

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**

**Consolidated financial statements**  
**for the year ended 31 December 2008**  
**&**  
**Auditor's report**

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## Hazem Hassan

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### **Auditor's report**

#### **To the shareholders of Citadel Capital Company**

##### ***Report on the financial statements***

We have audited the accompanying consolidated financial statements of Citadel Capital Company (Egyptian Joint Stock Company), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

##### ***Management's responsibility for the financial statements***

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,



Hazem Hassan

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citadel Capital Company as of December 31, 2008 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Hassan Bas  
KPMG Hazem Hassan  
KPMG Hazem Hassan  
Public Accountants and Consultants  
⑪

Cairo March 30, 2009

**Citadel Capital (S. A. E)**  
**Consolidated balance sheet as at 31 December 2008**

	Note	2008 LE	2007 LE Restated
<b>Assets</b>			
Fixed assets	(5)	3 073 894 283	1 647 528 441
Intangible assets	(6)	177 394 288	461 500 132
Investments in subsidiaries & associates	(7)	781 084 680	210 525 132
Other investments	(8)	2 088 623 822	1 671 902 694
Investment property	(9)	262 498 783	--
Other assets	(13)	5 502 500	5 569 767
Deferred tax assets	(19)	5 383 710	3 788 750
<b>Total non-current assets</b>		<u>6 394 382 066</u>	<u>4 000 814 916</u>
Inventories	(10)	636 028 755	453 770 829
Other investments	(8)	36 046 248	49 290 463
Trade and other receivables	(11)	1 321 617 623	1 172 513 608
Cash and cash equivalents	(12)	1 158 070 019	1 130 648 931
<b>Total current assets</b>		<u>3 151 762 645</u>	<u>2 806 223 831</u>
<b>Total assets</b>		<u>9 546 144 711</u>	<u>6 807 038 747</u>
<b>Equity</b>			
Share capital	(14)	2 750 000 000	1 650 000 000
Reserves	(15)	59 297 456	55 277 532
Retained earnings		185 519 412	208 772 026
Net (loss) profit for the year		(50 753 146)	606 430 539
Prepaid dividends	(16)	--	(575 808 114)
<b>Total equity attributable to equity holders of the Company</b>		<u>2 944 063 722</u>	<u>1 944 671 983</u>
<b>Minority interest</b>		<u>2 968 653 214</u>	<u>2 526 632 055</u>
<b>Total equity</b>		<u>5 912 716 936</u>	<u>4 471 304 038</u>
<b>Liabilities</b>			
Loans and borrowings	(17)	1 052 114 639	481 626 990
Other liabilities	(18)	225 922 955	38 130 099
Deferred tax liabilities	(19)	64 291 702	13 561 251
<b>Total non-current liabilities</b>		<u>1 342 329 296</u>	<u>533 318 340</u>
Banks overdraft	(20)	484 651 492	420 343 201
Loans and borrowings	(17)	284 996 144	165 118 072
Trade and other payables	(21)	1 323 820 822	974 296 732
Provisions	(22)	197 630 021	242 658 364
<b>Total current liabilities</b>		<u>2 291 098 479</u>	<u>1 802 416 369</u>
<b>Total liabilities</b>		<u>3 633 427 775</u>	<u>2 335 734 709</u>
<b>Total equity and liabilities</b>		<u>9 546 144 711</u>	<u>6 807 038 747</u>

The notes on pages 6 to 52 are integral part of these consolidated financial statements.

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Auditor's report "attached"

Chairman  
Dr. Ahmed Heikal

Managing Director  
Hisham Hussein El Khazendar

Managing Director / CFO  
Ahmed EL Shamy

*Ahmed Heikal*

*Ahmed El Shamy*

**Citadel Capital (S. A. E)****Consolidated income statement for the year ended 31 December 2008**

	Note	2008 LE	2007 LE Restated
Revenues	(23)	2 220 431 298	1 842 747 383
Cost of sales		<u>(2 031 601 657)</u>	<u>(1 536 661 091)</u>
<b>Gross profit</b>		188 829 641	306 086 292
Other income	(24)	321 740 937	1 216 440 201
Administrative' expenses	(40)	(437 073 756)	(399 078 660)
Other expenses	(25)	<u>(43 391 958)</u>	<u>(398 579 193)</u>
<b>Results from operating activities</b>		<u>30 104 864</u>	<u>724 868 640</u>
Share of profit of equity accounted investees		24 233 557	10 314 869
Finance income	(26)	78 649 575	62 516 669
Finance expenses	(27)	<u>(236 531 575)</u>	<u>(151 311 218)</u>
Net finance income (expenses)		<u>(133 648 443)</u>	<u>(78 479 680)</u>
Net (loss) profit before income tax		(103 543 579)	646 388 960
Income tax expense	(29)	<u>(43 311 678)</u>	<u>(45 315 830)</u>
<b>(Loss) profit for the year</b>		<u>(146 855 257)</u>	<u>601 073 130</u>
<b>Attributable to:</b>			
Equity holders of the Company		(50 753 146)	606 430 539
Minority interest		<u>(96 102 111)</u>	<u>(5 357 409)</u>
<b>(Loss) profit for the year</b>		<u>(146 855 257)</u>	<u>601 073 130</u>
<b>Earnings per share</b>	(30)	<u>(0.11)</u>	<u>3.15</u>

The notes on pages 6 to 52 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 2008**

	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			Hedging reserve		LE	LE		LE	LE
		LE	LE	LE	LE	LE	LE		LE	LE					
Balance as at December 31, 2006		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			
2006 dividends payout	(3-q)	--	47 684 293	--	--	--	--	(1 054 460 208)	103 147 001	894 896 684		(8 732 230)			
Share capital increase		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			
Notional capital distribution – NRT	(3-a)	--	--	--	--	--	10 327 817	--	--	--	--	10 327 817			
Net profit for the year		--	--	--	--	--	--	657 038 216	657 038 216	--	--	657 038 216			
Prepaid dividends		--	--	--	--	--	--	--	--	(575 808 114)	--	(575 808 114)			
Balance as at December 31, 2007 (before restatement)		1 650 000 000	47 848 353	1 575 323	5 853 856	--	209 524 061	657 038 216	(50 465 269)	(575 808 114)	--	1 996 031 695			
Prior year adjustments	(32)	--	--	--	--	--	--	--	(50 465 269)	--	--	(50 465 269)			
Changes in accounting policy	(33)	--	--	--	--	--	(752 035)	--	(142 408)	--	--	(894 443)			
Balance as at December 31, 2007 (restated)		1 650 000 000	47 848 353	1 575 323	5 853 856	--	208 772 026	606 430 539	(606 430 539)	(575 808 114)	--	1 944 671 983			
2007 dividends payout	(3-q)	--	29 997 134	--	--	--	(6 123 358)	--	--	575 808 114	--	(6 748 649)			
Notional capital distribution – NDT	(3-a)	--	--	--	--	--	(13 691 814)	--	--	--	--	(13 691 814)			
Effective portion of changes in fair value of cash flow hedges	(3-c)	--	--	--	--	--	--	--	--	--	--	(3 554 169)			
Exchange differences relating to foreign operations	(3-b)	--	--	--	(20 536 835)	--	--	--	--	--	--	(20 536 835)			
Changes in the fair value of available -for- sale investments	(3-c)	--	--	(1 886 206)	--	--	--	--	--	--	--	(1 886 206)			
Share capital increase	(14)	1 100 000 000	--	--	--	--	--	--	--	--	--	1 100 000 000			
Excess loss over minority share	(3-a)	--	--	--	--	--	(1 827 066)	--	--	--	--	(1 827 066)			
Effect of dilution of minority	(3-a)	--	--	--	--	--	(1 610 376)	--	--	--	--	(1 610 376)			
Net loss for the year		--	--	--	--	--	--	(50 753 146)	(50 753 146)	--	--	(50 753 146)			
Balance as at December 31, 2008		2 750 000 000	77 845 487	(310 883)	(14 682 979)	(3 554 169)	185 519 412	(50 753 146)	(50 753 146)	--	--	2 944 063 722			

The notes on pages 6 to 52 are integral part of these consolidated financial statements.

