


Citadel Capital Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the year ended December 31, 2011
&
Auditor's report

 **Hazem Hassan**
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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, 2011 and the consolidated statements of income, changes in equity and cash flows 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.



Hazem Hassan

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.

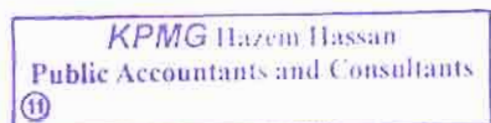
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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, 2011 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.

Cairo May 3 , 2012

Hassan Bag
KPMG Hazem Hassan



Citadel Capital Company
(Egyptian Joint Stock Company)

Consolidated balance sheet
as at December 31, 2011

	Note	31/12/2011 LE	31/12/2010 LE
Assets			
Fixed assets (net)	(5)	72 959 814	146 348 103
Investments in subsidiaries and associates	(6)	1 643 393 974	2 051 238 061
Other investments (net)	(7)	2 215 496 903	2 094 536 019
Deferred tax	(15)	1 759 385	1 722 191
Total non-current assets		<u>3 933 610 076</u>	<u>4 293 844 374</u>
Other investments	(7)	18 169 898	20 298 029
Trade and other receivables (net)	(8)	922 891 980	526 119 628
Cash and cash equivalents	(9)	166 240 722	162 616 450
Total current assets		<u>1 107 302 600</u>	<u>709 034 107</u>
Total assets		<u><u>5 040 912 676</u></u>	<u><u>5 002 878 481</u></u>
Equity			
Share capital	(10)	4 358 125 000	3 308 125 000
Reserves	(11)	187 335 495	132 378 875
Retained (loss) earnings		(1 093 810 353)	273 649 702
Net loss for the year		(773 536 460)	(1 354 895 222)
Total equity attributable to equity holders of the Company		<u>2 678 113 682</u>	<u>2 359 258 355</u>
Non - controlling interests	(12)	379 713 881	197 003 955
Total equity		<u>3 057 827 563</u>	<u>2 556 262 310</u>
Liabilities			
Long term loans	(13)	1 142 441 436	1 155 923 644
Long term liabilities	(14)	21 859 566	74 132 033
Total non-current liabilities		<u>1 164 301 002</u>	<u>1 230 055 677</u>
Short term loans	(13)	210 252 000	96 194 363
Trade and other payables	(16)	401 971 766	899 918 030
Expected claims provision	(17)	206 560 345	220 448 101
Total current liabilities		<u>818 784 111</u>	<u>1 216 560 494</u>
Total liabilities		<u>1 983 085 113</u>	<u>2 446 616 171</u>
Total equity and liabilities		<u><u>5 040 912 676</u></u>	<u><u>5 002 878 481</u></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"

Managing Director
Hisham Hussein El Khazendar



Chairman
Ahmed Heikal



Citadel Capital Company
(Egyptian Joint Stock Company)
Consolidated income statement
for the year ended December 31, 2011

	Note	For the year ended	
		31/12/2011	31/12/2010
		LE	LE
Advisory fee	(28-1)	69 615 602	94 050 589
(Loss) gains on sale of investments	(18)	(1 103 149)	45 643 833
Share of (loss) profit of equity accounted investees	(19)	(386 033 252)	(87 838 947)
Other income		65 486	6 579 547
Total operating (loss) income		(317 455 313)	58 435 022
Administrative and general expenses	(20)	(241 812 909)	(338 061 478)
Other expenses	(21)	(199 427 102)	(1 068 161 004)
Net operating loss		(758 695 324)	(1 347 787 460)
Financing costs (net)	(22)	(41 834 139)	(8 156 605)
Net loss before income tax		(800 529 463)	(1 355 944 065)
Income tax	(23)	37 194	882 269
Net loss from continued operations (after tax)		(800 492 269)	(1 355 061 796)
Net loss from discontinued operations (after tax)	(25)	-	(5 093 933)
Net loss for the year		(800 492 269)	(1 360 155 729)
Attributable to:			
Equity holders of the Company		(773 536 460)	(1 354 895 222)
Non - controlling interests		(26 955 809)	(5 260 507)
		(800 492 269)	(1 360 155 729)
Earnings per share	(26)	(1.10)	(2.05)

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, 2011

	Note	Share capital		Reserves		Company's share of items recognized in associate equity		Retained earnings (loss)		Net profit (loss) for the year		Total		Non-controlling interests		Total equity	
		LE	LE	F.C. translation reserve	Hedging reserve	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at December 31, 2009		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					
Profit appropriation of year 2009	(3-19)	-	10 567 463	-	-	-	-	139 156 001	(159 110 191)	(9 386 727)	-	(9 386 727)					
Effective portion of changes in fair value of cash flow hedges	(3-5)	-	-	-	16 882 076	-	-	-	-	16 882 076	-	16 882 076					
Exchange differences relating to foreign operations	(3-2)	-	-	67 493 813	-	-	-	-	-	67 493 813	(338 637)	67 155 176					
Changes in the fair value of available-for-sale investments	(3-8-1)	-	-	(705 981)	-	-	-	-	-	(705 981)	-	(705 981)					
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	170 691 520	170 691 520					
The Company's share in changes of associates equity	(3-1-4)	-	-	-	-	4 353 937	-	41 191 165	-	45 545 102	-	45 545 102					
Net loss for the year ended December 31, 2010		-	-	-	-	-	-	-	(1 354 895 222)	(1 354 895 222)	(5 260 507)	(1 360 155 729)					
Balance as at December 31, 2010		3 308 125 000	89 578 478	102 914 452	-	(60 234 871)	-	273 649 702	(1 354 895 222)	2 359 258 555	197 003 955	2 556 262 310					
Carrying 2010 loss forward		-	-	-	-	-	-	(1 354 895 222)	1 354 895 222	-	-	-					
Share capital increase	(10)	1 050 000 000	-	-	-	-	-	-	-	1 050 000 000	-	1 050 000 000					
Exchange differences relating to foreign operations	(3-2)	-	-	67 892 263	-	-	-	-	-	67 892 263	(1 144 191)	66 748 072					
Changes in the fair value of available-for-sale investments	(3-8-1)	-	-	(860 411)	-	-	-	-	-	(860 411)	-	(860 411)					
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	210 809 926	210 809 926					
The Company's share in changes of associates equity	(3-1-4)	-	-	-	-	(12 075 232)	-	(12 564 833)	-	(24 640 065)	-	(24 640 065)					
Net loss for the year ended December 31, 2011		-	-	-	-	-	-	-	(773 536 460)	(773 536 460)	(26 955 809)	(800 492 269)					
Balance as at December 31, 2011		4 358 125 000	89 578 478	170 806 715	-	(72 310 103)	-	(1 093 810 353)	(773 536 460)	2 678 113 682	379 713 881	3 057 827 563					

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 cash flows
for the year ended December 31, 2011

