


Citadel Capital Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the year ended December 31 , 2010

&
Auditor's report

 **Hazem Hassan**
Public Accountants & Consultants

Contents	Page
Auditor's report	
Consolidated balance sheet	1
Consolidated income statement	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Accounting policies and notes to the consolidated financial statements	5 – 46



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Auditor's report **To the Board of Directors 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) and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2010 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 consolidated 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 consolidated 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, 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.

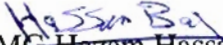
Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citadel Capital Company and its subsidiaries as at December 31, 2010 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.

Explanatory paragraph

Without qualifying our opinion, we draw attention to note no. (35) to the consolidated financial statements. The Company was unable to obtain the appropriate data, which could enable it to disclose the effect of the subsequent events on the value of the assets, liabilities and the results of operations in the foreseeable future, since these amounts and results may differ significantly when reliable indicators and signs become available, which enable the use of those indicators and signs in identifying the extent and the impact of the subsequent events on the carrying amount of the assets and liabilities included in the financial statements.

Cairo May 26, 2011


KPMG Hazem Hassan
KPMG Hazem Hassan
Public Accountants and Consultants
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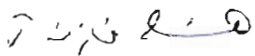
Citadel Capital Company
(Egyptian Joint Stock Company)
Consolidated balance sheet
as at December 31, 2010


	note no.	31/12/2010 LE	31/12/2009 LE
Assets			
Fixed assets (net)	(5)	146 348 103	101 254 466
Intangible assets (net)	(6)	-	2 083 377
Investments in subsidiaries and associates	(7)	2 051 238 061	1 792 714 352
Other investments	(8)	2 094 536 019	1 887 266 921
Deferred tax	(16)	1 722 191	284 589
Total non-current assets		<u>4 293 844 374</u>	<u>3 783 603 705</u>
Inventories		-	978 990
Other investments	(8)	20 298 029	4 854 256
Trade and other receivables (net)	(9)	526 119 628	863 408 238
Cash and cash equivalents	(10)	162 616 450	268 589 879
Total current assets		<u>709 034 107</u>	<u>1 137 831 363</u>
Total assets		<u>5 002 878 481</u>	<u>4 921 435 068</u>
Equity			
Share capital	(11)	3 308 125 000	3 308 125 000
Reserves	(12)	132 378 875	33 787 567
Retained earnings		273 649 702	93 302 536
Net (loss) profit for the year		<u>(1 354 895 222)</u>	<u>159 110 191</u>
Total equity attributable to equity holders of the company		<u>2 359 258 355</u>	<u>3 594 325 294</u>
Non - controlling interests	(13)	<u>197 003 955</u>	<u>31 911 579</u>
Total equity		<u>2 556 262 310</u>	<u>3 626 236 873</u>
Liabilities			
Long term loans	(14)	1 155 923 644	808 031 729
Long term liabilities	(15)	<u>74 132 033</u>	<u>58 531 470</u>
Total non-current liabilities		<u>1 230 055 677</u>	<u>866 563 199</u>
Banks overdraft		-	2 333 910
Short term loans	(14)	96 194 363	48 138
Trade and other payables	(17)	899 918 030	406 757 928
Expected claims provision	(18,22)	<u>220 448 101</u>	<u>19 495 020</u>
Total current liabilities		<u>1 216 560 494</u>	<u>428 634 996</u>
Total liabilities		<u>2 446 616 171</u>	<u>1 295 198 195</u>
Total equity and liabilities		<u>5 002 878 481</u>	<u>4 921 435 068</u>

The notes on pages 5 to 46 are integral part of these consolidated financial statements and to be read therewith .

Auditor's report "attached"

Chairman
Ahmed Heikal


Managing Director
Hisham Hussein El Khazendar


CFO / Board Member
Ahmed EL Shamy




Citadel Capital Company
(Egyptian Joint Stock Company)
Consolidated income statement
for the year ended December 31, 2010

	note no.	For the year ended	
		31/12/2010 LE	31/12/2009 LE
Advisory fee	(29-1)	91 025 096	91 252 642
Management fee	(29-2)	3 025 493	-
Gains on sale of investments	(19)	45 643 833	274 146 429
Share of (loss) profit of equity accounted investees	(20)	(87 838 947)	47 594 123
Other income	(29-3)	6 579 547	43 880 471
Total operating income		58 435 022	456 873 665
General and administrative expenses	(21)	(338 061 478)	(227 317 681)
Other expenses	(22)	(1 068 161 004)	(16 646 788)
Net operating (loss) profit		(1 347 787 460)	212 909 196
Financing costs (net)	(23)	(8 156 605)	(2 178 263)
Net (loss) profit before income tax		(1 355 944 065)	210 730 933
Income tax	(24)	882 269	(501 306)
Net (loss) profit from continued operations (net of income tax)		(1 355 061 796)	210 229 627
Net loss from discontinued operations (net of income tax)	(4-6,26)	(5 093 933)	(110 978 443)
Net (loss) profit for the year		(1 360 155 729)	99 251 184
Attributable to:			
Equity holders of the Company		(1 354 895 222)	159 110 191
Non - controlling interests		(5 260 507)	(59 859 007)
		(1 360 155 729)	99 251 184
Earnings per share	(27)	(2.05)	0.26

The notes on pages 5 to 46 are integral part of these consolidated financial statements and to be read therewith .

Citadel Capital Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity
for the year ended December 31, 2010

note no.	Share capital	Reserves				Company's share of items recognized in associate equity	Retained earnings	Net (loss) profit for the year		Total		Non-controlling interests		Total equity		
		Legal reserve		F.C. translation reserve				Hedging reserve		LE	LE	LE	LE	LE	LE	LE
		LE	LE	LE	LE			LE	LE							
	2 750 000 000	77 845 487	16 655 260	(3 554 169)	-	154 181 173	(50 753 146)	2 944 063 722	2 968 653 214	5 912 716 936						
(3-19)	-	1 165 528	-	-	-	(65 571 274)	50 753 146	(13 652 600)	-	(13 652 600)	-	-	-	(13 652 600)		
	-	-	-	-	-	(7 902 509)	-	(7 902 509)	-	(7 902 509)	-	-	-	(7 902 509)		
(3-4)	-	-	-	(13 327 907)	-	-	-	(13 327 907)	-	(13 327 907)	-	-	-	(13 327 907)		
(11)	558 125 000	-	-	-	-	-	-	558 125 000	-	558 125 000	-	-	-	558 125 000		
(3-2)	-	-	18 765 379	-	-	-	-	18 765 379	10 753 122	18 765 379	10 753 122	-	-	29 518 501		
(3-7-1)	-	-	1 137 680	-	-	-	-	1 137 680	266 825	1 137 680	266 825	-	-	1 404 505		
	-	-	-	-	-	-	-	-	(2 887 902 575)	-	(2 887 902 575)	-	-	(2 887 902 575)		
(3-1-4)	-	-	-	-	(64 588 808)	12 595 146	-	(51 993 662)	-	(51 993 662)	-	-	-	(51 993 662)		
	-	-	-	-	-	-	159 110 191	159 110 191	(59 859 007)	99 251 184	(59 859 007)	-	-	99 251 184		
	3 308 125 000	79 011 015	35 420 639	(16 882 076)	(64 588 808)	93 302 536	159 110 191	3 594 325 294	31 911 579	3 626 236 873	31 911 579	-	-	3 626 236 873		
(3-19)	-	10 567 463	-	-	-	139 156 001	(159 110 191)	(9 386 727)	-	(9 386 727)	-	-	-	(9 386 727)		
(3-4)	-	-	-	16 882 076	-	-	-	16 882 076	-	16 882 076	-	-	-	16 882 076		
(3-2)	-	-	67 493 813	-	-	-	-	67 493 813	(338 637)	67 155 176	(338 637)	-	-	67 155 176		
(3-7-1)	-	-	(705 981)	-	-	-	-	(705 981)	-	(705 981)	-	-	-	(705 981)		
	-	-	-	-	-	-	-	-	170 691 520	-	170 691 520	-	-	170 691 520		
(3-1-4)	-	-	-	-	4 353 937	41 191 165	-	45 545 102	-	45 545 102	-	-	-	45 545 102		
	-	-	-	-	-	-	(1 354 895 222)	(1 354 895 222)	(5 260 507)	(1 360 155 729)	(5 260 507)	-	-	(1 360 155 729)		
	3 308 125 000	89 578 476	102 914 452	-	(60 234 871)	273 649 702	(1 354 895 222)	2 359 256 355	197 003 955	2 556 260 310	197 003 955	-	-	2 556 260 310		

The notes on pages 5 to 46 are integral part of these consolidated financial statements and to be read therewith.