**Citadel Capital (S. A. E)**
**Consolidated statement of cash flows for the year ended 31 December 2008**

	2008 LE	2007 LE (Restated)
(Loss) profit before income tax	(103 543 579)	646 388 960
Adjustments for:		
Depreciation and amortisation	142 481 351	75 561 856
Provisions formed	74 085 085	37 548 555
Provisions used	(83 894 850)	(27 337 565)
Deconsolidation of EPBC	--	43 055 798
Impairment loss on payments for investments	932 199	--
Impairment loss on investments in subsidiaries	1 050 000	--
Reversal of provisions	(58 907 606)	(28 868 197)
Impairment loss on trade and other receivables	28 444 414	62 615 201
Impairment loss on investments held for trading	16 747	--
Reversal of impairment loss on trade and other receivables	(2 388 049)	(6 176 442)
Gains on sale of assets acquired for resale	--	(9 621 158)
Gains on sale of fixed assets	(1 654 255)	(528 045)
Impairment loss on goodwill	--	20 000 000
Share of profit of equity investees	(24 233 557)	(10 314 869)
Gains on sale of available-for-sale investments	(31 651 265)	(39 931 842)
Gains on sale of investments in subsidiaries & associates	(199 962 227)	--
Notional capital distribution	--	10 327 817
Net change in the fair value of investments held for trading	766 229	(433 847)
Exchange differences	41 876 138	(25 608 073)
<b>Operating (loss) profit before changes in working capital</b>	<u>(216 583 225)</u>	<u>746 678 149</u>
Change in inventories	(133 769 137)	(122 100 768)
Change in trade and other receivables	(515 974 116)	(550 975 831)
Change in investments held for trading	(12 429 320)	5 431 183
Change in trade and other payables	373 293 245	119 519 358
<b>Net cash (used in) provided from operating activities</b>	<u>(505 462 553)</u>	<u>198 552 091</u>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(942 272 752)	(913 356 071)
Proceeds from sale of fixed assets	3 092 122	17 367 953
Acquisition of other investments	(545 397 122)	(652 178 460)
Proceeds from sale of investments in subsidiaries and associates	159 099 185	--
Payments to purchase of subsidiaries and associates	(307 948 119)	--
Proceeds from sale of available -for-sale investments	31 638 718	--
Acquisition of subsidiaries and associates	(63 286 024)	(755 930 983)
Payments to purchase available -for-sale investments	(172 173 082)	--
Acquisition of intangible assets	(3 837 880)	(102 845 565)
Payments to purchase investments property	(263 450 786)	--
Acquisition cost of assets acquired for resale	--	(3 612 328)
Proceeds from sale of assets acquired for resale	--	13 094 997
Proceeds from sale of other investments	--	339 615 981
<b>Net cash used in investing activities</b>	<u>(2 104 535 740)</u>	<u>(2 057 844 476)</u>



	2008	2007
	LE	LE
		(Restated)
<b>Cash flows from financing activities</b>		
Proceeds from issuing of share capital	1 100 000 000	737 237 428
Proceeds from capital related to minority	1 161 917 246	939 900 369
Dividends related to minority	(69 085 828)	(22 763 087)
Dividends payout	(6 748 649)	(8 732 230)
Payments to / proceeds from banks overdraft	(1 597 699)	295 512 609
Proceeds from borrowings	784 231 771	287 943 862
Increase in long-term liabilities	--	34 785 577
Hedging reserve	(2 500 035)	--
Prepaid dividends	--	(575 808 114)
<b>Net cash provided from financing activities</b>	<u>2 966 216 806</u>	<u>1 688 076 414</u>
<b>Net changes in cash and cash equivalents during the year</b>	356 218 513	(171 215 971)
Cash and cash equivalents at 1 January	1 130 648 931	1 301 864 902
Cash acquired from subsidiaries acquisition	54 823 915	--
Cash related to deconsolidated subsidiaries	(383 621 340)	--
<b>Cash and cash equivalents at the end of year</b>	<u>1 158 070 019</u>	<u>1 130 648 931</u>

The notes on pages 6 to 52 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 2008 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.

### **b) Basis of measurement**

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

- Derivative financial instruments are measured at fair value.
- Financial instruments at fair value through the profit and loss are measured at fair value
- Available-for-sale financial assets are 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) Use 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 22 provisions
- Note 8-1 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 presentation note 43.

#### **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

recognised 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 recognised as notional capital contribution. Any cash paid for the acquisition recognised directly in equity.

**(iii) Loss exceeding minority interest**

Losses that exceed the minority interest in the equity of a subsidiary may create a debit balance on minority interest only if the minority has a binding obligation to fund the losses and is able an additional investment to cover the losses .If this is not the case then the losses are attributable to the parent's interest . If the subsidiary subsequently reports profits, then these profits are allocated to parent until the share of losses absorbed previously by the parent has been recovered.

**(iv) 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.

**(v) 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. 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**

**(i) Non - derivative financial instruments**

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.

**(ii) Cash flow hedging**

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same year that the hedged item affects profit or loss.

**(iii) 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-y.

**(iv) 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.

**(v) 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.

**(vi) 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 capitalised as part of the relevant assets cost and depreciated over assets' estimated useful lives. This capitalisation 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) Investment property**

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

**i) 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 amortization, if no impairment loss had been recognised.

**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 payables 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 recognised 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) Finance 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.

**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 amortised 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 2008**

**5. Fixed assets**

	Land		Buildings		Lease hold improvements		Furniture & fixtures		Machines & equipment		Computer equipment		Transportation means		Barge		Assets on sites		Quarry		Assets under construction*		Total		
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	
Cost as at 1/1/2008 (restated)	205 735 661	227 145 620	850 960	158 213 336	436 849 059	27 754 589	67 723 171	8 583 000	2 003 959	--	--	1 290 395	173 920 519	1 458 317 176	3 919 575 734										
Disposals of subsidiaries	(11 114 745)	(20 337 012)	(850 960)	(32 422 651)	(92 049 053)	(23 802 889)	(29 589 827)	--	(713 564)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Deconsolidation of subsidiaries	--	--	--	(18 396)	--	(6 525)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Additions	116 684 075	13 369 479	107 769	43 500 000	134 955 964	1 583 663	17 884 903	24 246 162	--	--	--	--	--	573 777 186	926 109 201										
Acquisition through business combination	92 705 406	157 406 353	--	49 723 449	770 622 699	--	6 309 393	--	--	--	--	--	185 892 667	263 450 783	1 526 110 750										
Disposals	--	(126 559)	--	(1 112 963)	(1 924 481)	--	(5 004 797)	--	--	--	--	--	--	--	(8 168 800)										
Foreign currency translation differences	(4 228 342)	(8 748 090)	--	(1 360 154)	(42 842 318)	--	(367 305)	--	--	--	--	--	(11 972 148)	--	(69 518 357)										
Cost as at 31/12/2008	399 782 055	368 709 791	107 769	216 522 621	1 205 611 870	5 528 838	56 955 538	32 829 162	1 290 395	173 920 519	1 458 317 176	3 919 575 734													
Accumulated depreciation as at 1/1/2008	--	27 953 102	296 113	74 606 296	136 391 265	8 685 288	33 617 038	348 925	694 398	--	--	--	--	--	282 592 425										
Disposals of subsidiaries	--	(1 197 800)	(296 113)	(12 224 320)	(23 061 503)	(7 183 115)	(15 843 374)	--	(35 678)	--	--	--	--	--	(59 841 903)										
Deconsolidation of subsidiaries	--	--	--	(2 683)	--	(952)	--	--	--	--	--	--	--	--	(3 635)										
Depreciation	--	17 501 286	8 588	30 867 669	79 244 913	1 536 213	5 904 956	758 003	218 808	4 451 194	--	--	--	--	140 491 630										
Acquisition through business combination	--	117 704 030	--	26 716 322	370 352 915	--	4 183 782	--	--	1 271 250	--	--	--	--	520 228 299										
Disposals	--	(4 744)	--	(817 664)	(1 143 258)	--	(4 765 267)	--	--	--	--	--	--	--	(6 730 933)										
Foreign currency translation differences	--	(7 465 826)	--	(969 711)	(21 916 305)	--	(251 376)	--	--	(451 214)	--	--	--	--	(31 054 432)										
Accumulated depreciation as at 31/12/2008	--	154 490 048	8 588	118 175 909	539 868 027	3 037 434	22 845 759	1 106 928	877 528	5 271 230	--	--	--	--	845 681 451										
<b>Carrying amounts</b>																									
At 31 December 2008	399 782 055	214 219 743	99 181	98 346 712	665 743 843	2 491 404	34 109 779	31 722 234	412 867	168 649 289	1 458 317 176	3 073 894 283													
At 31 December 2007 (restated)	205 735 661	199 192 518	554 847	83 607 040	300 457 794	19 069 301	34 106 133	8 234 075	1 309 561	--	795 261 511	1 647 528 441													

\* Assets under construction include the cost incurred on the new barge constructions for LE 158 956 885, Bonyan project for LE 104 191 084, El Noubaria project for LE 16 118 527, headquarters of National Development and Trading Group in Maadi for LE 94 117 154, Asec Cement Holding Manufactory for LE 1 071 501 263 as well as other projects for LE 13 432 263.