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Cash flows from operating activities		
Net loss before income tax	(800 529 463)	(1 355 944 065)
Adjustments to reconcile net loss to net cash (used in) provided from operating activities :		
Net loss from discontinued operations before tax	-	(5 093 933)
Depreciation and amortization	4 572 495	9 307 639
Share of loss of equity accounted investees	418 343 532	112 134 849
Net charge in the fair value of investments at fair value through profit or loss	1 705 033	163 658
Foreign exchange differences	(41 645 865)	33 943 240
Credit interest	(43 351 365)	(35 052 058)
Debit interest	18 804 147	544 377
Provisions formed	30 515 920	207 130 757
Impairment in payment for investments	33 297 970	84 833 212
Impairment in due from related parties	(11 510 845)	263 795 671
Impairment in available for sale investments	177 931 029	508 232 587
Loss from sale of investments at fair value through profit or loss	1 103 149	-
Provisions used	(13 065 459)	-
Provisions no longer needed	(32 512 005)	-
Impairment loss on trade and other receivables	-	5 000 000
Gains on sale of investments in subsidiaries and associates	-	(41 840 072)
Gains on sale of available-for-sale investments	-	(3 803 761)
Hedging reserve	-	16 882 076
Other income	-	(6 579 547)
Operating loss before changes in working capital	(256 341 727)	(206 345 370)
Change in investments at fair value through profit or loss	(680 051)	(15 607 431)
Change in trade and other receivables	(408 328 104)	(89 094 485)
Change in trade and other payables	(435 068 157)	449 611 142
Net cash (used in) provided from operating activities	<u>(1 100 418 039)</u>	<u>138 563 856</u>
Cash flows from investing activities		
Payments for purchase of fixed assets	(853 682)	(4 975 442)
Payments for / proceeds from other investments	(157 782 285)	47 058 265
Payments for purchase of investments in subsidiaries and associates	(35 894 761)	(197 919 053)
Proceeds from sale of investments in subsidiaries and associates	-	29 434 477
Proceeds from sale of available-for-sale investments	-	41 576 337
Payment for purchasing investments	-	(728 414 166)
Proceeds from dividends	-	2 361 457
Net cash used in investing activities	<u>(194 530 728)</u>	<u>(810 878 125)</u>
Cash flows from financing activities		
Proceeds from capital	1 050 000 000	-
Proceeds from capital increase related to non - controlling interests	217 244 454	182 313 553
Dividends related to non - controlling interests	-	(1 574 439)
Proceeds from borrowings	31 328 585	396 330 717
Net cash provided from financing activities	<u>1 298 573 039</u>	<u>577 069 831</u>
Net changes in cash and cash equivalents during the year	3 624 272	(95 244 438)
Cash and cash equivalents at the beginning of the year	162 616 450	268 589 879
Cash related to deconsolidation of subsidiaries	-	(10 728 991)
Cash and cash equivalents at the end of the year	<u>166 240 722</u>	<u>162 616 450</u>

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

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2011

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, 2011 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 on May 3, 2012.

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 or 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 period in which the estimates are revised and in any future periods affected.

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

- Note (17) provisions.
- Note (6) measurements of the recoverable amounts of investments in subsidiaries and associates.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform with the current period presentation.

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 non-controlling

Losses that exceed the non - controlling in the equity of a subsidiary may create a debit balance on non - controlling 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 non-controlling interest and entities under common control

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

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 reporting date are retranslated at the foreign exchange rates ruling at that date. The foreign currency exchange differences arising on the translation at the reporting date are recognized in the income statement.

3.3 Foreign operations

As at the reporting 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 period 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 Recognition and disposals of the financial assets and liabilities

3.4.1 Recognition

The Group initially recognises deposits, receivables and debt instruments by fair value on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated as at fair value through profit or loss) are recognised when the Group becomes a party to the contractual provisions of the instrument.

3.4.2 Disposals

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

When an entity retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the entity treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met:

- (a) The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- (b) The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- (c) The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

3.5 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.

3.6 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.

3.7 Cash and cash equivalents

Cash and cash equivalents are represented in the cash, banks current accounts and deposits with original maturities of three months or less.

3.8 Investments

3.8.1 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.

3.8.2 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.

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.

3.8.3 Other

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

3.9 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.

3.10 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (note 3.14), 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
- Buildings & Constructions	20 years
- Lease hold improvements	3-10 years
- Furniture & Fixtures & Electric Equipment & Tools	4 years
- Computers & software	2-3 years
- Transportation means	4 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.

3.11 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.

3.12 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.

3.13 Intangible assets

3.13.1 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.

3.13.2 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.

3.13.3 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.

3.13.4 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.

3.14 Impairment

3.14.1 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.

3.14.2 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.

3.15 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.

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

3.23 Employees benefits

3.23.1 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.

3.23.2 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.

3.24 Revenue

3.24.1 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.

3.24.2 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.

3.24.3 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.

3.24.4 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.

3.24.5 Interest income

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

3.24.6 Management fee

Management fee is recognized upon rendering the service.

3.24.7 Advisory fee

Advisory fee is calculated based on agreed percentage in accordance with contract term with companies upon rendering the service.

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 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.

4.3 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.

4.4 Non-derivatives financial liabilities

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

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

5. Fixed assets	Land	Buildings	Lease hold improvements	Furniture & fixtures	Computer equipment & software	Transportation means	Assets under construction *	Total
	LE	LE	LE	LE	LE	LE	LE	LE
Cost as at 1/1/2011	93 660 361	33 742 368	217 146	22 575 845	7 647 806	660 741	20 727 834	179 232 101
Additions	--	--	--	395 141	297 224	--	161 317	853 682
Disposals **	(69 660 361)	--	(27 171)	--	--	--	--	(69 687 532)
Foreign currency translation differences	--	--	2 745	1 096	1 210	2 090	--	7 141
Cost as at 31/12/2011	24 000 000	33 742 368	192 720	22 972 082	7 946 240	662 831	20 889 151	110 405 392
Accumulated depreciation as at 1/1/2011	--	6 748 473	117 088	19 438 323	6 122 429	457 685	--	32 883 998
Depreciation	--	1 687 120	60 175	1 421 542	1 249 726	153 932	--	4 572 495
Disposals	--	--	(15 112)	--	--	--	--	(15 112)
Foreign currency translation differences	--	--	1 357	723	1 010	1 107	--	4 197
Accumulated depreciation as at 31/12/2011	--	8 435 593	163 508	20 860 588	7 373 165	612 724	--	37 445 578
Carrying amounts								
At 31/12/2011	24 000 000	25 306 775	29 212	2 111 494	573 075	50 107	20 889 151	72 959 814
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

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

** Note no. (9).

Citadel Capital Company**Notes to the consolidated financial statements for the year ended December 31, 2011****6. Investments in subsidiaries and associates**

The Group investments in subsidiaries and associates are represented in:

