	Euro	US dollars	EGP	Sterling pound	Euro	US dollars	EGP
Letters of Guarantee	--	--	--	--	--	--	--	1 291 340
Letters of credit	84 655	98 555	439 681	13 088 224	--	--	--	--
	84 655	98 555	439 681	13 088 224	--	--	--	1 291 340

- There is an initial agreement on the allocation of the land in Nabque Touristic Center at Khaligue El Akaba Touristic Center which reaches an area of 26 267 meter square, the review and the approval expenses on documents is amounting to LE 210 000, before issuance the final approved allocation of the location.
- The company is committed to pay an amount of L.E 83 056 at the end of the lease contract with Elkhaleegen for hotels and entertainment projects which owns Zewaret Nabque hotel in Sharm Elsheikh.

35. Corresponding figures

- Certain corresponding figures have been reclassified to conform with the current year presentation.
- Corresponding figures presented in the statements of income, changes in equity and cash flows are for the first financial period from 11 April 2004 to 31 December 2005.