**6. Intangible assets**

	<b>Goodwill</b>	<b>Patents</b>	<b>Others</b>	<b>Total</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
<b>Cost</b>				
Balance as at 1 January 2008	453 155 223	7 253 820	29 691 482	490 100 525
Acquisitions through business combinations	145 727 546	55 848	3 782 032	149 565 426
Disposal of subsidiaries *	(427 883 788)	--	(27 553 393)	(455 437 181)
Balance as at 31 December 2008	<u>170 998 981</u>	<u>7 309 668</u>	<u>5 920 121</u>	<u>184 228 770</u>
<b>Amortisation and impairment loss</b>				
Balance as at 1 January 2007	--	4 473 110	--	4 473 110
Amortisation	--	584 349	3 542 934	4 127 283
Impairment loss	20 000 000	--	--	20 000 000
Balance as at 31 December 2007	<u>20 000 000</u>	<u>5 057 459</u>	<u>3 542 934</u>	<u>28 600 393</u>
Balance as at 1 January 2008	20 000 000	5 057 459	3 542 934	28 600 393
Disposal of subsidiaries	(20 000 000)	--	(2 803 629)	(22 803 629)
Amortisation	--	522 193	515 525	1 037 718
Balance as at 31 December 2008	<u>--</u>	<u>5 579 652</u>	<u>1 254 830</u>	<u>6 834 482</u>
<b>Carrying amounts</b>				
At 31 December 2008	<u>170 998 981</u>	<u>1 730 016</u>	<u>4 665 291</u>	<u>177 394 288</u>
At 31 December 2007	<u>433 155 223</u>	<u>2 196 361</u>	<u>26 148 548</u>	<u>461 500 132</u>

\* Note 7.

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

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Alamia for Taqa Company	--	56 056 190
Mashreq Petroleum Company	--	32 143 224
Nile Valley Company	--	98 690 816
Trans Gas Company	--	19 330 295
Gulf Gas Energy Company	--	1 476 337
REPECO Gas Company	--	5 982 761
Gas and Energy Company (GENCO)	--	180 313 397
Master Gas Company	--	566 471
International Company for Gas Work (House Gas)	--	959 797
City Gas Company	--	12 364 500
ESACO	25 271 435	25 271 435
United Foundries and Heat Treatment Company	67 018 400	--
ASEC Cement Holding Co.	74 833 914	--
Bright Living for Trading	3 875 232	--
	<u>170 998 981</u>	<u>433 155 223</u>

## 6.2 Patents

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

## 6.3 Other intangible assets are represented in:

	2008	2007
	LE	LE
Customer lists	--	20 541 880
Licenses trade mark	4 665 291	5 606 668
	<u>4 665 291</u>	<u>26 148 548</u>

Impairment loss is recognised in other expenses caption on the income statement.

## 7. Investments in subsidiaries &amp; associates

The Group investments in subsidiaries and associates are represented in:

	Percentage		Carrying amount	
	2008	2007	2008	2007
	%	%	LE	LE
Qatar Gas Co.	--	23	--	2 394 764
El Kateb for Marketing & Distribution Co.	48.88	48.88	5 284 001	121 561
Pharos Co. *	53	35	92 396 746	54 373 561
Elsharq Book Stores Co.	40	40	17 010 738	10 152 339
ASCOM for Mining – Emirates Co.	--	49	--	4 958 816
ARESCO KSA Co.	35	35	1 050 000	1 050 000
ASEC Company for Mining (ASCOM) **	49.99	--	168 236 577	--
Silverstone Capital Investments Limited ***	38.27	--	237 054 178	--
Lotus Management Investment	47.84	47.84	37 177 572	35 830 634
Capella Management Investment	47.5	47.5	38 345 847	37 001 098
Dar El-Sherouk Ltd.*	58.52	58.52	185 579 021	64 642 359
			<u>782 134 680</u>	<u>210 525 132</u>
Impairment			(1 050 000)	--
			<u>781 084 680</u>	<u>210 525 132</u>

\* The Company does not consolidate the subsidiary as the control is not existed as the group has no power to govern the financial and operation policies of the subsidiary.

\*\* The investment in ASEC Company for Mining (ASCOM) was reclassified from investments in subsidiaries to investments in associates because the Company lost of control due to selling of 1 151 020 shares (11.6% of existing ownership interest), this transaction diluted ownership of the Company in ASEC Company for Mining (ASCOM) from 61.5% to 49.99%.

\*\*\* The investment in Silverstone Capital Investments Limited was reclassified to investments in associates because the Company lost of contractual control due to decreasing the Company's voting power to be less than half of the total voting power of the Silverstone Capital Investments Limited Company (from 55.5% to 44.4%) according to the written resolution adopted by the director of Silverstone Capital Investments Limited Company dated 1 June 2008.

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the year ended 31 December 2008**

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	LE	LE	LE	LE	LE	LE	LE	LE	
Pharos Co.	167 995 006	27 490 905	195 485 911	73 908 438	678 151	78 078 983	64 789 472										
Lotus Management Investment Co.	20 856 235	236 672 079	257 528 314	159 961 148	--	24 772 770	21 476 061										
Capella Management Investment Co.	23 925 216	235 539 958	259 465 174	159 047 612	--	24 631 986	21 338 618										
ASEC Company for Mining (ASCOM)	208 730 025	289 389 269	498 119 294	68 229 469	88 526 894	331 341 598	300 502 546										
Silverstone Capital Investments Ltd.	734 100 960	803 090 109	1 537 191 069	555 151 336	362 614 131	578 426 513	519 273 152										
El Kateb for Marketing & Distribution Co.	5 382 184	1 944 249	7 326 433	5 322 481	--	--	691 896										
Elsharq Book Stores Co.	14 678 484	7 022 128	21 700 612	4 560 863	377 780	17 600 497	19 073 652										
Dar El-Sherouk Ltd.	235 595 575	68 752 825	304 348 400	43 874 196	2 010 059	83 881 612	80 074 914										

**8. Other investments**

	Note	2008 LE	2007 LE Restated
<b>Non-current investments:</b>			
Available-for-sale investments	8.1	682 675 489	512 562 189
Payments for investments	8.2	1 339 699 711	1 100 722 060
Assets for investments acquisition	8.3	66 248 622	58 618 445
		<u>2 088 623 822</u>	<u>1 671 902 694</u>
<b>Current investments:</b>			
Investments held for trading	8.4	36 046 248	49 290 463
		<u>2 124 670 070</u>	<u>1 721 193 157</u>

- 8.1 The amount represents the Group investments in a number of unlisted companies domiciled in Egypt.
- 8.2 The amount represents payments made by the Group for new investments or increasing its existing participation interest in affiliates. The details of these payments are as follows:

	2008 LE	2007 LE
Grandview Investment Holding	72 410 592	58 723 092
Golden Crescent Investment Ltd.	393 536 864	256 230 093
Orient Investment Property Ltd.	178 789 836	44 928 372
Aroco Steel	932 199	932 199
Logria Corporation Ltd.	--	209 945 330
Logria Holding	375 616 305	--
Sudanese Egyptian Bank	--	3 592 938
Medcom National Development and Trading	914 019	914 019
National Development & Trading Company (IRAQ)	300 514	300 514
Zahana Algeria *	--	279 730 000
Mena Home Furnishings *	--	11 285 705
Mena Glass Ltd.	111 337 831	83 711 786
Falcon Agriculture Investments	186 443 090	88 648 090
CC Algeria *	--	6 236 762
Ameryah Metal & Alexandria for Car Foundries *	--	54 905 000
Glass Rock for Isolation	2 632 063	--
ASA International-Free Zone	274 452	--
Fund Project	7 231 216	--

**Citadel Capital Company****Notes to the consolidated financial statements for the year ended 31 December 2008**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Sudan Sugar Project	6 457 950	--
ASCOM Algeria	3 285 594	--
River Valley Logistics Ltd.	469 385	--
Others	--	638 160
	<u>1 340 631 910</u>	<u>1 100 722 060</u>
Impairment	(932 199)	--
	<u>1 339 699 711</u>	<u>1 100 722 060</u>

\* The acquisition procedures have been completed in the beginning of year 2008 and the Companies have been consolidated.