	Percentage		Carrying amount	
	2011	2010	31/12/2011	31/12/2010
	%	%	LE	LE
El Kateb for Marketing & Distribution Co.	48.88	48.88	1 346 670	2 172 249
Pharos Holding Co. *	53.00	53.00	94 504 925	98 557 235
Elsharq Book Stores Co.	40.00	40.00	15 792 931	16 545 155
ASEC Company for Mining (ASCOM)	39.22	39.22	153 083 372	182 058 825
Silverstone Capital Investments Ltd.	40.98	40.98	346 700 538	335 452 721
Dar El-Sherouk Ltd. *	58.51	58.51	148 409 077	157 910 072
Cron dall Holdings Ltd.	47.67	47.67	99 566 424	88 732 912
National Development and Trading Company	49.81	49.81	343 697 769	681 853 886
United Foundries Company	29.95	29.95	50 446 690	69 641 454
Mena Home Furnishings Mall	32.13	32.13	109 140 321	121 212 961
Citadel Capital Transportation Opportunities Ltd.	34.16	34.16	110 611 075	131 527 655
Tawazon for Solid Waste Management (Tawazon)	33.33	33.33	25 450 207	27 064 638
Mena Glass Ltd.	21.03	21.03	136 718 916	134 262 621
Tanmeyah Company S.A.E **	51.00	51.00	7 925 059	4 245 677
Balance			<u>1 643 393 974</u>	<u>2 051 238 061</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 operational policies of these subsidiaries according shareholders agreement.

** The Company does not consolidate this subsidiary as there is a call option contract that granted third party the option to purchase 4% of its shares granted by Financial Unlimited Company for Financial Consulting (one of subsidiaries 99.88%) 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%.

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

Summary of financial statements of associates company

2011	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.	6 240 676	1 244 168	7 484 844	5 131 525	88 377	5 219 902	5 493 633	7 182 624									
Pharos Holding Co.	113 722 505	184 525 282	298 247 787	152 421 629	723 728	153 145 357	48 724 741	54 989 031									
Eisharq Book Stores Co.	10 805 873	8 371 036	19 176 909	4 856 864	516 336	5 373 200	18 295 751	20 176 311									
ASEC Company for Mining (ASCOM)	265 280 086	726 370 678	991 650 764	356 374 654	214 744 230	571 118 884	589 262 609	671 477 590									
Silverstone Capital Investments Ltd.	1 764 730 206	969 381 185	2 734 111 391	1 107 180 574	307 281 009	1 414 461 583	1 312 373 407	1 234 250 744									
Dar El-Sherouk Ltd.	151 045 034	88 090 028	239 135 062	39 843 799	2 622 000	42 465 799	36 639 917	50 429 571									
Cron dall Holdings Ltd.	27 602 051	948 045 977	975 648 028	371 401 407	--	371 401 407	104 425 044	86 955 471									
National Development and Trading Co.	1 913 519 314	5 297 264 018	7 210 783 332	2 378 345 321	2 200 988 512	4 579 333 833	2 244 920 012	2 915 759 591									
United Foundries Company	193 624 084	416 713 780	610 337 864	325 977 499	119 535 989	445 513 488	284 226 676	352 475 692									
Mena Home Furnishings Mall	38 443 677	656 064 358	694 508 035	148 632 840	223 444 310	372 077 150	44 967 028	96 030 955									
Citadel Capital Transportation Opportunities Ltd.	129 296 155	713 730 174	843 026 329	111 637 937	240 232 926	351 870 863	70 959 648	156 228 806									
Tawazon for Solid Waste Management Company (Tawazon)	122 363 092	126 963 876	249 326 968	107 197 869	18 814 427	126 012 296	89 884 053	94 691 957									
Mena Glass Ltd.	216 614 508	1 340 322 205	1 556 936 713	178 327 805	537 567 508	715 895 313	317 998 563	319 914 794									
Tanmeyah Company S.A.E.	18 122 808	20 345 576	38 468 384	37 404 428	--	37 404 428	41 566 089	63 792 322									

- Note no. (19).

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

7. Other investments

	note	31/12/2011	31/12/2010
	no.	LE	LE
Non-current investments			
Available-for-sale investments (net)	7.1	919 306 588	473 981 716
Payments for investments (net)	7.2	589 886 669	1 082 461 657
Loans to related parties	7.3	660 952 590	538 092 646
Other	7.4	45 351 056	--
		<u>2 215 496 903</u>	<u>2 094 536 019</u>
Current investments			
Investments at fair value through profit or loss	7.5	18 169 898	20 298 029
		<u>2 233 666 801</u>	<u>2 114 834 048</u>

7.1 Available-for-sale investments represent the Group investments in a number of unlisted companies in the Stock Exchange. The details are as follows:

	31/12/2011	31/12/2010
	LE	LE
Orient Investment Properties Ltd.	605 569 252	294 306 018
Logria Holding Ltd. *	390 468 000	376 519 000
Golden Crescent Investment Ltd. *	380 661 246	263 427 174
Falcon Agriculture Investments Ltd.	266 345 377	14 481 500
EFG Capital Partners Fund II & III (Horus Private Equity Fund II & III formerly)	26 330 926	26 330 926
Sphinx Turnaround	8 580 883	7 069 173
Modern Company for Isolating Materials	43 396	43 396
Arab Swiss Engineering Company (ASEC)	34 958	34 958
Medcom National Company	1 000	1 000
Underscore International Holdings	601	579
Valencia Regional Investment Ltd.	601	579
Total	<u>1 678 036 240</u>	<u>982 214 303</u>
Accumulated impairment *	<u>(758 729 652)</u>	<u>(508 232 587)</u>
Net	<u>919 306 588</u>	<u>473 981 716</u>

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

*Accumulated impairment in investments of the Company are represented in:

	Balance as at 1/1/2011	Formed during the year **	Transferred from payments for investments ***	Foreign currency translation differences	Balance as at 31/12/2011
	LE	LE	LE	LE	LE
Logria Holding Ltd.	376 519 000	--	--	13 949 000	390 468 000
Golden Crescent Investment Ltd.	131 713 587	177 931 029	51 817 704	6 799 332	368 261 652
Balance	508 232 587	177 931 029	51 817 704	20 748 332	758 729 652