Citadel Capital Company
(Egyptian Joint Stock Company)
Consolidated cash flows statement
for the year ended December 31, 2010

	For the year ended	
	31/12/2010 LE	31/12/2009 LE
Cash flows from operating activities		
Net (loss) profit before income tax	(1 355 944 065)	210 730 933
Adjustments to reconcile net (loss) profit to net cash provided from operating activities :		
Net loss from discontinued operations (before tax)	(5 093 933)	(82 563 698)
Depreciation and amortizations	9 307 639	130 964 931
Provisions formed	207 130 757	42 510 453
Share of loss (profit) of equity accounted investees	112 134 849	(95 493 613)
Net change in the fair value of investments at fair value through profit and loss	163 658	(1 367 454)
Foreign exchange differences	33 943 240	25 880 146
Gains on sale of investments in subsidiaries and associates	(41 840 072)	(268 953 292)
Gains on sale of available-for-sale investments	(3 803 761)	(840 986)
Credit interest	(35 052 058)	(329 961)
Debit interest	544 377	-
Other income	(6 579 547)	-
Provisions used	-	(31 221 750)
Reversal of provisions	-	(24 008 390)
Impairment loss on trade and other receivables	5 000 000	4 658 096
Gains on sale of fixed assets	-	(1 900 685)
Impairment loss on payments for investments	84 833 212	3 285 594
Impairment loss on available -for- sale investments	508 232 587	-
Impairment loss on due from related parties	263 795 671	-
Reversal of impairment loss on assets	-	(10 032)
Hedging reserve	16 882 076	-
Operating loss before changes in working capital	(206 345 370)	(88 659 708)
Change in trade and other receivables	(89 094 485)	(137 266 262)
Change in inventories	-	68 291 701
Change in investments at fair value through profit and loss	(15 607 431)	32 293 433
Change in trade and other payables	449 611 142	202 549 673
Net cash provided from operating activities	138 563 856	77 208 837
Cash flows from investing activities		
Payments for purchase of fixed assets	(4 975 442)	(1 056 464 619)
Proceeds from sale of fixed assets	-	71 035 866
Payments for purchasing other investments	(728 414 166)	(121 759 736)
Proceeds from sale of investments in subsidiaries and associates	29 434 477	102 722 640
Payments for purchase of investments in subsidiaries and associates	(197 919 053)	(79 076 769)
Proceeds from sale of available-for-sale investments	41 576 337	10 580 585
Proceeds from (payments for) other investments	47 058 265	(400 349 686)
Proceeds from dividends	2 361 457	4 543 594
Payment for acquisition of intangible assets	-	(4 708 188)
Net cash used in investing activities	(810 878 125)	(1 473 476 313)
Cash flows from financing activities		
Proceeds from issuing of share capital	-	558 125 000
Proceeds from capital related to non - controlling interests	182 313 553	365 427 522
Dividends related to non - controlling interests	(1 574 439)	(14 648 025)
Proceeds from borrowings	396 330 717	49 281 133
Payment for hedging reserve	-	(11 449 331)
Dividends payout	-	(8 696 480)
Proceeds from banks overdraft	-	121 293 191
Net cash provided from financing activities	577 069 831	1 059 333 010
Net changes in cash and cash equivalents during the year	(95 244 438)	(336 934 466)
Cash and cash equivalents at the beginning of the year	268 589 879	1 158 070 019
Cash related to deconsolidation of subsidiaries	(10 728 991)	(552 545 674)
Cash and cash equivalents at the end of the year	162 616 450	268 589 879

The notes on pages 5 to 46 are integral part of these consolidated financial statements and to be read therewith .

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 for the year ended December 31, 2010 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

2.1 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.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except assets and liabilities which are measured at fair value as follows:

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

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

2.3 Functional and presentation currency

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

2.4 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year 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 (18) provisions.
- Note (7) Investments in subsidiaries and associates.
- Note (6) measurements of the recoverable amounts of intangible assets and goodwill.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years 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 no. (4-6).

3.1 Basis of consolidation

3.1.1 Subsidiaries

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. 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 presently 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.
- Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS 24 Income

Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

- Non - controlling interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non - controlling interests in the profit or loss of the group shall also be separately disclosed.
- A parent loses control when it loses the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

3.1.2 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 to contribute 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.

3.1.3 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 year 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.

3.1.4 Associates

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3.2 Foreign currency translation

The Company maintains its accounts in Egyptian pounds. Transactions denominated in foreign currencies are translated at foreign exchange rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rates ruling at that date. The foreign currency exchange differences arising on the translation at the balance sheet date are recognized in the income statement.

3.3 Foreign operations

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the rates ruling as at the reporting date, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rates ruling during the year of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as foreign currency translation reserve.

3.4 Financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedge

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized 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 recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

3.5 Lending

Loans are stated at cost less any impairment losses in its value and the Company reevaluates the loans at each balance sheet date, in case of impairment in the redeemable value of the loan less than its book value the loan is impaired by the value of impairment loss and recognized in income statement.

3.6 Cash and cash equivalents

Cash and cash equivalents are represented in the cash, banks current accounts ,deposits and cheques under collection.

3.7 Investments

3.7.1 Available-for-sale financial investments

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

3.7.2 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.

3.7.3 Other

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

3.8 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.

3.9 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (note 3.13), and are depreciated using the straight line method and recognized in income statement over the estimated productive life for each type of asset. The following are the estimated productive lives, for each class of assets, for depreciation calculation purposes:

Assets depreciation	Estimated useful life
- Furniture & Fixtures & Electric Equipment & Tools	4 years
- Computers	2-3 years
- Vehicles	4 years
- Buildings & Constructions	20 years

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

3.10 Projects under construction

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

3.11 Gains and losses from disposal of fixed assets

Gains and losses from disposal of fixed assets are determined by comparing net disposal proceeds of assets to its net book value, resulted gain and losses are recorded in the income statement.

3.12 Intangible assets

3.12.1 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 acquired entity. 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.

3.12.2 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.

3.12.3 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.

3.12.4 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 3:20 years.

3.13 Impairment

3.13.1 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.

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

3.14 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 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.

3.15 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.

3.16 Trade and other payables

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

3.17 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.

3.18 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 year of the borrowings on an effective interest rate basis.

3.19 Legal reserve

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

3.20 Dividends

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

3.21 Income tax

- Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.
- Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.
- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22 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 year. 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.

3.23 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.

3.24 Employees benefits

3.24.1 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.

3.24.2 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.

3.25 Revenue

3.25.1 Gain (loss) on sale of investments

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

3.25.2 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.

3.25.3 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.

3.25.4 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.

3.25.5 Interest income

Interest income is recognized on time proportion basis to take into account effective yield on the asset.

3.25.6 Management fee

Management fee is recognized upon rendering the service.

3.25.7 Advisory fee

Advisory fee is calculated based on agreed percentage in accordance with contract term with companies.

3.26 Discontinued operations

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

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.

4.1 Intangible assets

Intangible assets are stated at historical cost and amortised over a period from 3 to 20 years.