**8.3 Assets for investments acquisition**

Assets for investments acquisition with an amount of LE 66 248 622 (LE 58 618 445 as at December 31,2007) relates to ASEC Cement Holding Co. (represented in USD 2 million for license to construct Cement Factory in Sudan, USD 8.825 million use of Tract for Quarry related to GRD Cement Plant, Syrian Lire 64 million for research and geological work related to ASEC Syrian and LE 2.7 million related expenses.

**8.4 Investments held for trading are represented in:**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Abu-Qir Fertilizers Co.	16 747	16 747
Al-Shrooq for Printing Co.	1 950 702	1 471 439
Mutual Funds certificates	6 236 300	47 663 789
ASEC Company for Mining (ASCOM)	138 488	138 488
Al Arafa Investment and Consulting	1 678 750	--
Arab Cotton Ginning Co.	26 042 008	--
	<u>36 062 995</u>	<u>49 290 463</u>
Impairment	(16 747)	--
	<u>36 046 248</u>	<u>49 290 463</u>

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

**9. Investment property**

	<b>Land LE</b>	<b>Buildings LE</b>	<b>Total LE</b>
Additions	230 810 677	32 640 109	263 450 786
Cost as at 31/12/2008	230 810 677	32 640 109	263 450 786
Depreciation	--	952 003	952 003
Accumulated depreciation as at 31/12/2008	--	952 003	952 003
Carrying amounts as at 31 December 2008	230 810 677	31 688 106	262 498 783

The investment property is represented in two lands at km 38 Cairo / Alexandria Road, Zayed City - Giza with total area of 80 385,54 meter and 36 438 meter respectively, which purchased for the purpose of establishing of Commercial Mall, the primary contract and all the registration procedures in the property register haven't finished yet.

The purchase price of the land was made for notes payable with an amount of LE 149 422 307 (the non-current portion amounted to LE 93 483 219 see note 18 and the current portion amounted to LE 55 939 088 see note 21).

**10. Inventories**

	<b>2008 LE</b>	<b>2007 LE (Restated)</b>
Spare parts	219 086 116	222 177 016
Raw materials	249 547 155	175 700 875
Work in progress	82 630 728	33 474 168
Finished goods	51 916 829	11 334 105
Tools	650 239	675 910
Goods in transit	6 052 891	8 613 035
Furniture	21 238 403	--
Others	17 092 441	10 578 502
	648 214 802	462 553 611
Write down	(12 186 047)	(8 782 782)
	<u>636 028 755</u>	<u>453 770 829</u>



**11. Trade and other receivables**

	Note	2008 LE	2007 LE (Restated)
Trade receivables	11.1	276 472 066	361 421 836
Other receivables	11.2	632 845 633	576 920 698
		909 317 699	938 342 534
Due from related parties	11.3	412 299 924	234 171 074
		<u>1 321 617 623</u>	<u>1 172 513 608</u>

## 11.1 Trade receivables are represented in:

	2008 LE	2007 LE (Restated)
Customers	326 941 704	319 981 505
Notes receivables	3 077 553	67 585 188
	330 019 257	387 566 693
Impairment	(53 547 191)	(26 144 857)
	<u>276 472 066</u>	<u>361 421 836</u>

## 11.2 Other receivables are represented in:

	2008 LE	2007 LE (Restated)
Prepaid expenses	18 063 529	6 966 063
Deposits with others	68 257 778	76 140 326
Tax Authority	92 162 217	52 084 504
Advances to suppliers	218 458 689	173 229 153
Advances to employees	601 899	1 806 364
Letters of credit	10 687 481	5 153 358
Letters of guarantee margin	26 732 872	12 495 637
Imprest	9 139 712	3 710 935
Customs Authority	5 105 962	1 959 667
Employees' share in profit paid in advance	2 291 365	10 430 383
Accrued revenue	7 141 548	19 383 599
Advanced payments to purchase fixed assets	7 493 984	11 015 052
Work in process	113 038 926	140 509 349
Egyptian General Petroleum Corporation	--	31 116 081
Sundry debit balances	65 136 447	42 136 474
	644 312 409	588 136 945
Impairment	(11 466 776)	(11 216 247)
	<u>632 845 633</u>	<u>576 920 698</u>

**11.3 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 is LE 49 812 352 (2007: 75 901 188), total for capital participation is nil (2007: 7 211 473), total finance account is LE 295 588 221, (2007: 135 229 896), settlement of letters of guarantee is nil (2007: 6 566 726) and management fees is LE 66 899 351(2007: 9 261 791).

**12. Cash and cash equivalents**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Cash	1 582 019	1 522 519
Cheques under collection	7 638 004	16 647 641
Banks current accounts	273 691 472	525 573 934
Call deposits *	875 158 524	586 904 837
Cash and cash equivalents in the statement of cash flows	<u>1 158 070 019</u>	<u>1 130 648 931</u>

\* Call deposits includes blocked amount of LE 155 133 800 in the name of one of the subsidiaries (ASEC Cement Holding Co.) represents letter of guarantee margin.

**Non cash transactions**

For the purpose of preparing statement of cash flows, changes in assets and liabilities resulting from acquiring of new subsidiaries have been eliminated as the acquisition process represents non cash transactions and has not generate cash out flows during the year.

- Non cash transactions represent acquiring new subsidiaries:

	<b>LE</b>
Fixed assets	(1 009 147 278)
Intangible assets	(145 727 546)
Other investments	352 157 467
Inventories	(113 724 011)
Trade and other receivables	(38 586 365)
Loans and borrowings	54 246 845
Trade and other payables	318 075 172
Other liabilities	183 475 341
Banks overdraft	111 983 200
Provisions	41 164 028
Minority interest	201 053 284
Deferred tax liabilities	50 259 568
Notional capital distribution	(13 691 814)
Cash acquired from subsidiaries	<u>(54 823 915)</u>
Payments for acquisition of subsidiaries	<u>(63 286 024)</u>

- Amount of LE 186 123 represents proceeds from sale of available-for-sale investments and change in trade and other receivables (the amount represents the uncollected amount from sale of available-for-sale investments).
- Amount of LE 1 843 006 represents proceeds from sale of investments in associates and change in trade and other receivables (the amount represents the uncollected amount from sale of investments in subsidiaries).
- Amount of LE 42 486 943 represents proceeds from sale of investments in subsidiaries and change in trade and other payables (the amount represents the settlement of due to related parties).
- Amount of LE 1 054 134 from change in other credit balances and effective portion of changes in fair value of cash flow hedges (the balance represents the unpaid amount till 31 December 2008).
- Amount of LE 3 592 938 from payments to purchase of investments and change in due from related parties (the balance represents investment transferred from payments for investments to related party).
- Amount of LE 32 692 166 from payments to purchase of fixed assets and change in other long term liabilities (the balance represents the unpaid portion of fixed assets).
- Amount of LE 58 531 470 from payments to purchase of investments in subsidiaries and associates and change in other long term liabilities (the balance represents the unpaid portion of investments).

### 13. Other assets

Other assets amounted LE 5 502 500 as at 31 December 2008 (LE 5 569 767 as at 31 December 2007) equivalent to an amount of Syrian lira 46 250 000, represents the amount deposited at the Syrian Central Bank as a guarantee for the seriousness of establishing Asec Syria Cement Capital Factory and will be recovered at the beginning of production process.