** Note no.(21-1)

*** Note no.(7-2)

7.2 The payments for investments are as follows:

	31/12/2011	31/12/2010
	LE	LE
Grandview Investment Holding	74 369 395	71 712 637
Fund Project *	2 035 911	25 188 018
Pharos Holding Co.	18 621 911	18 621 911
Nile Valley Petroleum Ltd.	36 469 710	35 166 875
Citadel Capital Transportation Opportunities II Ltd.	18 022	17 378
Valencia Assets Holding Ltd.	1 322	22 766 192
Mena Joint Investment Fund	20 960 118	7 642 438
Africa Joint Investment Fund	48 978 654	44 086 893
Sphinx Turnaround Funds	8 104 163	6 816 384
Falcon Agriculture Investments Ltd.	38 355 973	205 162 064
Ambiance Rail Company (PTY) Limited	166 341 615	--
KU Railways Holdings Limited	174 761 222	--
Asec Emirates for Mining *	33 297 970	--
Citadel Capital Al Qalaa - Saudi Arabia	868 653	--
Orient Investment Properties Ltd.	--	304 478 114
Centum Investment Company Ltd.	--	28 764 036
Babcock&Brown Investment Holdings (PTY) Ltd.	--	11 096 316
Sheltam Rail Company (PTY) Ltd.	--	154 379 678
Primefuels Rail Investments Ltd.	--	76 591 848
Mirambo Rail Investments Ltd.	--	41 046 236
Golden Crescent Investment Ltd. *	--	103 635 407
Forestry Project *	--	2 400 624

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

	31/12/2011	31/12/2010
	LE	LE
Finance Unlimited	--	63 614
Mammoth Project *	--	7 658 206
Total	623 184 639	1 167 294 869
Accumulated impairment *	(33 297 970)	(84 833 212)
Net	589 886 669	1 082 461 657

*Accumulated impairment in payments for investment are represented in:

	Balance as at 1/1/2011	Formed during the year**	Transferred to available for sale investments***	Used during the year	Balance as at 31/12/2011
	LE	LE	LE	LE	LE
Golden Crescent Investment Ltd.	51 817 704	--	(51 817 704)	--	--
Fund Project	22 956 678	--	--	(22 956 678)	--
Forestry project	2 400 624	--	--	(2 400 624)	--
Mammoth Project	7 658 206	--	--	(7 658 206)	--
Asec Emirates for Mining	--	33 297 970	--	--	33 297 970
Balance	84 833 212	33 297 970	(51 817 704)	(33 015 508)	33 297 970

** Note no.(21-1)

*** Note no.(7-1)

7.3 Loans to subsidiaries and associate companies are as follows:

	note no.	31/12/2011 LE	31/12/2010 LE
National Development and Trading Company	7.3.1	362 094 225	313 082 482
United Foundries Company	7.3.2	58 107 093	71 506 264
Underscore International Holdings Ltd.	7.3.3	90 108 000	86 889 000
Valencia Regional Investment Ltd.	7.3.4	69 082 800	66 614 900
Others		81 560 472	--
Balance		660 952 590	538 092 646

7.3.1 The Company has granted two subordinating loans to National Development and Trading Company – (one of the associate companies - 49.81%) dated December 28, 2009 and September 21, 2010 with amounts of US.\$ 40 968 630 and US.\$ 8 064 887 respectively. The loans contracts period is 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 Development and Trading Company with par value at the end of loans period.

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Notes to the consolidated financial statements for the year ended December 31, 2011

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

ASEC Cement Company	41 050 000 shares
Arab Swiss Engineering Company (ASEC)	899 900 shares

The value of the two loans is US.\$ 60 276 705 (equivalent to LE 362 094 225 as at December 31, 2011) against US.\$ 54 048 697 (equivalent to LE 313 082 482 as at December 31, 2010) including accrued interest from the beginning of loans period amounted to US.\$ 11 243 186 (equivalent to LE 67 540 070 as at December 31, 2011) against US.\$ 5 015 180 (equivalent to LE 29 050 932 as at December 31, 2010).

- 7.3.2 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.\$ 11 563 187 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 at the end of loan period.

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%.

The Company has transferred an amount of US.\$ 3 995 518 (equivalent to LE 23 254 510) from the loan's principle during the period in addition to an interest amounted to US.\$ 230 407 (equivalent to LE 1 340 968) to Financial Holding International Company (one of United Foundries Company's shareholders) in addition to settle an amount of US.\$ 357 406 (equivalent to LE 2 072 400) as additional contribution in this loan to become with an amount of US.\$ 9 672 908 (equivalent to LE 58 107 093 as at December 31, 2011) against US.\$ 12 344 416 (equivalent to LE 71 506 264 as at December 31, 2010) including accrued interest from the beginning of loan period amounted to US.\$ 1 542 808 (equivalent to LE 9 267 956 as at December 31, 2011) against US.\$ 781 229 (equivalent to LE 4 525 347 as at December 31, 2010).

On January 9, 2012 the board of directors of United Foundries Company decided to convert a convertible loan contract to current account as a subordinating loan that will be settled on 10 years with annual interest rate equals to 6%.

- 7.3.3 Citadel Capital for International Investments Ltd. (one of the subsidiaries - 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 Million (equivalent to LE 90 108 000 as at December 31, 2011 against LE 86 889 000 as at December 31, 2010) to purchase 4 754 098 shares (2.83%) 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.

- 7.3.4 Alder Burke Investments Ltd. (one of the subsidiaries - 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 69 082 800

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2011

as at December 31, 2011 against LE 66 614 900 as at December 31, 2010) to purchase 3 582 555 shares (2.13%) 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.

7.4 Other investments are represented in an amount of US.\$ 7 549 450 (equivalent to LE 45 351 056) blocked at Citibank – London for Ambiance venture Ltd. (one of the subsidiaries-75%) to ensure the Ambiance venture Ltd. seriousness of payment of its due portion in KU Railways Holding Limited future capital increase.

7.5 Investments at fair value through profit or loss:

	31/12/2011	31/12/2010
	LE	LE
Modern Shorouk for Printing Co.	1 399 664	2 460 447
Al Arafa Investment and Consulting	1 585 901	2 230 151
TAQA Arabia	<u>15 184 333</u>	<u>15 607 431</u>
Balance	<u>18 169 898</u>	<u>20 298 029</u>

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

8. Trade and other receivables

	note	31/12/2011	31/12/2010
	no.	LE	LE
Due from related parties (net)	8.1	903 563 564	481 869 599
Other receivables (net)	8.2	<u>19 328 416</u>	<u>44 250 029</u>
Balance		<u>922 891 980</u>	<u>526 119 628</u>

8.1 Due from related parties

	Nature of transaction		31/12/2011	31/12/2010
	Advisory fee	Finance		
	LE	LE	LE	LE
Logria Holding Ltd. *	33 063 034	1 917 318	34 980 352	33 700 832
Mena Home Furnishings Mall	10 305 892	47 268 290	57 574 182	13 091 092
Citadel Capital Transportation Opportunities Ltd.	6 587 408	14 400 784	20 988 192	22 190 278
Silverstone Capital Investments Ltd.	5 342 519	3 624 411	8 966 930	11 175 739
Falcon Agriculture Investments Ltd.	10 305 892	42 987 656	53 293 548	13 620 957
Orient Investment Properties Ltd.	50 752 763	63 269 753	114 022 516	39 716 159

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Notes to the consolidated financial statements for the year ended December 31, 2011