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

4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 Comparative figures

The comparative figures include the value of assets, liabilities, of the following subsidiaries:

- Tawazon for Solid Waste Management Company (Tawazon)
- Engineering Tasks Group (ENTAG).
- Tanmeyah Company S.A.E

During the year, the company reclassified these investments from subsidiaries to associates through restructuring the board of directors so, the value of assets and liabilities related to these subsidiaries are deconsolidated.

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

5. Fixed assets

	Land	Buildings	Lease hold improvements	Furniture & fixtures	Machines & equipment	Computer equipment & software	Transportation Means	Assets under construction **	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE
Cost as at 1/1/2010	24 675 000	38 740 236	3 862 787	24 220 081	2 234 634	9 777 720	2 072 805	22 934 529	128 517 792
Additions *	69 660 361	--	3 091 458	629 294	--	984 380	46 245	224 065	74 635 803
Foreign currency translation differences	--	--	4 987	1 991	--	2 170	3 796	--	12 944
Deconsolidation of subsidiaries ***	(675 000)	(4 997 868)	(6 742 086)	(2 275 521)	(2 234 634)	(3 116 464)	(1 462 105)	(2 430 760)	(23 934 438)
Cost as at 31/12/2010	93 660 361	33 742 368	217 146	22 575 845	--	7 647 806	660 741	20 727 834	179 232 101
Accumulated depreciation as at 1/1/2010	--	5 346 741	479 167	14 180 148	618 992	5 494 068	1 144 210	--	27 263 326
Depreciation	--	1 687 118	287 079	5 586 325	--	1 573 373	170 566	--	9 304 461
Foreign currency translation differences	--	--	1 173	819	--	1 165	1 251	--	4 408
Deconsolidation of subsidiaries ***	--	(285 386)	(650 331)	(328 969)	(618 992)	(946 177)	(858 342)	--	(3 688 197)
Accumulated depreciation as at 31/12/2010	--	6 748 473	117 088	19 438 323	--	6 122 429	457 685	--	32 883 998

Carrying amounts

At 31/12/2010

At 31/12/2010	93 660 361	26 993 895	100 058	3 137 522	--	1 525 377	203 056	20 727 834	146 348 103
At 31/12/2009	24 675 000	33 393 495	3 383 620	10 039 933	1 615 642	4 283 652	928 595	22 934 529	101 254 466

* Specialist for Real Estate Company (one of the subsidiaries – 99.99%) has purchased a piece of land with an area of 28 655.676 m² located in piece no. (45) km. 38 Cairo / Alex road, sheikh Zayed Six of October Governorate (Giza – previously) to build Administrative building. The land contract value amounted to LE 81 652 580 and the present value amounted to LE 69 660 361 that has been settled by notes payable (current portion amounted to LE 38 282 629 , non - current portion amounted to LE 31 377 732).

** Assets under construction are represented in fixtures and constructions of a new headquarters.

*** Note no. (4-6)

6. Intangible assets

	Goodwill LE	Others LE	Total LE
Cost			
Balance as at January 1, 2010	2 080 598	7 486	2 088 084
Foreign currency translation differences	--	243	243
Deconsolidation of subsidiaries *	(2 080 598)	--	(2 080 598)
Balance as at December 31, 2010	--	7 729	7 729
Amortisation and impairment loss			
Balance as at January 1, 2009	--	1 254 830	1 254 830
Amortisation	--	1 346 923	1 346 923
Deconsolidation of subsidiaries *	--	(2 597 046)	(2 597 046)
Balance as at December 31, 2009	--	4 707	4 707
Balance as at January 1, 2010	--	4 707	4 707
Amortisation	--	3 178	3 178
Foreign currency translation differences	--	(156)	(156)
Balance as at December 31, 2010	--	7 729	7 729
Carrying amounts			
At December 31, 2010	--	--	--
At December 31, 2009	2 080 598	2 779	2 083 377

6.1 Goodwill related to the acquisition of the following subsidiaries:

	31/12/2010 LE	31/12/2009 LE
Engineering Tasks Group (ENTAG)*	--	2 080 598

6.2 Other intangible assets are represented in:

	31/12/2010 LE	31/12/2009 LE
Licenses trade mark	--	2 779

- Amortisation and impairment loss are recognised in General and Administrative expenses caption in the income statement.

* Note no. (4-6).

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

7. Investments in subsidiaries and associates

The Group investments in subsidiaries and associates are represented in:

	Percentage		Carrying amount	
	2010	2009	31/12/2010	31/12/2009
	%	%	LE	LE
El Kateb for Marketing & Distribution Co.	48.88	48.88	2 172 249	1 880 330
Pharos Holding Co. *	53.00	53.00	98 557 235	90 723 155
Elsharq Book Stores Co.	40.00	40.00	16 545 155	17 330 491
ASEC Company for Mining (ASCOM)	39.22	44.64	182 058 825	155 844 937
Silverstone Capital Investments Ltd.	40.98	38.81	335 452 721	290 283 211
Dar El-Sherouk Ltd. *	58.51	58.51	157 910 072	173 536 657
Crondall Holdings Ltd.	47.67	47.67	88 732 912	77 569 693
National Development and Trading Company	46.49	49.50	681 853 886	630 505 743
United Foundries Company	29.95	49.29	69 641 454	132 488 961
Mena Home Furnishings Mall	32.13	26.26	121 212 961	88 657 562
Regional Investments Holdings Ltd.	34.16	28.21	131 527 655	101 893 612
Tawazon for Solid Waste Management Company (Tawazon) **	33.33	--	27 064 638	--
Mena Glass Ltd. ***	21.03	--	134 262 621	--
Tanmeyah Company S.A.E ****	51.00	--	4 245 677	--
Egyptian Company for Solid Waste Recycling (ECARU) *****	--	34.80	--	32 000 000
Balance			<u>2 051 238 061</u>	<u>1 792 714 352</u>

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

** Investments in this company were reclassified from investments in subsidiaries to investments in associates as 4 987 636 shares had been sold with cost therefore the company's shares decreased from 99.88% to 33.33%

*** Note no. (8-1)

**** Note no. (26)

***** Subsidiary of Tawazon for Solid Waste Management Company (Tawazon) note no. (4-6).

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2010

Summary of financial statements of associates company

2010	Current assets		Non-current assets		Total assets		Current liabilities		Non-current liabilities		Total liabilities		Revenues		Expenses		
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	
El Kateb for Marketing & Distribution Co.	5 280 743	1 790 942	7 071 685	2 074 655	66 509	2 141 164	8 193 639	7 596 424									
Pharos Holding Co.	175 788 392	188 840 761	364 629 153	210 786 867	880 690	211 667 557	90 093 272	74 311 951									
Elsharq Book Stores Co.	10 826 856	9 355 853	20 182 709	3 997 556	587 143	4 584 699	21 181 052	23 144 394									
ASEC Company for Mining (ASCOM)	294 463 411	678 118 731	972 582 142	293 084 007	173 174 267	466 258 274	570 648 465	560 394 500									
Silverstone Capital Investments Ltd.	1 122 308 297	1 190 887 937	2 313 196 234	852 255 252	300 021 050	1 152 276 302	1 098 877 478	1 009 853 342									
Dar El-Sherouk Ltd.	154 669 501	98 015 526	252 685 027	36 977 740	2 179 290	39 157 030	58 749 620	82 323 658									
Cron dall Holdings Ltd.	22 777 679	784 697 300	807 474 979	368 208 204	--	368 208 204	93 790 209	72 120 138									
National Development and Trading Co.	2 250 212 047	4 578 183 011	6 828 395 058	1 961 489 377	1 454 843 498	3 416 332 875	2 239 149 552	2 391 534 130									
United Foundries Company.	164 561 256	431 073 147	595 634 403	254 466 220	112 251 539	366 717 759	350 710 026	381 381 562									
Mena Home Furnishings Mall	37 116 664	685 379 905	722 496 569	123 197 376	23 451 330	146 648 706	17 964 654	79 841 684									
Regional Investments Holdings Ltd.	112 195 531	650 901 707	763 097 238	66 877 809	228 237 946	295 115 755	52 658 631	147 103 462									
Tawazon for Solid Waste Management Company (Tawazon)	91 921 427	115 242 884	207 164 311	60 140 652	15 234 922	75 375 574	129 967 280	122 244 014									
Mena Glass Ltd.	134 338 399	1 412 102 453	1 546 440 852	75 162 536	646 240 251	721 402 787	70 373 011	82 424 995									
Tanmeyah Company S.A.E	3 071 789	22 481 036	25 552 825	17 883 567	154 589	18 038 156	23 495 307	34 939 588									

Note no. (20).