### 14. Share capital

	2008	2007
	LE	LE
On issue at 1 January	1 650 000 000	912 762 572
Issued for cash	<u>1 100 000 000</u>	<u>737 237 428</u>
On issue at 31 December	<u>2 750 000 000</u>	<u>1 650 000 000</u>

The Company's authorized share capital was LE 2.5 million and the issued share capital was LE 2 million, represented in 400 000 shares of 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 meeting approved the increase of the issued and paid in capital from LE 2 million to LE 1 billion, represented in 200 million shares of par value LE 5 each with an increase of LE 998 000 000. 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 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. On 12 February 2008 the ordinary shareholders meeting approved to increase the authorized capital to be LE 6 billion.

The Board of directors of the Company held on 12 June 2008 decided to increase the issued capital with an amount of LE 1.1 billion to be LE 2.75 billion by issuing new 220 million shares with a par value of LE 5, accordingly the total number of shares after increase is 550 million shares. The share capital increase was paid in full. The commercial register was updated on 22 June 2008.

Accordingly the issued and paid-in capital is distributed as follows:

<b>Shareholders</b>	<b>Percentage %</b>	<b>No. of shares</b>	<b>Value in LE</b>
Citadel Capital Partners Ltd.	53.15	292 331 657	1 461 658 285
Emirates International Investments Company	16.08	88 441 522	442 207 610
Alaa Ahmed Abd almaksoud Arafa	3.80	20 909 878	104 549 390
Youssef Abd elhady Ibrahim Allam	3.05	16 799 489	83 997 445
Others	23.92	131 517 454	657 587 270
	<u>100</u>	<u>550 000 000</u>	<u>2 750 000 000</u>

The Board of directors of the Company held on December 12, 2008 decided to increase the issued capital with an amount of LE 275 500 000 to be LE 3 025 500 000 by issuing new 55 100 000 shares with par value LE 5, accordingly the total number of shares after increase is 605 100 000 shares. The share capital increase was paid in full. The commercial register was updated on March 4, 2009.

## 15. Reserves

### 15.1 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.

### 15.2 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.

## 16. Prepaid dividends

The balance as at 31 December 2007 represents the payments made to the shareholders on account of dividends for the year ended 31 December 2007 and the company's ordinary general meeting held on 12 May 2008 approved the distribution of dividends to the shareholders, board of directors and employees and settled the mentioned prepaid dividends.

## 17. 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 31.

	2008	2007
	LE	LE
<b>Non-current liabilities:</b>		
Secured	1 045 114 639	481 626 990
Unsecured	7 000 000	--
	<u>1 052 114 639</u>	<u>481 626 990</u>
<b>Current liabilities:</b>		
Secured	243 899 084	165 118 072
Unsecured	41 097 060	--
	<u>284 996 144</u>	<u>165 118 072</u>

**Citadel Capital Company**

**Notes to the consolidated financial statements for the year ended 31 December 2008**

Terms and repayment schedule terms and conditions of outstanding loans are as follows:

Description	Amount		Currency	Nominal interest rate	Date of maturity	Guarantees
	LE	LE				
	Non - Current	Current				
<b>Secured</b>						
National Societe General Bank	108 000 000	36 000 000	LE	10.5%	September 30, 2012	Partially pledging shares of ASEC Company for Cement Manufacturing
Ahli United Bank	13 000 000	26 666 667	LE	.25%under corridor price	September 30, 2010	Assignment of ASEC Engineering Co. management contracts
National Bank of Egypt	32 406 365	16 408 813	LE	11%	September 30, 2011	Commercial mortgage of financed assets of ASEC for Manufacturing and Industrial projects
Export Development Bank	24 988 407	7 016 416	Euro LE	2% over libor 8.5%over libor	December 31, 2014	Commercial mortgage on assets of United Foundries and Heat Treatment to cover over 150% of
Commercial International Bank	28 227 866	13 904 471	Euro LE	2% over libor 9.5%	December 31, 2014	Pledging machinery and equipment related to United subsidiaries
Commercial International Bank	17 675 024	133 593 771	LE	11%	September 25, 2008	Assignment of ESACO construction contract
Algerian Exterior Bank	6 210 177	10 308 946	DZD LE	2.5% over libor rate	October 5, 2010	ASEC Cement Holding CO.
<b>Group banks:</b>	814 606 800	--	USD	2.5% over libor	February 19, 2013	1-Pledging shares held in
- CitiBank N.A. London (Group banks leader)				rate for the first 2 years.		National for Development and Trading Co.
- Arab African International Bank,S.A.E.				2.75% over libor rate for the next 3 years.		2-First rank pledging of 4 999 000 of Ascom shares
- Suez Canal Bank S.A.E. Misr bank						3- First rank pledging of shares in the following companies:
- Piraeus Bank S.A.E. Misr Bank						- Logria Holding.
- Morgan Stanley Bank International Ltd.						- Orient Properties Ltd.
						- Golden Crescent Investments Ltd.
						- Falcon Agriculture Investments Ltd.
						- Siverstone Capital Investment Ltd.
						- EL-Shark Book Stores.

**Citadel Capital Company**
**Notes to the consolidated financial statements for the year ended 31 December 2008**

Description	Amount		Currency	Nominal interest rate	Date of maturity	Guarantees
	LE					
	Non - Current	Current				
<b>Secured</b>						- EL-Kateb for Marketing and Distribution. -Mena Glass -Ltd. - Pharos Holding.
<b>Unsecured</b>						
National Societe General Bank	--	35 000 000	LE	10.5%	December 12, 2008	--
International Finance Corporation	--	6 097 060	Euro	2.75 over libor rate	April 15, 2009	--
Mahmoud El Nahas	7 000 000	--	LE	--	--	--
<b>Total</b>	<u>1 052 114 639</u>	<u>284 996 144</u>				

- On 15 May 2008, the company entered to hedging agreement with Citibank London providing for US Dollars interest rate hedging to be affected by the company in respect of at least 50% of the aggregate loan at any time, this agreement is to be in place until the termination date, in accordance with the hedging agreement the libor rate will be at fixed rate 4.195 %.

**18. Other liabilities**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Deposits from others	--	29 869 958
Creditors-purchase of fixed assets	36 036 688	3 344 522
Creditors-purchase of investments	95 793 906	--
Notes payable (note no. 9)	93 483 219	--
Others	609 142	4 915 619
	<u>225 922 955</u>	<u>38 130 099</u>

**19. Deferred tax assets and liabilities**

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	LE	LE	LE	LE	LE	LE
Fixed assets	--	--	(64 291 702)	(13 561 251)	(64 291 702)	(13 561 251)
Provisions	5 383 710	3 788 750	--	--	5 383 710	3 788 750
	<u>5 383 710</u>	<u>3 788 750</u>	<u>(64 291 702)</u>	<u>(13 561 251)</u>	<u>(58 907 992)</u>	<u>(9 772 501)</u>

**20. Banks overdraft**

Banks overdraft balances represent short-term credit facilities granted to the Group. The overdraft facilities are secured by promissory notes , saving certificates , shipping documents and contract demission .The balance of banks overdraft as at 31 December 2008 is LE 484 651 492 (2007: 420 343 201) .

**21. Trade and other payables**

	Note	2008 LE	2007 LE (Restated)
Trade payables	21.1	591 150 936	397 624 377
Due to related parties	21.2	363 872 789	153 581 737
Other credit balances	21.3	368 797 097	423 090 618
		<u>1 323 820 822</u>	<u>974 296 732</u>

**21.1 Trade payables**

	2008 LE	2007 LE (Restated)
Suppliers	238 720 690	134 478 614
Deposits from others	44 794 858	23 572 709
Notes payable (note no. 9)	134 605 549	37 603 618
Advances from customers	172 680 686	174 587 573
Deferred revenue	349 153	27 381 863
	<u>591 150 936</u>	<u>397 624 377</u>

**21.2 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 198 878 646 (2007: 53 613 270), as well as payments made by a shareholder on behalf of the Group amounting to LE 164 994 143 (2007: 99 968 467).