	Nature of transaction		31/12/2011	31/12/2010
	Advisory fee	Finance		
	LE	LE	LE	LE
Golden Crescent Investment Ltd. *	21 175 667	--	21 175 667	13 695 108
ASEC Cement Company	15 018 000	--	15 018 000	14 626 894
Sabina for Integrated Solutions	6 607 920	--	6 607 920	6 371 860
Sphinx Glass Ltd.	4 805 760	--	4 805 760	4 634 080
Mena Glass Ltd.	4 547 451	--	4 547 451	4 315 533
Mena Joint Investment Fund	346 374	--	346 374	966 715
Africa Joint Investment Fund	2 593 140	--	2 593 140	1 371 879
Citadel Capital Transportation Opportunities II Ltd.	5 961 449	--	5 961 449	741 725
Grandview Investment Holding	--	42 463 202	42 463 202	40 702 599
ASEC Company for Mining (ASCOM)	--	24 083 533	24 083 533	9 246 768
Golden Crescent Finco Ltd. *	--	148 226 639	148 226 639	126 076 808
Emerald Financial Services Ltd. *	--	199 086 273	199 086 273	160 209 431
Valencia Assets Holding Ltd.	--	188 250 476	188 250 476	93 489 951
Nile Valley Petroleum Ltd.	--	128 524 043	128 524 043	121 036 379
Tawazon for Solid Waste Management (Tawazon)	--	2 745 525	2 745 525	550 540
National Development and Trading Company	--	4 082 996	4 082 996	11 585 199
United Foundries Company	--	46 635 557	46 635 557	--
Valencia Regional Investments Ltd.	--	216 680	216 680	--
Citadel Capital East Africa	--	22 707	22 707	--
Citadel Capital – ALQALAA Saudi Arabia	--	193 312	193 312	--
ESACO for Manufacturing, Engineering and Construction *	--	28 855 201	28 855 201	--
Arab Refining Company – note no. (13-3)	--	1 400 789	1 400 789	--
Africa JIF HOLD CO I	372 789	--	372 789	--
Africa JIF HOLD CO III	1 603 015	--	1 603 015	--
Mena JIF HOLD CO I	372 789	--	372 789	--
Bacillas	--	--	--	2 085 336
Prosperities	--	--	--	463 408
Total			1 168 017 007	745 665 270
Accumulated impairment *			(264 453 443)	(263 795 671)
Net			903 563 564	481 869 599

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

* Impairment in due from related parties are represented in:

	Balance as at 1/1/2011	Formed during the year**	Reversed during the year**	Foreign currency translation differences	Balance as at 31/12/2011
	LE	LE	LE	LE	LE
Emerald Financial Services Ltd.	160 209 431	32 481 440	--	6 395 402	199 086 273
Logria Holding Ltd.	33 700 832	30 564	--	1 248 956	34 980 352
Golden Crescent Investment Ltd.	6 847 554	--	(7 101 237)	253 683	--
Golden Crescent Finco Ltd.	63 037 854	--	(65 373 805)	3 867 568	1 531 617
ESACO for Manufacturing, Engineering and Construction	--	28 452 193	--	403 008	28 855 201
Balance	<u>263 795 671</u>	<u>60 964 197</u>	<u>(72 475 042)</u>	<u>12 168 617</u>	<u>264 453 443</u>

** Note no. (21-1)

8.2 Other receivables are represented in:

	31/12/2011	31/12/2010
	LE	LE
Prepaid expenses	197 887	2 833 290
Deposits with others	232 402	1 430 902
Advances to suppliers	11 228	234 047
Letters of guarantee margin	602 720	579 260
Imprest	515 793	252 777
Accrued revenue	2 403 045	2 337 559
Loans to others	12 014 400	17 839 401
Sundry debit balances *	3 350 941	23 742 793
Total	<u>19 328 416</u>	<u>49 250 029</u>
Accumulated impairment *	--	(5 000 000)
Net	<u>19 328 416</u>	<u>44 250 029</u>

9. Cash and cash equivalents

	31/12/2011	31/12/2010
	LE	LE
Cash on hand	668 772	410 770
Banks - current accounts	159 034 272	152 707 203
Banks - time deposits	1 351 620	2 091 615
Total	<u>161 054 664</u>	<u>155 209 588</u>
Effect of foreign exchange differences	5 186 058	7 406 862
Balance	<u>166 240 722</u>	<u>162 616 450</u>

Non cash transactions

For the purpose of preparing statement of cash flows statement, the following transactions have been eliminated:-

- LE 24 595 478 from proceeds from other investments and trade and other payables (represents the other investments transferred to settle accrued advisory fee).
- LE 23 066 598 from payments for investments and due from related parties (represents the transfer from related parties' current account to payments for investments).
- LE 69 660 361 from proceeds from sale of fixed assets and creditors and other credit balances and long term liabilities (represents the value of the returned land during the year that was purchased during year 2010).

10. Share capital

- The Company's authorized capital is LE 6 Billion and the issued and paid-in capital is LE 3 308 125 000 represents 661 625 000 shares distributed to 496 218 750 ordinary shares and 165 406 250 preferred shares with par value LE 5 per share.
- The Company's extraordinary general assembly meeting held on August 3, 2011 decided to increase the issued capital from LE 3 308 125 000 to be LE 4 358 125 000 with an increase of LE 1 050 000 000 by issuing new 210 000 000 shares with par value LE 5 each and accordingly the total number of shares after increase is 871 625 000 shares distributed to 653 718 750 ordinary shares and 217 906 250 preferred shares. The share capital increase was paid in full during October 2011. The commercial register was updated on October 23, 2011.
- The preferred share has the advantage of triple voting right comparing with ordinary share on the decisions of the Company's extraordinary and ordinary general assembly meetings according to the decision of the Company's extraordinary general assembly meeting held on May 12, 2008 and also paragraph no.(3) of article no.(18) of the Company's article of associations. And those shares are owned by Citadel Capital Partners Ltd. the principle shareholder of the Company.

The shareholders' structure is represented as follows:

Shareholder's name	Percentage %	No. of shares	Value in LE
Citadel Capital Partners Ltd.	28.23	246 027 220	1 230 136 100
Soliman Abd Elmohsen Abd allah Abnamy	15.16	132 100 000	660 500 000
Emirates International Investments Company	7.72	67 318 565	336 592 825
Others	48.89	426 179 215	2 130 896 075
	<u>100</u>	<u>871 625 000</u>	<u>4 358 125 000</u>

11. Reserves

11.1 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.

11.2 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.

12. Non - controlling interests

	31/12/2011	31/12/2010
	LE	LE
Capital	404 516 257	187 325 494
Payments for capital increase	1 501 800	1 448 109
Other owners' equity	2 206 531	13 901 565
Foreign currency translation reserve	(1 554 898)	(410 706)
Net loss for the year	<u>(26 955 809)</u>	<u>(5 260 507)</u>
Balance	<u>379 713 881</u>	<u>197 003 955</u>

13. Loans and borrowings

	note	31/12/2011	31/12/2010
	no.	LE	LE
Long term – loans	(13.1,2)	1 142 441 436	1 155 923 644
Short term – loans	(13.1)	<u>210 252 000</u>	<u>96 194 363</u>
Balance		<u>1 352 693 436</u>	<u>1 252 118 007</u>

- 13.1 On May 15, 2008 the 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 & Stanely Bank and City Bank London "syndication manager") with an amount of US.\$ 200 millions for a period of five years (US.\$150 millions committed and US.\$ 50 millions 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 installments:

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 third stage 70% will be settled at the end of the loan period.