8. Other investments

	note	31/12/2010	31/12/2009
	no.	LE	LE
Non-current investments			
Available-for-sale investments (net)	8.1	473 981 716	787 605 694
Payments for investments (net)	8.2	1 082 461 657	698 981 580
Loans to related parties	8.3	538 092 646	400 679 647
		<u>2 094 536 019</u>	<u>1 887 266 921</u>
Current investments			
Investments at fair value through profit and loss	8.4	20 298 029	4 854 256
		<u>2 114 834 048</u>	<u>1 892 121 177</u>

8.1 The amount represents the Group investments in a number of unlisted companies. The details of these available-for-sale investments are as follows:

	31/12/2010	31/12/2009
	LE	LE
Horus Private Equity Fund II & III	26 330 926	30 625 068
Modern Company for Isolating Materials	43 396	43 396
Medcom National Company	1 000	1 000
Orient Investment Properties Ltd.	294 306 018	41 349 226
Logria Holding Ltd. *	376 519 000	355 998 500
Golden Crescent Investment Ltd. *	263 427 174	249 070 243
Arab Swiss Engineering Company (ASEC)	34 958	34 958
Falcon Agriculture Investments Ltd.	14 481 500	--
Sphinx Turnaround	7 069 173	--
Underscore International Holdings	579	--
Valencia Regional Investment Ltd.	579	--
Mena Glass Ltd. **	--	110 483 303
Total	982 214 303	787 605 694
Impairment *	(508 232 587)	--
Net	<u>473 981 716</u>	<u>787 605 694</u>

* Note no. (22)

** This investment was reclassified from available-for-sale investment to investment in associate according to acquisition of extra shares in the mentioned company, accordingly the percentage increased from 20% to 21.03% which resulted in a significant influence over the financial and operational policies of the mentioned company.

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

8.2 The payments for investments are as follows:

	31/12/2010	31/12/2009
	LE	LE
Grandview Investment Holding	71 712 637	67 804 258
Golden Crescent Investment Ltd.*	103 635 407	97 987 218
Orient Investment Properties Ltd.	304 478 114	105 576 301
Falcon Agriculture Investments Ltd.	205 162 064	185 967 915
Fund Project *	25 188 018	19 414 025
Pharos Holding Co.	18 621 911	18 621 911
Nile Valley Petroleum Ltd.	35 166 875	102 691 874
Forestry Project *	2 400 624	2 400 624
Centum Investment Company Ltd.	28 764 036	7 456 657
Babcock & Brown Investment Holdings (Pty) Ltd.	11 096 316	6 333 619
Sheltam Rail Company (Pty) Ltd.	154 379 678	60 856 531
Primefuels Rail Investments Ltd.	76 591 848	3 202 004
Mirambo Rail Investments Ltd.	41 046 236	856 718
Mammoth Project *	7 658 206	--
Citadel Capital Transportation Opportunities II Ltd.	17 378	--
Finance Unlimited	63 614	--
Valencia Assets Holding Ltd.	22 766 192	--
Mena Joint Investment Fund LP	7 642 438	--
Africa Joint Investment Fund LP	44 086 893	--
Sphinx Turnaround Funds	6 816 384	--
Glass Rock for Isolation	--	5 211 925
ASCOM Algeria *	--	3 285 594
Egyptian Company for Solid Waste Recycling (ECARU)	--	14 600 000
Total	1 167 294 869	702 267 174
Impairment *	(84 833 212)	(3 285 594)
Net	1 082 461 657	698 981 580

* Note no. (22)

8.3 Loans to related parties are as follows:

	31/12/2010	31/12/2009
	LE	LE
National Development and Trading Company	313 082 482	400 679 647
United Foundries Company	71 506 264	--
Underscore International Holdings Ltd.	86 889 000	--
Valencia Regional Investment Ltd.	66 614 900	--
Balance	538 092 646	400 679 647

A- The Company has granted two subordinating loans to National Company for Development and Trading – (one of the associate companies - 46.49%) as follows:

- 1- A contract as at December 28, 2009 with an amount of US.\$ 73 097 863 (equivalent to LE 400 349 686 as at December 31, 2009) in addition to an interest amounted to US.\$ 60 251 (equivalent to LE 329 961) the Company has transferred during the year an amount of US.\$ 32 129 233 (equivalent to LE 176 443 876) from the loan's principle to Financial Holding International Company (one of National Development and Trading Company's shareholders) to become with an amount of US.\$ 40 968 630 (equivalent to LE 237 314 886 as at December 31, 2010) in addition to an interest amounted to US.\$ 4 766 163 (equivalent to LE 27 608 476).

As a result , the balance become with an amount of US.\$ 45 734 793 (equivalent to LE 264 923 362).

- 2- A contract as at September 21, 2010 with an amount of US.\$ 8 313 904 (equivalent to LE 48 159 120 as at December 31, 2010) including an interest amounted to US.\$ 249 017 (equivalent to LE 1 442 456) .

The loans contracts period will be five years, the principle of the two loans have to be paid with interest at the end of loans period , with 11.5% annual cumulative interest, according to loans contracts the company has the right to convert the value of loans in addition to its interest due into capital increase in the capital of National Company for Development and Trading with par value.

The guarantees are represented in lien on part of National Company for Development and Trading shares in the following subsidiaries companies:

ASEC Cement Holding Co.	41 050 000 shares
Arab Swiss Engineering Co. (ASEC)	899 900 shares

- B- The Company has concluded a subordinating loan contract with United Foundries Company – (one of the associate companies - 29.95%) on June 2, 2010 with an amount of US.\$ 12 344 416 (equivalent to LE 71 506 264 as at December 31, 2010) including an interest amounted to US.\$ 781 229 (equivalent to LE 4 525 347) for a period of three years, the principle of the loan has to be paid with interest at the end of the loan period, with 11.5% annual cumulative interest , according to the loan contract the company has the right to convert the value of the loan in addition to its interest due into capital increase in the capital of United Foundries Company with par value.

The guarantees are represented in a first degree lien of United Foundries Company shares in Ameryah Metal Company one of its subsidiaries with a percentage of 99.72%.

- C- Citadel Capital for International Investments Ltd. (one of the subsidiary with a percentage of - 100%) has granted Underscore International Holdings Ltd. (owned with a percentage of 10%) a loan as at December 28, 2010 with an amount of US.\$ 15 000 000 (equivalent to LE 86 889 000 as at December 31, 2010) to purchase 4 754 098 shares (2.46%) of National Development and Trading Company for a period of two years against interest equals to Internal Rate of Return (IRR) of Underscore International Holdings Ltd. less 1% as fees for the mentioned company, the interest will be due when sell those shares.
- D- Alder Burke Investments Ltd. (one of the subsidiary with a percentage of - 100%) has granted Valencia Regional Investment Ltd. (owned with a percentage of 10%) a loan as at December 28, 2010 with an amount of US.\$ 11 500 000 (equivalent to LE 66 614 900 as at December 31, 2010) to purchase 3 582 555 shares (1.76%) of National Development and Trading Company for a period of two years against interest equals to Internal Rate of Return (IRR) of Valencia Regional Investments Ltd. less 1% as fees for the mentioned company, the interest will be due when sell those shares.