**Citadel Capital Company**  
**Notes to the consolidated financial statements for the year ended 31 December 2008**

21.3 Other credit balances

	2008	2007
	LE	LE
		(Restated)
Tax Authority	55 012 401	83 479 087
Social Insurance Authority	2 333 013	2 023 849
Accrued expenses	155 030 418	68 172 909
Dividends payable	11 499 916	11 788 010
Employees' fund	--	1 875 339
Accrued interest	4 733 629	2 432 773
Subcontractors	57 123 065	55 600 395
Creditors-purchase of fixed assets	--	128 931 528
Current portion of long term liability	34 692 009	--
Sundry credit balances	48 372 646	68 786 728
	<u>368 797 097</u>	<u>423 090 618</u>

**22. Provisions**

	Claims	Lawsuits	Others	Total
	LE	LE	LE	LE
Balance as at 1 January 2008 (restated)	204 372 442	100 000	38 185 922	242 658 364
Acquired through business combination	41 159 198	--	4 830	41 164 028
Disposal of subsidiaries	(14 969 981)	(100 000)	--	(15 069 981)
Foreign currency differences	(605 019)	--	(1 800 000)	(2 405 019)
Provisions formed *	68 885 085	--	5 200 000	74 085 085
Provisions used	(68 887 070)	--	(15 007 780)	(83 894 850)
Reversal of provisions **	(58 907 606)	--	--	(58 907 606)
Balance as at 31 December 2008	<u>171 047 049</u>	<u>--</u>	<u>26 582 972</u>	<u>197 630 021</u>

Claims provision related to expected claims were 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. The management are reviewing the provision every year and the amount provided is adjusted based on latest development, discussions and agreements with the external party.

\* Provisions formed during the year include an amount of LE 29 749 277 which is included in cost of sales representing provision to complete contract for ASEC Automation Co.(ASA) .

\*\* An amount of LE 44 173 792 is excluded from cost of sales representing reversal of provisions which was created to complete contracts related to ASEC for Manufacturing and Industries Projects Co.(ARESCO).

**23. Revenues**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
		<b>(Restated)</b>
Sales	2 204 042 098	1 828 071 333
Consulting income	16 389 200	14 676 050
	<u>2 220 431 298</u>	<u>1 842 747 383</u>

**24. Other income**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Gains on sale of investments in subsidiaries *	199 743 122	--
Gains on sale of investments in associates	219 105	--
Gains on sale of fixed assets	1 654 255	528 045
Advisory fee (note no. 36)	66 899 351	9 261 791
Dividends income ***	--	1 142 490 446
Others ****	53 225 104	64 159 919
	<u>321 740 937</u>	<u>1 216 440 201</u>

\* Gain on sale of investments in subsidiaries is represented in the gain resulted from selling investment in (ASCOM) as following:

	<b>LE</b>
Selling price	222 454 778
Cost of investments **	<u>(22 711 656)</u>
	<u>199 743 122</u>

\*\* The cost of investments represents its share of net assets for 1 151 020 shares of Asec for Mining (ASCOM) shares (one of the subsidiaries - 61.52%) owned by the Company and accordingly after the sale the percentage became 49.99%.

\*\*\* Morningtide Investment Ltd. and Belamy Peak Corp. approved to distribute an amount of US\$ 206 984 156 to the Company as dividend in accordance to resolution of the director dated September 2007.

\*\*\*\* Others include an amount of LE 30 879 561 resulted from acquiring financial assets (credit balance related to old shareholders of new acquired subsidiaries, Alexandria Automotive Casting Company & Ameryah Metal Company) for 80% of carrying amount of the debt, in addition to revenue resulted from difference between carrying value and present value of the debt as it will be settled over 3 years.

## 25. Other expenses

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Provision formed	40 975 868	37 548 555
Consulting expenses	5 521 700	375 441 981
Impairment loss on goodwill	--	20 000 000
Impairment loss on investments in subsidiaries	1 050 000	--
Reversal of provisions	(14 733 814)	(28 868 197)
Reversal of impairment loss on trade and other receivables	(2 388 049)	(6 176 442)
Others	12 966 253	633 296
	<u>43 391 958</u>	<u>398 579 193</u>

## 26. Finance income

### Recognised in the income statement

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Gains / (loss) on sale of investments held for trading	8 510 245	(1 616 541)
Gains on sale of investments available -for- sale	31 651 265	39 931 842
Gains on sale of assets acquired for resale	--	9 621 158
Net change in the fair value of investments held for trading	(766 229)	433 847
Interest on time deposits	39 254 294	14 146 363
	<u>78 649 575</u>	<u>62 516 669</u>

**27. Finance expenses**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
		<b>Restated</b>
Impairment loss on trade and other receivables	28 444 414	62 615 201
Interest expense	191 377 146	84 216 329
Impairment loss on payments for investments	932 199	--
Impairment on trading investments	16 747	--
Net foreign exchange loss	15 761 069	4 479 688
	<u>236 531 575</u>	<u>151 311 218</u>

**28. Finance income and expenses recognised in equity**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Foreign currency translation differences of foreign operations	(25 508 169)	5 256 161
Net change in the fair value of available-for-sale financial assets	(577 708)	2 921 745
Finance income and expense recognised in equity (net of tax)	<u>(26 085 877)</u>	<u>8 177 906</u>
<b>Attributable to:</b>		
Equity holders of the Company	(14 993 861)	7 429 179
Minority interest	(11 092 016)	748 727
	<u>(26 085 877)</u>	<u>8 177 906</u>

**29. Income tax expense**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Current income tax expense	34 555 571	44 160 235
Deferred tax expense	8 756 107	1 155 595
Total income tax expense	<u>43 311 678</u>	<u>45 315 830</u>

**30. Earnings per share**

The calculation of earnings per share at 31 December 2008 is based on net loss attributable to the equity holders of the Company which amounts to net loss of LE 50 753 146 (2007: net profit of LE 606 430 539) and a weighted average number of shares outstanding 445 726 027 (2007: 192 775 452) calculated as follows:

	2008	2007
		(Restated)
	LE	LE
(Loss) profit for the year	(146 855 257)	601 073 130
(Loss) profit attributable to equity holders of the Company	<u>(50 753 146)</u>	<u>606 430 539</u>
Weighted average number of shares:		
Issued shares as at 1 January	330 000 000	91 476 257
Effect of shares issued during the year	<u>115 726 027</u>	<u>101 299 195</u>
Issued share as at 31 December	<u>445 726 027</u>	<u>192 775 452</u>
Earnings per share	<u>(0.11)</u>	<u>3.15</u>

**31. 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 expenses.

**31.1 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.

**31.2 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.

**31.3 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.

### 32. Prior year adjustments

	Adjustments LE	Restated LE
Net profit for the year ended 31 December 2007 (before restatement)		657 038 216
Adjustments on:		
Reversal of intragroup profit of El Takamoul project	8 170 545	
Effect on net profit of ARESKO Co. (Correction of error)	(102 302 863)	
Minority interest related to ARESKO Co.	534 582	
Minority interest related to National Development and Trading Co.	43 132 467	
Total adjustments		<u>(50 465 269)</u>
Net profit (restated)		<u>606 572 947</u>

- An amount of LE 8 170 545 represents the profit was previously eliminated on 31 December 2007 related to El Takamoul project , however due to the restatement done during the current year (as will be mentioned in the following paragraph ) the entry is reversed in the current year .
- ASEC for Manufacturing and Industries Projects Company (ARESKO) (one of the subsidiaries) found some errors in the percentage of completion for some projects implemented in the year ended 31 December 2007, such errors were due to technical inaccuracies in projects costing system. In order to correct this, balances of assets, liabilities and equity as at 31 December 2007 were restated as follows:

	Before restatement LE	Adjustments LE	Restated LE
Assets under construction	--	91 532 477	91 532 477
Debtors and other debit balances & advances to suppliers	303 509 320	(420 676 351)	(117 167 031)
Provisions	37 490 000	(114 158 309)	(76 668 309)
Net changes on retained earnings			<u>(102 302 863)</u>

### 33. Changes in accounting policy

- During the current year the management of ESACO S.A.E. has decided to change basis of calculation of percentage of completion from actual cost incurred to date divided on total costs expected for completing contract, to become the proportion of work completed to date and approved by client.
- According to Egyptian Accounting Standard no. 5, the comparative figures as at 31 December 2007 have been restated as follows:

	<b>Before restatement</b>	<b>Adjustments</b>	<b>Restated</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>
Work in process	--	48 976 872	48 976 872
Inventories-work in process (reclassification)	21 542 770	(21 542 770)	--
Accounts receivables	42 532 286	(29 804 046)	12 728 240
		<u>(2 369 944)</u>	
Net loss for 2007	(23 767 955)	(377 368)	(24 145 323)
Retained earnings	3 728 235	(1 992 576)	1 735 659
		<u>(2 369 944)</u>	
Subsidiary's (NDT) share related to adjustments in net loss for year 2007		<u>(264 158)</u>	
Subsidiary's (NDT) share related to adjustments in retained earnings		<u>(1 394 803)</u>	
Parent's share related to adjustments in net loss for year 2007		<u>(142 408)</u>	
Parent's share related to adjustments in retained earnings		<u>(752 035)</u>	

### **34. Contingent Liabilities**

The contingent liabilities of the subsidiaries as at 31 December 2008 are represented in the following:

#### **ESACO S.A.E**

	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Letters of guarantee	132 183 024	58 495 681
	<u>=====</u>	<u>=====</u>
<b>ASEC Automation Co.(ASA)</b>		
Letters of guarantee	70 986 605	32 491 184
Letters of credit	14 787 696	10 803 820
	<u>=====</u>	<u>=====</u>
	85 774 301	43 295 004
	<u>=====</u>	<u>=====</u>
<b>ASEC Research and Technology (ARTEC)</b>		
Letters of guarantee	1 084 232	166 472
	<u>=====</u>	<u>=====</u>
<b>Arab Swiss Engineering Co. (ASEC)</b>		
Letters of guarantee	55 383 907	41 780 856
	<u>=====</u>	<u>=====</u>
<b>ASEC Cement Co.</b>		
Letters of guarantee	155 131 800	--
	<u>=====</u>	<u>=====</u>
<b>ASEC Environmental Protection Co. (ASENPRO)</b>		
Letters of guarantee	3 871 831	--
	<u>=====</u>	<u>=====</u>

**ASEC for  
Manufacturing and  
Industries Project  
Co. (ARESCO)**

	2008			2007		
	EURO	US\$	LE	EURO	US\$	LE
Letters of guarantee	904 623	40 915 159	37 875 300	2 050 970	57 430 213	31 134 208
Letters of credit	133 646	--	2 845 109	5 581 445	6 958	363 676
	<u>1 038 269</u>	<u>40 915 159</u>	<u>40 720 409</u>	<u>7 632 415</u>	<u>57 437 171</u>	<u>31 497 884</u>

**United Foundries and  
Heat Treatment Co.**

	2008			2007		
	EURO	US\$	LE	EURO	US\$	LE
Letters of guarantee	155 366	275 270	829 874	--	--	--
Letters of credit	--	400 314	--	--	--	--
	<u>155 366</u>	<u>675 584</u>	<u>829 874</u>	<u>--</u>	<u>--</u>	<u>--</u>

**35. 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 Capital Company S.A.E
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		Gas and Energy	National Company	Sphinx Egypt Company



<b>Cement Treatment</b>	<b>Mining</b>	<b>Energy</b>	<b>Transportation</b>	<b>Investments</b>
ASEC Company for Cement Manufacturing		Company (GENCO Group) Egypt	for River Ports Management	Citadel Holding for Financial Investments
ASEC Environmental Protection Company (ASENPRO)		Trans Gas Company	National Company for Sea Ports	National for Building Materials Trading
ASEC Automation (ASA)		Repeco Gas Company	National Company for Transportation and Storage	
ASEC Research and Technology (ARTEC)		Nile Valley Gas Company		Citadel Company for Promotion
ESACO S.A.E		Global Energy		Bright Living for Trading
Alexandria Automotive Casting Co.		City Gas Company		Mena Home Furnishings Mall
Ameryah Metal Co.		International Company for Gas Works (House Gas)		Bonyan for Development and Trading
		Engineering Company for Suez Gulf (EGUSCO)		Valencia Trading Holding Ltd.
		Master Gas Company		Andalusia Trading Investments
		Gulf Gas and Energy FZE, Dubai		Tanweer Co.
		Pharaonic Gas Company		Financial Unlimited Co.
		Alamia for Taqa		
		Mashreq Petroleum S.A.E.		

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**Notes to the consolidated financial statements for the year ended 31 December 2008**

**Business segments**

	2008						
	Cement LE	Mining* LE	Energy* LE	Investments LE	Transportation LE	Eliminations LE	Consolidated LE
Total external revenues	2 004 891 791	60 774 954	114 393 082	37 892 677	2 478 794	--	2 220 431 298
Inter segment revenues	2 410 753	--	--	--	--	(2 410 753)	--
Segment results	2 007 302 544	60 774 954	114 393 082	37 892 677	2 478 794	(2 410 753)	2 220 431 298
Gross profit (loss)	112 526 353	15 584 778	38 972 213	23 878 124	(2 131 827)	--	188 829 641
Other income	47 182 274	77 043	413 952	273 518 316	549 352	--	321 740 937
Administrative expenses	(186 715 284)	(7 833 716)	(17 634 502)	(203 442 876)	(19 822 347)	(1 625 031)	(437 073 756)
Other expenses	(10 024 255)	--	--	(30 370 014)	(3 709 289)	711 600	(43 391 958)
Results from operating activities	(37 030 912)	7 828 105	21 751 663	63 583 550	(25 114 111)	(913 431)	30 104 864
Share of profit in associates	--	--	--	24 233 557	--	--	24 233 557
Finance income	56 165 171	238 867	3 085 922	16 393 438	2 766 177	--	78 649 575
Finance expenses	(139 070 206)	(587 270)	(6 397 669)	(85 760 539)	(4 715 891)	--	(236 531 575)
Net finance (expenses) income	(82 905 035)	(348 403)	(3 311 747)	(45 133 544)	(1 949 714)	--	(133 648 443)
Net (loss) profit before income tax	(119 935 947)	7 479 702	18 439 916	18 450 006	(27 063 825)	(913 431)	(103 543 579)
Income tax expense	(36 506 937)	(315 159)	(5 623 935)	(212 182)	(653 465)	--	(43 311 678)
(Loss) profit for the year	(156 442 884)	7 164 543	12 815 981	18 237 824	(27 717 290)	(913 431)	(146 855 257)
Segment assets	6 163 269 622	--	--	7 212 190 617	1 343 934 043	(5 954 334 251)	8 765 060 031
Investments in associates	--	--	--	781 084 680	--	--	781 084 680
Total assets	6 163 269 622	--	--	7 993 275 297	1 343 934 043	(5 954 334 251)	9 546 144 711
Segment liabilities	2 752 517 766	--	--	1 099 026 671	474 029 001	(692 145 663)	3 633 427 775
Total liabilities	2 752 517 766	--	--	1 099 026 671	474 029 001	(692 145 663)	3 633 427 775
Depreciation	125 748 569	--	--	13 216 631	2 478 433	--	141 443 633
Amortisation of intangible assets	1 036 177	--	--	1 541	--	--	1 037 718

\* The balances related to Silver Stone Company and Ascom Company were transferred after first quarter from investments in subsidiaries to investment in associates (note -- 7).

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Business segments

	2007						Consolidated LE
	Cement LE	Mining LE	Energy LE	Investments LE	Transportation LE	Eliminations LE	
Total external revenues	1 233 492 953	241 362 546	353 215 834	14 676 050	--	--	1 842 747 383
Inter segment revenues	24 875 848	--	--	--	--	(24 875 848)	--
Segment results	1 258 368 801	241 362 546	353 215 834	14 676 050	--	(24 875 848)	1 842 747 383
Gross profit	116 610 653	56 051 403	133 082 911	14 676 050	--	(14 334 725)	306 086 292
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) income	(12 913 770)	6 771 436	(15 756 414)	(373 657 038)	(3 023 407)	--	(398 579 193)
Results from operating activities	17 546 762	36 476 632	71 502 618	2 138 992 032	(20 262 292)	(1 519 387 112)	724 868 640
Share of profit in associates	--	--	--	10 314 869	--	--	10 314 869
Finance income	35 676 418	1 773 528	11 640 081	12 319 093	1 107 549	--	62 516 669
Finance expense	(103 604 966)	(1 374 001)	(28 797 760)	(13 630 345)	(3 904 146)	--	(151 311 218)
Net finance (expenses) income	(67 928 548)	399 527	(17 157 679)	9 003 617	(2 796 597)	--	(78 479 680)
Net (loss) profit before income tax	(50 381 786)	36 876 159	54 344 939	2 147 995 649	(23 058 889)	(1 519 387 112)	646 388 960
Income tax expense	(16 830 124)	(5 591 772)	(19 750 989)	(2 931 758)	(211 187)	--	(45 315 830)
(Loss) profit for the year	(67 211 910)	31 284 387	34 593 950	2 145 063 891	(23 270 076)	(1 519 387 112)	601 073 130
Segment assets	3 729 112 703	255 880 489	1 131 760 961	3 291 400 949	--	(1 811 641 487)	6 596 513 615
Investments in associates	1 050 000	9 985 024	2 500 429	196 989 679	--	--	210 525 132
Total assets	3 730 162 703	265 865 513	1 134 261 390	3 488 390 628	--	(1 811 641 487)	6 807 038 747
Segment liabilities	1 413 190 407	89 379 674	520 215 835	918 448 431	--	(605 499 638)	2 335 734 709
Total liabilities	1 413 190 407	89 379 674	520 215 835	918 448 431	--	(605 499 638)	2 335 734 709
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