The Company has withdrawn an amount of US.\$ 191 064 225 till March 31, 2011 and the Company paid the first stage installment on May 15, 2011 amounted to US.\$ 19 106 422 , accordingly the balance of loan is US.\$ 171 957 803 (equivalent to LE 1 032 984 912 as at December 31, 2011) against an amount of US.\$ 166 064 225 (equivalent to LE 961 943 630 as at December 31, 2010), and the current stage installment on December 31,2011 is amounted to US.\$ 35 million (equivalent to LE 210 252 000 as at December 31, 2011) against amounted to US.\$ 16 606 423 (equivalent to LE 96 194 363 as at December 31, 2010). The bank interest on loan recorded in the income statement during the year is LE 72 982 183.

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.
- Costs related to this contract are recognized in the item of financing costs – note no.(22) and that is mentioned in note no.(3-5).

On February 1, 2012 the Company has signed a long-term loan with an amount of US.\$ 325 million with group of banks (represented in Arab African International Bank S.A.E, Arab International Bank, Banque du caire, Banque Misr S.A.E, Citybank London “syndication manager”, Piraeus Bank) and guaranteed by Overseas private Investment Corporation (OPIC) for the purpose of refinancing the outstanding liabilities and expansion the Company investments, provided that the loan amount is divided into three classes :-

- First class :- irrevocable amount of US.\$ 175 million bearing variable interest rate (4.25 %+Libor rate) for 5 years begins from the date of the contract and payable on five equal annual installments
- Second class :- irrevocable amount of US.\$ 125 million bearing fixed interest rate (3.9 %+Libor rate on the date of withdrawal) for 10 years begins from the date of the contract and payable on nine equal annual installments with one year grace period.
- Third class :- irrevocable amount of US.\$ 25 million bearing fixed interest rate (3.9 %+Libor rate on the date of withdrawal) and the company has the right to use it within three years begins from the date of the contract and payable on nine equal annual installments begins from the date of withdrawal with one year grace period.

According to the loan contract, the loan installments would be paid on December 20th each year

The loan guarantees are as follows:

- 1- First degree lien contract of the shares owned by the Company in National Development and Trading Company.
- 2- First degree lien contract of the shares owned by the company on International Company for Mining Consulting.
- 3- First degree lien contract of the shares owned by the company on United Foundries Company.
- 4- First degree lien contract of the shares of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
- 5- First degree lien contract of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone) investments on the following companies:
 - Orient Investments Properties Ltd.
 - Logria Holding Ltd.
 - Golden Crescent Investments Ltd.
 - Falcon Agriculture Investments Ltd.
 - Silverstone Capital Investment Ltd.
 - Mena Glass Ltd.
 - Mena Home Furnishings Mall.
 - Valencia Trading Holding Ltd.
 - Andalusia Trading Investments Ltd.
 - Citadel Capital Transportation Opportunities Ltd.
 - Lotus Alliance Limited.
 - Citadel Capital Financing Corp.
 - Grandview Investment Holding.
 - Africa Railways Holding.
 - Citadel Company for Investment Promotion.

- 13.2 On December 21, 2010 National Refining Consulting Company (one of the subsidiaries - 99.99%) obtained a long-term loan from Arab International Bank for five years with an amount of US.\$ 50 million (equivalent to LE 300 360 000 as at December 31, 2011 against LE 289 630 000 as at December 31, 2010) to purchase 50 million shares in Orient

Investments Properties Ltd. Company (owned Company with a percentage of 31.76%). 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 93 765 940 as at December 31, 2011) against (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, 2011 amounted to US.\$ 3 220 889 (equivalent to LE 19 348 524) against US.\$ 93 978 (equivalent to LE 544 377 as at December 31, 2010). The loan principle along with the outstanding accrued interest will be paid in full at the end of the contract on December 21, 2015. The total balance of the loan as at December 31, 2011 is US.\$ 53 220 889 (equivalent to LE 319 708 524) against US.\$ 50 093 978 (equivalent to LE 290 174 377 as at December 31, 2010).

- 13.3 United for Petroleum Refining Consultation Company – (one of the subsidiaries- 99.99%) Has signed a short - term loan contract with Arab International Bank as at September 12, 2011 with an amount of US.\$ 28 500 000 (equivalent to LE 171 205 200 as at December 31, 2011) for a period of nine months bearing variable interest rate (5.5 %+Libor rate over six months) for the purpose of financing Arab Refinery Company – one of the subsidiaries of Orient Investment Properties Ltd. note no. (7.1) – to use it in financing the Egyptian Refining Company – one of the subsidiaries of Arab Refinery Company with an amount of US.\$ 28 300 000 (equivalent to LE 170 003 760) to settle its liabilities which represent the insurance instalment due for (NEXI Investment Insurance & Nippon Export) and this finance mature when Egyptian Refining Company uses the loan obtained according to the signed contract from a group of international banks with an amount of US.\$ 2.3 billion for the purpose of financing the project that relates to constructing a Petroleum Refining Lab .

The loan guarantees are as follows:

- First degree lien contract of United for Petroleum Refining Consultation Company shares in favour of the bank.
- Transferring of all United for Petroleum Refining Consultation Company accrued amounts due from Arab Refinery Company to the bank.
- A commitment from Arab Refinery Company to give priority for this loan over any other Liability.
- A letter from NEXI Company as a Commitment for repayment of insurance instalment to Egyptian Refining Company in case of not withdrawn from the loan in the due dates.

- A commitment from Arab Refinery Company for repayment of insurance instalment from Egyptian Refining Company in case of repayment from NEXI Company to Egyptian Refining Company.

United for Petroleum Refining Consultation Company has the advantage to renew this contract for another period or several periods with the same aforementioned conditions and guarantees or by adding better conditions and guarantees after the agreement of both parties, The accrued interest for the year is US.\$ 433 185 (equivalent to LE 2 565 885 as at December 31, 2011) that incurred by Arab Refining Company according to the contract accordingly the loan balance would be with an amount of US.\$ 28 733 185 (equivalent to LE 172 605 989 as at December 31, 2011). The clearance has been made between the loan balance due to Arab International Bank and the balance due from Arab Refinery Company that according to accounting policy no.(3-4).