8.4 Investments at fair value through profit and loss:

	31/12/2010	31/12/2009
	LE	LE
Modern Shorouk for Printing Co.	2 460 447	3 045 658
Al Arafa Investment and Consulting	2 230 151	1 808 598
TAQA Arabia	<u>15 607 431</u>	<u>--</u>
Balance	<u>20 298 029</u>	<u>4 854 256</u>

- The financial assets designated at fair value through profit and loss are equity securities quoted in stock exchange except Taqa Arabia.

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

9. Trade and other receivables

	Note	31/12/2010	31/12/2009
	no.	LE	LE
Due from related parties (net)	9.1	481 869 599	797 578 922
Trade receivables		--	7 151 405
Other receivables (net)	9.2	44 250 029	58 677 911
Balance		<u>526 119 628</u>	<u>863 408 238</u>

9.1 Due from related parties

	Nature of transaction		31/12/2010	31/12/2009
	Advisory fee	Finance	LE	LE
	LE	LE	LE	LE
Logria Holding Ltd. *	31 881 898	1 818 934	33 700 832	35 978 211
Mena Home Furnishings Mall	4 867 303	8 223 789	13 091 092	88 683 367
Regional Investments Holdings Ltd.	5 088 275	17 102 003	22 190 278	123 506 955
Silverstone Capital Investments Ltd.	3 066 099	8 109 640	11 175 739	1 228 523
Golden Crescent Investment Ltd. *	13 695 108	--	13 695 108	6 591 082
Falcon Agriculture Investments Ltd.	13 620 957	--	13 620 957	13 965 608
Orient Investment Properties Ltd.	39 716 159	--	39 716 159	27 177 005
ASEC Cement Company	14 626 894	--	14 626 894	13 604 022
Sabina for Integrated Solutions	6 371 860	--	6 371 860	30 080 697
Sphinx Glass Ltd.	4 634 080	--	4 634 080	4 381 520
Mena Glass Ltd.	4 315 533	--	4 315 533	4 501 725
Grandview Investment Holding	--	40 702 599	40 702 599	35 712 932
National Development and Trading Company	--	11 585 199	11 585 199	58 902 090
ASEC for Mining (ASCOM)	--	9 246 768	9 246 768	31 207 600
Golden Crescent Finco Ltd. *	--	126 076 808	126 076 808	144 589 289
Emerald Financial Services Ltd. *	--	160 209 431	160 209 431	96 772 058
Valencia Assets Holding Ltd.	--	93 489 951	93 489 951	18 568 399
Nile Valley Petroleum Ltd.	--	121 036 379	121 036 379	--
Bacillas	--	2 085 336	2 085 336	--
Prosperities	--	463 408	463 408	--
Tawazon for Solid Waste Management Company (Tawazon)	--	550 540	550 540	--
Mena Joint Investment Fund LP	966 715	--	966 715	--
Africa Joint Investment Fund LP	1 371 879	--	1 371 879	--
Citadel Capital Transportation Opportunities II Ltd.	741 725	--	741 725	--
Citadel Capital for Scholarship *	--	--	--	2 301 113

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2010

	Nature of transaction		31/12/2010	31/12/2009
	Advisory fee	Finance		
	LE	LE	LE	LE
Egyptian Company for Solid Waste Recycling (ECARU)	--	--	--	20 557 458
United Foundries Company	--	--	--	36 097 048
Others	--	--	--	5 473 333
Total			745 665 270	799 880 035
Impairment *			(263 795 671)	(2 301 113)
Net			481 869 599	797 578 922

* Note no. (22)

9.2 Other receivables are represented in:

	31/12/2010	31/12/2009
	LE	LE
Prepaid expenses	2 833 290	1 146 934
Deposits with others	1 430 902	1 623 863
Advances to suppliers	234 047	2 556 248
Letters of guarantee margin	579 260	1 435 897
Imprest	252 777	931 237
Accrued revenue	2 337 559	3 203 555
Loans to others	17 839 401	5 913 343
Tax Authority	--	846 110
Letters of credit margin	--	5 916 734
Sundry debit balances *	23 742 793	35 103 990
Total	49 250 029	58 677 911
Impairment *	(5 000 000)	--
Net	44 250 029	58 677 911

* Note no. (22)

10. Cash and cash equivalents

	31/12/2010	31/12/2009
	LE	LE
Cash	410 770	290 875
Cheques under collection	--	463 093
Banks - current accounts	160 114 065	258 578 185
Banks - time deposits	2 091 615	9 257 726
Balance	162 616 450	268 589 879

Non cash transactions

- For the purpose of preparing statement of cash flows statement, The following transactions have been eliminated:-
- LE 8 881 138 from payments for investments and changes in due from related parties (represents the transfer from related parties' current accounts to payments for investments).
- LE 16 671 404 from payments for purchase of investments in subsidiaries and associates and changes in due to related parties (represents the unpaid portion of purchase of investments).
- LE 147 556 689 from payments for other investments and changes in due from related parties (represents the transfer from related parties' current accounts to other investments).
- LE 6 859 054 from proceeds from other investments and changes in other debit balances (represents the uncollected portion of other investments).
- LE 106 466 656 from proceeds from other investments and payments for investments (represents the investments that the company has acquire against part of other investments).
- LE 113 764 537 from available-for-sale investments and payments for purchase of investments in subsidiaries and associates (represents the investment which was reclassified from available-for-sale investments as investment in associates).
- LE 87 000 000 from proceeds from investments in subsidiaries and associates and payments for other investments (represents the value of selling of the shares of United Foundries Company against transfer investments to the company).
- LE 1 553 441 from proceeds from available-for-sale investments and changes in other debit balances (represents the uncollected portion from selling available-for-sale investments).
- LE 50 685 250 from payment for purchase available-for-sale investments and changes in due to related parties (represents purchase of available-for-sale investments transferred from due to related parties).
- LE 28 158 055 from payment for purchase available- for- sale investments and changes in other debit balances (represents the transfer from other debit balance as available -for- sale investments).
- LE 6 579 547 from payment for purchase available-for-sale investments and other revenue (represents the refund value of available-for-sale investments).
- LE 67 524 999 from payment for purchase of investments and changes in due from related parties (represents the transfer from payment for investments to due from related parties).
- LE 69 660 361 from payment for fixed assets and changes in other credit balances (represents unpaid amount of purchase of fixed assets).

11. Share capital

	31/12/2010	31/12/2009
	LE	LE
On issue at the beginning of the year	3 308 125 000	2 750 000 000
Issued for cash during the year	--	558 125 000
On issue at the end of the year	<u>3 308 125 000</u>	<u>3 308 125 000</u>

- The Company's authorized capital is LE 6 billion.
- 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 each, 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.
- The Board of directors of the Company held on April 5, 2009 decided to increase the issued capital with an amount of LE 282 625 000 to be LE 3 308 125 000 by issuing new 56 525 000 shares with par value LE 5 each, accordingly the total number of shares after increase is 661 625 000 shares distributed to 496 218 750 common shares and 165 406 250 preferred shares. The share capital increase was paid in full during July. The commercial register was updated on July 26, 2009.

The shareholders' structure is represented as follows:

Shareholder's name	Percentage	No. of shares	Value in LE
	%		
Citadel Capital Partners Ltd.	38.99	258 000 000	1 290 000 000
Emirates International Investments Company	8.37	55 362 835	276 814 175
Others	<u>52.64</u>	<u>348 262 165</u>	<u>1 741 310 825</u>
	<u>100</u>	<u>661 625 000</u>	<u>3 308 125 000</u>

12. Reserves

12.1 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.

12.2 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.