**36. Related party transactions**

Advisory fee item presented in the income statement under the item of other income as at 31 December 2008 amounted to LE 66 899 351 are represented in the advisory services provided to other related parties as follows:

<b>Company's name</b>	<b>2008</b>	<b>2007</b>
	<b>LE</b>	<b>LE</b>
Mena Glass Ltd.	5 543 064	1 426 246
Mena Home Furnishing Mall	--	402 478
Golden Crescent Investment Ltd.	4 923 781	--
Regional Investment Holding	--	987 565
Falcon Agriculture Investments Ltd.	11 864 838	2 386 153
Orient Investment Ltd.	12 567 570	--
Logria Holding	28 694 878	--
Logria Corporation Ltd.	--	4 059 349
Sphinx Glass Ltd.	3 305 220	--
<b>Total</b>	<b>66 899 351</b>	<b>9 261 791</b>

**37. Tax status**

**37.1 Corporate tax**

The Company's books have not been inspected yet.

The Company submitted its tax return on regular basis for 2005 , 2006 and 2007 according to tax law No. 91/2005.

**37.2 Payroll tax**

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

**37.3 Stamp tax**

The Company was inspected till the date of July 31,2006 and paid all the accrual amounts according to the tax authority internal committee decision .

**37.4 Withholding tax**

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

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Notes to the consolidated financial statements for the year ended 31 December 2008

**38. Group entities**

**Significant subsidiaries**

	Country of incorporation		Ownership interest	
	2008	2007	2008	2007
	%	%	%	%
Arab Company for Financial Investments	94	94	94	94
National Development and Trading Company	53.81	53.92	53.81	53.92
Citadel Company for Projects	--	99.9	--	99.9
Regional Holding for Investments	33.36	28.77	33.36	28.77
National Company for River Transportation	99.99	28.77	99.99	28.77
National Company for Goods Transport	99.88	99.99	99.88	99.99
National Company for River Ports Management	99.88	99.99	99.88	99.99
National Company for Sea Ports	99.99	99.99	99.99	99.99
Citadel Capital Ltd. BVI	100	100	100	100
ASEC Company for Mining (ASCOM) *	--	61.50	--	61.50
ASCOM for Chemical and Carbon Manufacturing *	--	99.99	--	99.99
Citadel Company for Promotion	99.9	99.9	99.9	99.9
ASEC Research and Technology (ARTEC)	99	99	99	99
ESACO S.A.E.	70	70	70	70
Arab Swiss Engineering Company. (ASEC)	100	100	100	100
ASEC for Casting and Heat Treatment (ARESCO)	99.47	99.47	99.47	99.47
United Foundries and Heat Treatment	99.75	90.82	99.75	90.82
ASEC Company for Cement Manufacturing	50.99	50.99	50.99	50.99
ASEC Environmental Protection Company (ASENPRO)	63.01	63.01	63.01	63.01
ASEC Automation (ASA)	53.64	53.64	53.64	53.64
Alexandria Automotive Casting Co.	99.75	--	99.75	--
Ameryah Metal Co.	86.17	--	86.17	--
National Company for Transportation and Storage	--	84.88	--	84.88
Silverstone Capital Investments Limited *	--	32.54	--	32.54

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Notes to the consolidated financial statements for the year ended 31 December 2008

**Significant subsidiaries (continued)**

	Country of incorporation		Ownership interest	
	2008	2007	2008	2007
	%	%	%	%
Arab Company for Energy and Water (TAQA) *	--	76.25	--	76.25
Gas and Energy Group Limited BVI *	--	100	--	100
Gas and Energy Company (GENCO Group) Egypt *	--	100	--	100
Sphinx Egypt Company	59.88	59.88	59.88	59.88
Trans Gas Company *	--	91.58	--	91.58
Pharaonic Gas Company *	--	98.50	--	98.50
Repeco Gas Company *	--	100	--	100
Nile Valley Gas Company *	--	100	--	100
Global Energy Company *	--	99.99	--	99.99
City Gas Company *	--	97.92	--	97.92
International Company for Gas Works (House Gas) *	--	99.38	--	99.38
Engeneering Company for Suez Gulf (EGUSCO) *	--	97.93	--	97.93
Master Gas Company *	--	99.99	--	99.99
Gulf Gas and Energy FZE, Dubai *	--	100	--	100
Alamia for Taqa *	--	100	--	100
Mashreq Petroleum S.A.E *	--	95	--	95
Citadel Holding for Financial Investments	99.99	99.99	99.99	99.99
Focus Ventures Investments Inc. – BVI	--	100	--	100
Bright Living for Trading	55	--	55	--
Mena Home Furnishings Mall	28.42	--	28.42	--
Bonyan for Development and Trading	99.99	--	99.99	--
National for Building Materials Trading	--	99.88	--	99.88
Citadel Capital Algeria	99.99	--	99.99	--
Valencia Trading Holding Ltd.	100	--	100	--
Andalusia Trading Investments	100	--	100	--
Tanweer Co.	99.88	--	99.88	--
Financial Unlimited Co.	99.88	--	99.88	--

\* Note (7)

**39. Capital Commitments**

The capital commitment of the subsidiaries at 31 December 2008 is represented in the following:

- ESACO S.A.E

Capital commitments as at December 31,2008 with an amount of LE 1 208 358 represents the commitment to purchase buildings.

- ASEC Cement Co.

Capital commitments as at December 31,2008 with an amount of 19 019 599 348 Algerian Dinar represents the commitment related to constructing Asec Algeria Cement Co. factory and an amount of 77 279 985 Sudanese Pound related to constructing Capital Eltakamoul Ltd. Co. factory and an amount of 3 798 732 878 Syrian Lira related to constructing Asec Syria Cement Co. factory.

- United Foundries and Heat Treatment Co.

Capital commitments as at December 31,2008 with an amount of LE 18 455 490 represents the commitment to purchase new production line in addition to an amount of LE 42 776 184 represents commitment to purchase other fixed assets.

**40. Management Contract**

The Company's extraordinary meeting held on May 12, 2008 approved the management contract with Citadel Capital Partners (one of the shareholders of 53.14 %) which states that Citadel Capital Partners provides all the management duties for 10% of the net annual profit available for distribution. The management fee amounted LE 2 590 062 for the year ended December 31, 2008 versus the top management bonuses amounted to LE 66 773 494 for the year ended 31 December 2007.

**41. Going concern**

The financial statements of the subsidiary, ASEC for Manufacturing and Industries Projects Co. (ARESCO) have been prepared assuming that the company will continue as going on concern. The company suffered recurring losses from operations that amounted to LE 132 526 885 for the year ended 31 December 2008 and LE 104 261 343 as at December 31, 2007 which led to accumulated loss of LE 236 788 227 and negative working capital of LE 215 350 830, the accumulated loss exceeded 50% of issued and paid up capital as at 31 December 2008. Shareholders of the Company support the continuation of the company.

**42. Employees Stock Option Plan**

- The Company's extraordinary meeting held on February 20, 2008 approved to add a new article to the company Article of Association to adopt a plan or more to motivate employees, managers and executive board of directors – Employees Stock Option Plan (ESOP) in accordance with decision No. 282 for 2005 which modified executive regulation for the law No 159 / 1981.
- On June 22, 2008 the Capital Market Authority approved the ESOP plan and the company does not start to apply it till now.

**43. Comparative figures**

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