	31/12/2011	
	US.\$	LE
Amounts due from Arab Refining Company	28 733 185	172 605 989
Less : loan balance	<u>(28 500 000)</u>	<u>(171 205 200)</u>
Net	<u>233 185</u>	<u>1 400 789</u>

14. Long term liabilities

	31/12/2011	31/12/2010
	LE	LE
Creditors-purchase of investments *	21 859 566	42 754 301
Notes payable	<u>--</u>	<u>31 377 732</u>
Balance	<u>21 859 566</u>	<u>74 132 033</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.

15. Deferred tax

	31/12/2011	31/12/2010
	LE	LE
Fixed assets depreciation	<u>1 759 385</u>	<u>1 722 191</u>

The Company has carried over tax losses from previous years that were not recognized due to the lack of reasonable assurance of future taxable profit to benefit in the near future.

16. Trade and other payables

	note no.	31/12/2011 LE	31/12/2010 LE
Due to related parties	16.1	303 276 132	767 006 158
Other payables	16.2	98 695 634	132 911 872
Balance		<u>401 971 766</u>	<u>899 918 030</u>

16.1 Due to related parties

	31/12/2011 LE	31/12/2010 LE
Citadel Capital Partners Ltd.*	225 371 867	705 947 717
Mena Glass Ltd. **	17 969 097	16 671 404
Cron dali Holdings Ltd.	4 844 152	97 843
Citadel Capital Transportation Opportunities II Ltd.	33 916 651	--
Africa JIF Hold CO III	149 165	--
ASEC for Manufacturing and Industrial Projects- ARESCO	21 025 200	--
Falcon Agriculture Investments Ltd.	--	44 289 194
Balance	<u>303 276 132</u>	<u>767 006 158</u>

* The main shareholder of the Company – 28.23%.

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

16.2 Other payables

	31/12/2011 LE	31/12/2010 LE
Tax Authority	7 125 074	2 634 198
National Authority for Social Insurance	200 489	106 100
Accrued expenses	48 998 967	78 085 972
Dividends payable – previous years	2 925 933	2 925 504
Accrued interest	25 632 722	3 274 852
Suppliers	8 620 190	3 320 866
Notes payables	--	38 282 629
Sundry credit balances	5 192 259	4 281 751
Balance	<u>98 695 634</u>	<u>132 911 872</u>

17. Expected claims provision

	31/12/2011	31/12/2010
	LE	LE
Balance at the beginning of the year	220 448 101	19 495 020
Provisions formed during the year	30 515 920	207 130 757
Foreign currency translation differences	1 173 788	--
Provisions used during the year	(13 065 459)	--
Provisions no longer needed	(32 512 005)	--
Deconsolidation of subsidiaries	--	(6 177 676)
Balance	<u>206 560 345</u>	<u>220 448 101</u>

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

18. (Loss) gains on sale of investments

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Loss on sale of investments at fair value through profit or loss	(1 103 149)	--
Gains on sale of investments in associates	--	41 840 072
Gains on sale of available-for-sale investments	--	3 803 761
Total	<u>(1 103 149)</u>	<u>45 643 833</u>

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

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
El Kateb for Marketing & Distribution Co.	(825 579)	291 919
Pharos Holding Co.	(3 320 074)	8 364 100
Elsharq Book Stores Co.	(752 224)	(785 336)
ASEC Company for Mining (ASCOM)	(32 246 360)	4 021 810
Silverstone Capital Investments Ltd.	32 890 827	36 482 090
Dar El-Sherouk Ltd.	(8 068 327)	(13 793 170)
Crondall Holdings Ltd.	8 328 379	10 330 908

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
National Development & Trading Company	(311 294 361)	(70 845 302)
United Foundries Company	(18 088 562)	(10 356 376)
Mena Glass Ltd.	1 051 891	(1 287 605)
Tanmeyah Company S.A.E	(11 320 644)	(5 828 996)
Mena Home Furnishings Mall	(14 026 586)	(17 928 696)
Citadel Capital Transportation Opportunities Ltd.	(26 759 009)	(29 078 697)
Tawazon for Solid Waste Management (Tawazon)	(1 602 623)	2 574 404
Total	<u>(386 033 252)</u>	<u>(87 838 947)</u>

20. Administrative and general 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 28.23 %) 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, 2011 and December 31, 2010.
- Administrative and general expenses include an amount of US.\$ 3 334 837 (equivalent to LE 19 753 240) for the year ended December 31, 2011 against US.\$ 14 020 245 (equivalent to LE 78 584 875 for the year ended December 31, 2010) represents the advisory fees due according to the signed contract with Financial Holding International Co. (one of the group shareholders).

21. Other expenses

	note no.	For the year ended	
		31/12/2011	31/12/2010
		LE	LE
Net change in the fair value of investments at fair value through profit or loss		1 705 033	163 658
Impairment loss on assets	(21.1)	199 718 154	861 861 470
Provisions formed	(17)	30 515 920	206 135 876
Provisions no longer needed	(17)	(32 512 005)	--
Balance		<u>199 427 102</u>	<u>1 068 161 004</u>

Citadel Capital Company

Notes to the consolidated financial statements for the year ended December 31, 2011

21.1 Impairment loss on assets is represented in the following:

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Impairment loss on payments for investments		
ASEC Company for Mining – Emirates - note no.(7-2)	33 297 970	--
Golden Crescent Investments Ltd.	--	51 817 704
Fund Project	--	22 956 678
Forestry Project	--	2 400 624
Mammoth Project	--	7 658 206
Balance	<u>33 297 970</u>	<u>84 833 212</u>
Impairment loss on available-for-sale investments		
Logria Holding Ltd.	--	376 519 000
Golden Crescent Investments Ltd. - note no.(7-1)	<u>177 931 029</u>	<u>131 713 587</u>
Balance	<u>177 931 029</u>	<u>508 232 587</u>
Impairment loss on due from related parties*		
Logria Holding Ltd.	30 564	33 700 832
Emerald Financial Services Ltd.	32 481 440	160 209 431
ESACO for Manufacturing, Engineering and Construction	28 452 193	--
Golden Crescent Investments Ltd.	(7 101 237)	6 847 554
Golden Crescent Finco Ltd.	<u>(65 373 805)</u>	<u>63 037 854</u>
Balance	<u>(11 510 845)</u>	<u>263 795 671</u>
Impairment loss on other debit balances		
Sundry debit balances	--	5 000 000
Balance	--	5 000 000
Total	<u>199 718 154</u>	<u>861 861 470</u>

* Note no.(8-1)

22. Financing costs

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Interest income - note no. (28-2)	48 874 045	72 741 658
Interest expenses - note no.(13)	(91 503 815)	(70 667 367)
Foreign currency translation differences	795 631	(10 230 896)
Net	<u>(41 834 139)</u>	<u>(8 156 605)</u>

Citadel Capital Company**Notes to the consolidated financial statements for the year ended December 31, 2011****23. Income tax**

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Deferred tax	37 194	1 548 572
Current income tax - note no.(24)	--	(666 303)
Total income tax	<u>37 194</u>	<u>882 269</u>