13. Non - Controlling interests

	31/12/2010	31/12/2009
	LE	LE
Capital	187 325 494	5 011 941
Payments for capital increase	1 448 109	4 360 712
Other owners' equity	13 901 565	82 470 002
Foreign currency translation reserve	(410 706)	(72 069)
Net loss for the year	<u>(5 260 507)</u>	<u>(59 859 007)</u>
Balance	<u>197 003 955</u>	<u>31 911 579</u>

14. Loans and borrowings

	31/12/2010	31/12/2009
	LE	LE
Non-current liabilities:		
Secured	1 155 923 644	807 859 225
Unsecured *	<u>--</u>	<u>172 504</u>
Balance	<u>1 155 923 644</u>	<u>808 031 729</u>
Current liabilities:		
Secured	96 194 363	--
Unsecured *	<u>--</u>	<u>48 138</u>
Balance	<u>96 194 363</u>	<u>48 138</u>
Total	<u>1 252 118 007</u>	<u>808 079 867</u>

* Note no. (4-6,26)

- Secured loans are as follows:

The parent company obtained a long-term loan from a group of banks (represented in Arab African International Bank, Suez Canal Bank, Misr bank, Piraeus Bank, Morgan & Stanley Bank and City Bank London "syndication manager") with an amount of US.\$ 200 million for a period of five years (US.\$150 millions committed & US.\$ 50 million uncommitted) bearing variable interest rate (2.5%+Libor rate) for the first 3 years and (2.75 % +Libor rate) for the last 2 years

- Loan is to be paid on three instalments:
- The first stage 10% will be settled after three years.
- The second stage 20% will be settled at the end of the fourth year.
- The last stage 70% will be settled at the end of the loan period.

The Company has withdrawn an amount of US.\$ 166 064 225 (equivalent to the amount of LE 961 943 630 as at December 31, 2010) versus of US.\$ 147 503 008 (equivalent to the amount of LE 807 859 225 as at December 31, 2009), and the current

portion amounted to US.\$ 16 606 423 (equivalent to LE 96 194 363) , and the non - current portion amounted to US.\$ 149 457 802 (equivalent to LE 865 749 267) .

The loan guarantees are as follows:

- 1- First degree lien contract of the shares owned by the company in National Company for Development and Trading.
 - 2- First degree lien contract of 9 805 622 shares of ASEC for mining (ASCOM).
 - 3- First degree lien contract of the shares owned by company in Citadel Capital Ltd. (one of the subsidiaries of Citadel Capital Holding for Financial Investments- Free Zone).
 - 4- First degree lien contract of the investments owned by Citadel Capital Ltd. (one of the subsidiaries of Citadel Capital Holding for Financial Investments- Free Zone) in the following companies:
 - Orient Investments Properties Ltd.
 - Logria Holding Ltd.
 - Golden Crescent Investments Ltd.
 - Falcon Agriculture Investments Ltd.
 - Silverstone Capital Investments Ltd.
 - Mena Glass Ltd.
 - Mena Home Furnishings Mall.
 - Valencia Trading Holding Ltd.
 - Andalusia Trading Investments Ltd.
 - Regional Investments Holding.
 - Lotus Alliance Limited.
 - Citadel Capital Financing Corp.
- On December 21, 2010 National Refining Consulting Company (one of the subsidiaries - of 99.99%) obtained a long-term loan from Arab International Bank for five years with an amount of US.\$ 50 million (equivalent to the LE 289 630 000 as at December 31, 2010) to purchase 50 million share in Orient Investments Properties Ltd. Company (owned company with a percentage of 18.99%). The loan is guaranteed by pledging the company's share in Orient Investments Properties Ltd. in favour of the bank. The bank is entitled to transfer the ownership of those share in favour of the bank at any time against the facilities granted to the National Company for Refinery Consultants. The parties agreed on a return of US\$ 15 608 926 (equivalent to LE 90 416 265 as at December 31, 2010) during the term of the contract provided that the accrued interest will be added to the loan principle, the accrued interest as at December 31, 2010 amounted to US\$ 93 978 (equivalent to LE 544 377). The loan principle along with the outstanding accrued interest will be paid in full at the end of the contract on December 21, 2015.

- **Hedging contract for risk of interest rate swap**

On May 15, 2008 the Company signed a hedging contract with Citi Bank – London where by fixing the libor rate on the loan at an interest rate of 4.195 % on the value that equals 50 % of the amount used from the irrevocable portion the loan value in accordance with the terms of the loan granted.

15. Long term liabilities

	31/12/2010	31/12/2009
	LE	LE
Creditors-purchase of investments *	42 754 301	58 531 470
Notes payable - note no.(5)	31 377 732	--
Balance	<u>74 132 033</u>	<u>58 531 470</u>

* This balance represents the amount due from Tanweer for Marketing and Distribution Company (Tanweer) (subsidiary – 99.88%) for purchasing investment in Dar El-Sherouk Ltd.-BVI- for interest of the previous company's shareholders.

16. Deferred tax

	31/12/2010	31/12/2009
	LE	LE
Fixed assets depreciation	<u>1 722 191</u>	<u>284 589</u>

17. Trade and other payables

	note	31/12/2010	31/12/2009
	no.	LE	LE
Due to related parties	17.1	767 006 158	311 632 689
Other credit balances	17.2	132 911 872	95 125 239
Balance		<u>899 918 030</u>	<u>406 757 928</u>

17.1 Due to related parties

	31/12/2010	31/12/2009
	LE	LE
Citadel Capital Partners Ltd.*	705 947 717	305 128 943
Cron dall Holdings Ltd.	97 843	3 012 295
Mena Glass Ltd. **	16 671 404	--
Falcon Agriculture Investments Ltd. **	44 289 194	--
Pharos Holding Co.	--	13 155
Kimoniks	--	3 478 296
Balance	<u>767 006 158</u>	<u>311 632 689</u>

* The main shareholder of the Company – 38.99%.

** Represents the accrued amounts for purchasing shares in the mentioned companies.

17.2 Other credit balances

	31/12/2010	31/12/2009
	LE	LE
Tax Authority	2 634 198	1 965 125
National Authority for Social Insurance	106 100	16 849
Accrued expenses	78 085 972	39 340 011
Notes payables - note no.(5) *	38 282 629	40 000 000
Dividends payable – previous years	2 925 504	2 924 873
Accrued interest	3 274 852	2 665 113
Suppliers	3 320 866	3 281 190
Advances from customers	--	934 331
Deposits from others	--	80 028
Sundry credit balances	4 281 751	3 917 719
Balance	<u>132 911 872</u>	<u>95 125 239</u>

* The balance as at December 31, 2009 represents notes payable due to Tawazon for Solid Waste Management Company (Tawazon) note no. (4-6).

18. Expected claims provisions

	31/12/2010	31/12/2009
	LE	LE
Balance at the beginning of the year	19 495 020	197 630 021
Foreign currency differences	--	(790 670)
Acquisition of subsidiaries	--	4 468 000
Provisions used during the year	--	(31 221 750)
Reversal of provisions	--	(24 008 390)
Provisions formed during the year *	207 130 757	42 510 453
Deconsolidation of subsidiaries **	<u>(6 177 676)</u>	<u>(169 092 644)</u>
Balance	<u>220 448 101</u>	<u>19 495 020</u>

- Expected claims provision related to some 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.

* Note no. (22).