24. Reconciliation of effective tax rate

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Accounting loss before tax	(800 529 463)	(1 361 037 998)
Tax reconciliations :		
Loss not recognized by tax	495 838 699	283 565 084
Impairment loss on assets	199 718 154	861 861 470
Provisions	(1 996 085)	206 135 876
Fixed assets (taxable depreciation variances)	664 784	3 485 890
Non deductible expenses	--	2 014 855
Tax exemption	--	(9 575 740)
Hedging reserve	--	16 882 076
Net tax exposure	<u>(106 303 911)</u>	<u>3 331 513</u>
Tax rate	<u>20%</u>	<u>20%</u>
Income tax according to income statement-note no. (23)	<u>--</u>	<u>666 303</u>

25. 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 (one of the subsidiaries – 99.88% and the parent company of Tanmeyah Company S.A.E) 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 year till the date of conversion to associates as results from discontinued operations as follows:

Citadel Capital Company
Notes to the consolidated financial statements for the year ended December 31, 2011

	LE
Other income	4 278 174
Administrative and general expenses	(7 905 992)
Other expenses	(1 433 598)
Net operating loss	(5 061 416)
Finance expense	(32 517)
Net loss	(5 093 933)

26. Earnings per share

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Net loss for the year	(800 492 269)	(1 360 155 729)
Net loss for equity holders of the parent Company	(773 536 460)	(1 354 895 222)
Weighted average number of shares	702 474 315	661 625 000
Earnings per share	(1.10)	(2.05)

27. Finance income (expenses) recognised in equity

	For the year ended	
	31/12/2011	31/12/2010
	LE	LE
Foreign currency translation differences of foreign operations	66 748 072	67 155 176
Net change in the fair value of available-for-sale investment	(860 411)	(705 981)
Total finance income recognised in equity (After tax)	65 887 661	66 449 195
Attributable to:		
Equity holders of the Company	67 031 852	66 787 832
Non - controlling interest	(1 144 191)	(338 637)
	65 887 661	66 449 195

28. Related party transactions

28.1 Advisory fee

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	Accrued advisory fee	Advisory fee recognized	
	according to contracts *		
	For the year ended	For the year ended	
	31/12/2011	31/12/2011	31/12/2010
	LE	LE	LE
Mena Glass Ltd.	3 549 917	3 549 917	3 307 685
Mena Home Furnishings Mall	3 527 841	3 527 841	3 208 309
Citadel Capital Transportation Opportunities Ltd.	853 016	853 016	3 247 070
Falcon Agriculture Investments Ltd.	14 673 039	14 673 039	13 218 466
Logria Holding Ltd. *	36 637 318	--	35 230 667
Golden Crescent Investment Ltd.	6 933 189	6 933 189	6 523 485
Orient Investment Properties Ltd.	9 455 941	9 455 941	10 558 922
Sphinx Glass Ltd.	4 241 102	4 241 102	4 013 630
ASEC Cement Company	10 190 175	10 190 175	10 175 492
Silverstone Capital Investment Ltd.	1 261 858	1 261 858	1 018 016
Citadel Capital Transportation Opportunities II Ltd.	4 509 586	4 509 586	523 354
Africa Joint Investment Fund	4 738 640	4 738 640	1 769 059
Mena Joint Investment Fund	3 365 507	3 365 507	1 256 434
Africa JIF HOLD CO I	367 582	367 582	--
Africa JIF HOLD CO III	1 580 627	1 580 627	--
Mena JIF HOLD CO I	367 582	367 582	--
Total	106 252 920	69 615 602	94 050 589

* The Company did not recognize advisory fees related to this Company according to signed contract due to inadequate assurance concerning the revenue recognition and collection conditions.

28.2 Interest income

Interest income included in financing cost note no.(22) includes an amount of LE 46 923 547 represents accrued interest income according to signed contracts from other related parties as follows:

Company's name	For the year ended	
	31/12/2011	31/12/2010
National Company for Trading and Development	18 562 609	16 387 881
United Foundries Company	5 501 132	3 100 123
Golden Crescent Finco Ltd.	17 367 220	26 726 062
Meua Home Furnishings Mall	1 500 103	915 842
Citadel Capital Transportation opportunities Ltd.	1 039 845	2 474 121
Grandview Investment Holding	2 952 638	3 051 172
Emerald Financial services Ltd.	--	18 977 838
Total	46 923 547	71 633 039

29. Tax status

Corporate tax

The Company submitted its tax returns on regular basis for the years from 2005 to 2010 according to tax law No. 91/2005. The Company's books have not been inspected yet.

The Supreme Council of the Armed Forces issued the Decree Law No. 51 of 2011 amending some provisions of the Income Tax Law promulgated by Law No. 91 of 2005 where the amendment of Article (49 / first paragraph) as follows:

The tax base nearest ten pounds less is subject to tax in accordance with the following two tranches:

- First tranche: up to ten million pounds at 20%.
- Second tranche: more than ten million pounds at 25%.

instead of 20% of the entire tax base.

Salaries tax

The Company deducts the salaries tax according to tax law no. 91 / 2005 and the Company's books inspected for the period from launch till the date of 31/12/2009 but the authority did not inform the Company with results yet.

Stamp tax

The Company was inspected till July 31, 2006 and paid all the accrued amounts according to the Internal Committee decision and no tax inspection for the period from 1/8/2006 to 31/12/2010 has been inspected and the dispute has transferred to internal committee in the authority.

Withholding tax

The Company applies the withholding tax provisions on its transactions according to tax law No. 91/2005 and no tax inspection for withholding tax has been taken place yet.

30. 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 Tanweer for Marketing and Distribution Company (Tanweer)	Arab Republic of Egypt	--	99.88
Financial Unlimited for financial consulting	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

	Country of incorporation	Ownership interest	
		Direct %	Indirect %
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	--	53.33
Sequoia Williwow 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 Investments Ltd.	British Virgin Island	--	100.00
Africa Railways Holding	Republic of Mauritius	--	51.02
Citadel Capital Joint Investment Fund Management Limited	Republic of Mauritius	--	100.00
Mena Joint Investment Fund	Luxembourg	--	100.00

31. 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.

32. Contingent liabilities

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

33. 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.

33.1 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.

33.2 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.

33.3 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 related parties, time deposits and investment balances; none of these assets has significant concentration of risk. Trade receivables are widely spread among related parties 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.

33.4 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. As the market dictates, the Company sometimes borrows at variable rates leaving certain exposure to changes in interest rate risk.

33.5 Liquidity risk

Liquidity risk is represented in the factors, which may affect the Company's ability to pay part of or full amount of its liabilities. According to the Company's policy, sufficient cash balances are retained to meet the Company's current liabilities which minimize the liquidity risk.

33.6 Financial instruments' fair values

According to the valuation bases used to evaluate the assets and liabilities of the Company which have been stated in the accompanying notes to the financial position, the financial instruments' fair value does not substantially deviate from their book values at the financial position date .

34. Comparative figures

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