** Note no. (4-6).

19. Gains on sale of investments

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Gains on sale of investments in subsidiaries and associates*	41 840 072	268 953 292
Gains on sale of investments at fair value through profit and loss	--	4 352 151
Gains on sale of available-for-sale investment	3 803 761	840 986
Total	45 643 833	274 146 429

* represent selling shares owned in the following companies:

	For the year ended			For the year ended		
	31/12/2010			31/12/2009		
	Selling price LE	Cost of investments LE	Net LE	Selling price LE	Cost of investments LE	Net LE
ASEC for Mining (ASCOM)	29 434 477	(18 920 713)	10 513 764	31 395 640	(18 012 247)	13 383 393
United Foundries Company	87 000 000	(55 673 692)	31 326 308	--	--	--
Sphinx Egypt for Financial Consulting	--	--	--	57 209 708	(2 646 379)	54 563 329
Shipwright Holdings Crop. and Illion Venture Limited	--	--	--	300 850 000	(99 843 430)	201 006 570
Total	116 434 477	(74 594 405)	41 840 072	389 455 348	(120 502 056)	268 953 292

20. Share of (loss) profit of equity accounted investees:

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
El Kateb for Marketing & Distribution Co.	291 919	(499 919)
Pharos Holding Co.	8 364 100	127 670
Elsharq Book Stores Co.	(785 336)	(1 840 247)
ASEC Company for Mining (ASCOM)	4 021 810	6 270 920
Silverstone Capital Investments Ltd.	36 482 090	19 809 619
Dar El-Sherouk Ltd.	(13 793 170)	(422 021)
Cron dall Holdings Ltd.	10 330 908	2 046 273

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
National Development and Trading Company	(70 845 302)	26 560 298
United Foundries Company	(10 356 376)	(4 458 470)
Mena Glass Ltd.	(1 287 605)	--
Tawazon for Solid Waste Management Company (Tawazon)	2 574 404	--
Tanmeyah Company S.A.E	(5 828 996)	--
Mena Home Furnishings Mall	(17 928 696)	--
Regional Investments Holdings Ltd.	(29 078 697)	--
Total	<u>(87 838 947)</u>	<u>47 594 123</u>

21. General and administrative expenses

- The Company's extraordinary general assembly meeting held on May 12, 2008 approved the management contract with Citadel Capital Partners Ltd.(the principal shareholder of – 38.99 %) which states that the mentioned company provides management duties for fees based on 10% of the net annual profit available for distribution amounted to nil for the year ended December 31, 2010 against an amount of LE 23 483 250 for the year ended December 31, 2009 included in general and administrative expense.
- General and administrative expenses include an amount of US.\$ 14 020 245 (equivalent to the amount of LE 78 584 875) represents the advisory fees due according to the signed contract with Financial Holding International Co. (one of the group shareholders).

22. Other expenses

	note no.	For the year ended	
		31/12/2010	31/12/2009
		LE	LE
Provision formed		206 135 876	3 814 795
Net change in the fair value of investments at fair value through profit and loss		163 658	(1 224 804)
Impairment loss on assets *	22.1	861 861 470	6 976 191
Sundry expenses		--	7 080 606
Total		<u>1 068 161 004</u>	<u>16 646 788</u>

22.1 Impairment loss on assets is represented in the following:

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Impairment loss on available-for-sale investments		
Logria Holding Ltd. *	376 519 000	--
Golden Crescent Investments Ltd. **	131 713 587	--
	<u>508 232 587</u>	<u>--</u>
Impairment loss on payments for investments		
Golden Crescent Investments Ltd. **	51 817 704	--
Fund Project ***	22 956 678	--
Forestry Project ***	2 400 624	--
Mammoth Project ***	7 658 206	--
Ascom Algeria	--	3 285 594
	<u>84 833 212</u>	<u>3 285 594</u>
Impairment loss on due from related parties		
Logria Holding Ltd. *	33 700 832	--
Emerald Financial Services Ltd.	160 209 431	--
Golden Crescent Investments Ltd. **	6 847 554	--
Golden Crescent Finco Ltd.	63 037 854	--
Citadel Capital for Scholarship	--	2 301 113
	<u>263 795 671</u>	<u>2 301 113</u>
Impairment loss on other debit balances		
Sundry debit balances	5 000 000	1 389 484
	<u>5 000 000</u>	<u>1 389 484</u>
Total	<u>861 861 470</u>	<u>6 976 191</u>

* During the year the group reduced the carrying value of its full investment in Logria Holding Ltd. (10.37%). The reduction is a result of the decrease in the recoverable amount of National Oil Production Company (NOPC) that results from decrease in the actual production of the Company due to technical reasons, accordingly the Company's current and future liabilities have been increased over the expectations, the Company became unable to cover those liabilities and also, the Company became insolvent because it did not reach any agreement about the debt rescheduling with the

creditors till the date of the financial statements that leads to form provisions amounted to LE 145 millions to meet the Company's expected liabilities - note no. (18).

** During the year the group reduced the carrying value of its investment in Golden Crescent Investments Ltd. to reach the expected recoverable amount of the mentioned Company due to disposing one of the major production lines , accordingly the actual production capacity has been decreased over the expected production that leads to form provisions amounted to LE 5 millions to meet the Company's expected liabilities - note no. (18).

***According to the current economic circumstances and the group's inability to continue in some of the current investments because of the unclear vision for those investments , the group reduced the carrying value of those investments based on prepared studies concerning this issue, that leads to form provisions amounted to LE 20 millions to meet the Company's expected liabilities - note no. (18).

23. Financing cost

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Interest income - note no. (29-4)	72 741 658	34 839 607
Interest expenses	(70 667 367)	(30 737 322)
Foreign currency translation differences	(10 230 896)	(6 280 548)
Net	<u>(8 156 605)</u>	<u>(2 178 263)</u>

24. Income tax

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Current income tax	(666 303)	(1 582 027)
Deferred tax	1 548 572	1 080 721
Net	<u>882 269</u>	<u>(501 306)</u>

25. Reconciliation of effective tax rate

	For the year ended	
	31 /12/ 2010	
	LE	LE
	Partially	Totally
Accounting losses before tax		(1 361 037 998)
Tax reconciliations :		
Loss not recognized by tax	283 565 084	
Impairment loss on assets	861 861 470	
Provisions	206 135 876	
Fixed assets (taxable depreciation variances)	3 485 890	
Non deductible expenses	2 014 855	
Tax exemption	(9 575 740)	
Hedging reserve	16 882 076	
Total tax differences		<u>1 364 369 511</u>
Net tax exposure		3 331 513
Tax rate		<u>20%</u>
Income tax according to the tax return - note no . (24)		<u><u>666 303</u></u>

26. Net results from discontinued operations

Results of discontinued operations for the year ended December 31, 2010 are represented in the operating results of the Tanmeyah Company S.A.E as Financial Unlimited Company for Financial Consulting (one of the subsidiaries – 99.88%) during April 2010 has entered a contract in which it granted third party the option to purchase 4% of Tanmeyah Company S.A.E shares owned by Financial Unlimited Company for Financial Consulting that can be exercised any time with fair value at the exercise date which cause a reduction in voting power of the Company from 51% to 47% after the exercise of the call option and accordingly it is reclassified from investments in subsidiaries into investments in associates and its operating results from the beginning of the period till the date of conversion to associates as results from discontinued operations.

Results from discontinued operations for the year ended December 31, 2009 are represented in the operating results of the following:

- National Development and Trading Company-(direct subsidiary) and United Foundries Company-(indirect subsidiary) were transferred from investments in subsidiaries to

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

investments in associates as the Company lost control over these companies through the sale of 11 820 000 shares and 2 122 800 shares respectively. This transaction led to decreasing in the Company's share in these companies (from 55.31% to 49.50%), and (from 55.31% to 49.29%) respectively and the board of directors has been restructured to reflect this contribution.

- Total shares of Sphinx Egypt were sold to Pharos Holding—one of the associates with a percentage of 53%.
- Mena Home Furnishings Mall, Regional Investments Holding Ltd. were reclassified from investments in subsidiaries to investments in associates as the Companies Board of Directors have been restructured and reduced the Company's voting rights to less than half (from 57.11% to 42.80%) according to these companies Board of Directors' decisions as at December 25,2009.

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Sales	--	1 433 818 135
Cost of sales	--	<u>(1 229 144 078)</u>
Gross profit	--	204 674 057
Other income	4 278 174	15 468 424
General and administrative expenses	(7 905 992)	(249 196 433)
Other expenses	<u>(1 433 598)</u>	<u>(17 172 692)</u>
Net operating loss	<u>(5 061 416)</u>	<u>(46 226 644)</u>
Company's share in associates profit	--	47 899 490
Finance income	--	76 719 359
Finance expense	<u>(32 517)</u>	<u>(160 955 903)</u>
Net finance expense	<u>(32 517)</u>	<u>(36 337 054)</u>
Net loss before income tax	(5 093 933)	(82 563 698)
Income tax	<u>--</u>	<u>(28 414 745)</u>
Net loss from discontinued operations (after tax)	<u>(5 093 933)</u>	<u>(110 978 443)</u>

27. Earnings per share

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Net (loss) profit for the year	(1 360 155 729)	99 251 184
(Loss) profit for equity holders of the parent Company	(1 354 895 222)	159 110 191
Weighted average number of shares:		
Issued at January 1	661 625 000	550 000 000
Issued during the year	--	70 871 566
Weighted average number of shares as at December 31	661 625 000	620 871 566
Earnings per share	(2.05)	0.26

28. Finance income (expenses) recognised in equity

	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Foreign currency translation differences of foreign operations	67 155 176	29 518 501
Net change in the fair value of available-for-sale investment	(705 981)	1 404 505
Total finance income recognised in equity (net of tax)	66 449 195	30 923 006
Attributable to:		
Equity holders of the Company	66 787 832	19 903 059
Non - controlling interest	(338 637)	11 019 947
Total	66 449 195	30 923 006

29. Related party transactions

29.1 Advisory fee item presented in the income statement is represented in the advisory services provided to related parties according to signed contracts as follows:

Company's name	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Mena Glass Ltd.	3 307 685	3 864 440
Falcone Agriculture Investments Ltd.	13 218 466	12 795 523
Logria Holding Ltd.	35 230 667	34 765 817
Golden Crescent Investment Ltd.	6 523 485	6 676 234
Orient Investment Properties Ltd.	10 558 922	14 609 280

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

Company's name	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Sphinx Glass Ltd.	4 013 630	4 436 500
Silverstone Capital Investments Ltd.	1 018 016	752 013
ASEC for Cement Company	10 175 492	13 352 835
Mena Home Furnishings Mall	3 208 309	--
Regional Investments Holdings Ltd.	3 247 070	--
Citadel Capital for Transportation II Ltd.	523 354	--
Total	91 025 096	91 252 642

29.2 Management fee item presented in the income statement is represented in the management services provided to related parties according to signed contracts as follows:

Company's name	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
Africa Joint Investment Fund LP	1 769 059	--
Mena Joint Investment Fund LP	1 256 434	--
Total	3 025 493	--

29.3 Other revenue item presented in the income statement with an amount of LE 6 579 547 as at December 31, 2010 represents the recovered amount of cost of selling available-for-sale investments , also an amount of LE 30 840 897 as at December 31, 2009 represents that amounts due from Sabina for Integrated Solutions for bearing all the direct and indirect pre-operation fees for Sabina for Integrated Solutions according the signed contract.

29.4 Interest income note no.(23) includes an amount of LE 71 633 039 represents accrued interest income according to signed contracts from other related parties as follows:

Company's name	For the year ended	
	31/12/2010	31/12/2009
	LE	LE
National Trading and Development Company	16 387 881	9 602 347
United Foundries Company	3 100 123	227 093
Emerald Financial Services Ltd.	18 977 838	6 599 057
Golden Crescent Finco Ltd.	26 726 062	11 264 963
Grandview Investment Holding	3 051 172	1 893 073

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2010

	For the year ended	
	31/12/2010	31/12/2009
Company's name	LE	LE
Mena Home Furnishings Mall	915 842	--
Regional Investments Holdings Ltd.	2 474 121	--
Mena Glass Ltd.	--	682 023
Total	71 633 039	30 268 556

30. Tax status

30.1 Corporate tax

The Company's books have not been inspected yet.

The Company submitted its tax returns on regular basis for the years from 2005 till 2009 according to tax law no. 91/2005.

30.2 Salaries tax

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

30.3 Stamp tax

The Company was inspected till July 31, 2006 and paid all the due amounts as per the Internal Committee decision and for the period from 1/8/2006 to 31/12/2010 haven't been inspected yet.

30.4 Withholding tax

The Company applies the withholding tax provisions on its transactions according to tax law no. 91/2005 and haven't been inspected yet.

31. Group entities

	Country of incorporation	Ownership interest	
		Direct	Indirect
		%	%
Citadel Capital Holding for Financial Investments--Free Zone	Arab Republic of Egypt--Free Zone	99.99	--
Citadel Capital for International Investments Ltd.	British Virgin Island	100.00	--
Arab Company for Financial Investments	Arab Republic of Egypt	--	94.00

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2010

	Country of incorporation	Ownership interest	
		Direct %	Indirect %
Tanweer for Marketing and Distribution Company (Tanweer)	Arab Republic of Egypt	--	99.88
Financial Unlimited Co.	Arab Republic of Egypt	--	99.88
Citadel Company for Investment Promotion	Arab Republic of Egypt	--	99.90
National Company for Touristic and Property Investment	Arab Republic of Egypt	--	99.88
Tanmeyah Company S.A.E	Arab Republic of Egypt	--	51.00
United for Petroleum Refining Consultation	Arab Republic of Egypt	--	99.99
Specialized For Refining Consulting	Arab Republic of Egypt	--	99.99
Specialized For Real Estat Company	Arab Republic of Egypt	--	99.99
National Company for Refining Consultation	Arab Republic of Egypt	--	99.99
Citadel Capital Algeria	Republic of Algeria	--	99.99
Citadel Capital Ltd.	British Virgin Island	--	100.00
Valencia Trading Holding Ltd.	British Virgin Island	--	100.00
Andalusia Trading Investments	British Virgin Island	--	100.00
Lotus Alliance Limited	British Virgin Island	--	85.70
Citadel Capital Financing Corp.	British Virgin Island	--	100.00
Ambience Ventures Ltd.	British Virgin Island	--	75.00
Africa Railways Limited	British Virgin Island	--	100.00
Sequoia Willlow Investment Ltd.	British Virgin Island	--	100.00
Brennan Solution Ltd.	British Virgin Island	--	100.00
Mena Enterprises Ltd.	British Virgin Island	--	100.00
Alcott Bedford Investments Ltd.	British Virgin Island	--	100.00
Eco-Logic Ltd.	British Virgin Island	--	100.00
Alder Burke Investments Ltd.	British Virgin Island	--	100.00
Black Anchor Holdings Ltd.	British Virgin Island	--	100.00
Cobalt Mendoza	British Virgin Island	--	100.00
Africa Railways Holding	British Virgin Island	--	51.00
Citadel Capital Joint Investment Fund Management Limited	Republic of Mauritius	--	100.00
Mena Joint Investment Fund GP	Luxembourg	--	100.00

32. 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 yet.

33. Contingent liabilities

The company guarantees some related parties against loans and facilities obtained by those parties from banks.

34. 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; loans and borrowing and trade and other payables. Note (no.3) include significant accounting policies for the recognition and measurement of the important financial instruments and related revenues and expenses by the Company to minimize the consequences of such risks.

34.1 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.

34.2 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.

34.3 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.

35. Subsequent events

The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future.

Therefore, there is a possibility that the above mentioned events will have a significant impact on the Company's assets, liabilities, their recoverable/settlement amounts and the results of operations in the foreseeable future.

At the present, it is not possible to quantify the effect on the Company's assets and liabilities included in the company's financial statements, since quantifying the effect of these events relies on the expected extent and the time frame, when these events and their consequences, are expected to be finished.

36. Comparative figures

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