

Citadel Capital Company
(Egyptian Joint Stock Company)

Separate financial statements
for the period ended March 31, 2011
&
Review report

Contents	Page
Review report	
Separate statement of financial position	1
Separate income statement	2
Separate statement of changes in equity	3
Separate statement of cash flows	4
Accounting policies and notes to the separate financial statements	5 – 27



Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Review report

To the Board of Directors of Citadel Capital Company

Introduction

We have performed a limited review for the accompanying separate statement of financial position of Citadel Capital Company (Egyptian Joint Stock Company) as at March 31, 2011 and the related separate statements of income, changes in equity and cash flows for the three months then ended and a summary of significant accounting policies and other explanatory notes. The Company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2011 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Cairo July 14 , 2011

Hassan Bak
KPMG Hazem Hassan

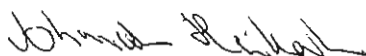



Citadel Capital Company
(Egyptian Joint Stock Company)
Separate statement of financial position
as at March 31, 2011

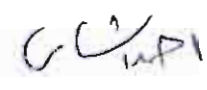
	note no.	31/3/2011 LE	31/12/2010 LE
Current assets			
Cash and cash equivalents	(4)	211 446 555	148 664 361
Due from related parties (net)	(5)	459 493 309	419 990 782
Other debit balances	(6)	8 897 183	9 858 234
Total current assets		679 837 047	578 513 377
Current liabilities			
Due to related parties	(7)	769 383 872	705 947 717
Current portion of long-term loans	(17)	113 543 738	96 194 363
Other credit balances	(8)	31 893 295	38 423 716
Expected claims provision	(9)	181 075 954	187 868 554
Total current liabilities		1 095 896 859	1 028 434 350
Excess of current liabilities over current assets		(416 059 812)	(449 920 973)
Non - current assets			
Available-for-sale investments	(10)	26 391 801	26 391 801
Investments in subsidiaries and associates	(11)	2 698 128 505	2 698 128 505
Payments for investments (net)	(12)	1 594 607 738	1 495 461 469
Fixed assets (net)	(13)	30 786 658	31 686 691
Other investments	(14)	381 948 964	384 588 746
Deferred tax	(15)	1 753 810	1 718 309
Total non - current assets		4 733 617 476	4 637 975 521
Total investment		4 317 557 664	4 188 054 548
Financed through:			
Equity			
Share capital	(16)	3 308 125 000	3 308 125 000
Legal reserve	(3.10)	89 578 478	89 578 478
Retained (loss) earnings		(75 398 197)	222 926 816
		3 322 305 281	3 620 630 294
Net loss for the period / year		(26 641 249)	(298 325 013)
Net equity		3 295 664 032	3 322 305 281
Non - current liabilities			
Long term loans	(17)	1 021 893 632	865 749 267
Total non - current liabilities		1 021 893 632	865 749 267
Total equity and non - current liabilities		4 317 557 664	4 188 054 548

The accompanying notes from page 5 to 27 are an integral part of these financial statements and are to be read therewith.

Review report "attached"


Chairman
Ahmed Heikal


Managing Director
Hisham Hussein El Khazindar


CFO / Board Member
Ahmed El Shamy

Citadel Capital Company
(Egyptian Joint Stock Company)
Separate income statement
for the period ended March 31, 2011

	note no.	For the period ended	
		31/3/2011 LE	31/3/2010 LE
Advisory fee	(21.1)	15 924 361	24 781 646
Gains on sale of investments	(18)	-	11 978 226
Other operating income	(21.3)	-	5 491 300
Total operating income		15 924 361	42 251 172
Administrative and general expenses	(23)	(33 686 265)	(49 619 117)
Fixed assets depreciation	(13)	(1 197 257)	(2 173 208)
Net operating loss		(18 959 161)	(9 541 153)
Finance (cost) income - net	(19)	(7 717 589)	10 531 976
Net (loss) profit before income tax		(26 676 750)	990 823
Deferred tax	(15)	35 501	523 367
Net (loss) profit for the period		(26 641 249)	1 514 190
Earnings per share	(20)	(0.040)	0.002

The accompanying notes from page 5 to 27 are an integral part of these financial statements and are to be read therewith.

Citadel Capital Company

(Egyptian Joint Stock Company)

Separate statement of changes in equity

for the period ended March 31, 2011

	note no.	Share capital LE	Legal reserve LE	Hedging reserve LE	Retained earnings (loss) LE	Net profit (loss) for the year / period LE	Total LE
Balance as at December 31, 2009		3 308 125 000	79 011 015	(16 882 076)	22 145 027	211 349 252	3 603 748 218
Profit appropriation for the year 2009	(3.10)	-	10 567 463	-	200 781 789	(211 349 252)	-
Changes in fair value of cash flow hedges	(17)	-	-	(4 133 013)	-	-	(4 133 013)
Net profit for period ended March 31, 2010		-	-	-	-	1 514 190	1 514 190
Balance as at March 31, 2010		3 308 125 000	89 578 478	(21 015 089)	222 926 816	1 514 190	3 601 129 395
Balance as at December 31, 2010		3 308 125 000	89 578 478	-	222 926 816	(298 325 013)	3 322 305 281
Carrying 2010 loss forward		-	-	-	(298 325 013)	298 325 013	-
Net loss for period ended March 31, 2011		-	-	-	-	(26 641 249)	(26 641 249)
Balance as at March 31, 2011		3 308 125 000	89 578 478	-	(75 398 197)	(26 641 249)	3 295 664 032

The accompanying notes from page 5 to 27 are an integral part of these financial statements and are to be read therewith.

Citadel Capital Company
(Egyptian Joint Stock Company)
Separate statement of cash flows
for the period ended March 31, 2011

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Cash flows from operating activities		
Net (loss) profit before tax	(26 676 750)	990 823
Adjustments to reconcile net (loss) profit to net cash (used in) provided from operating activities :		
Fixed assets depreciation	1 197 257	2 173 208
Unrealized foreign currency differences	19 069 116	1 176 350
Credit interest	(10 273 672)	(11 643 684)
Gains on sale of investments in subsidiaries and associates	-	(9 575 740)
Gains on sale of available-for-sale investments	-	(2 402 486)
Provisions used	(6 792 600)	-
Operating loss before changes in working capital	(23 476 649)	(19 281 529)
(Increase) decrease in assets		
Due from related parties	(37 973 647)	57 931 071
Other debit balances	961 051	1 260 959
Increase (decrease) in liabilities		
Due to related parties	63 436 155	27 204 761
Other credit balances	(6 530 421)	(13 863 896)
Net cash (used in) provided from operating activities	(3 583 511)	53 251 366
Cash flows from investing activities		
Payments to purchase fixed assets	(297 224)	(132 360)
Payments for investments	(76 079 671)	(250 452 696)
Proceeds from sale of investments in subsidiaries and associates	-	29 434 477
Proceeds from sale of available-for-sale investments	-	6 696 628
Payments for / proceeds from other investments	(2 072 400)	63 119 264
Net cash used in investing activities	(78 449 295)	(151 334 687)
Cash flows from financing activities		
Proceeds from / payments for loans	144 815 000	(9 706 107)
Payments for hedging reserve	-	(2 175 375)
Net cash provided from (used in) financing activities	144 815 000	(11 881 482)
Net change in cash and cash equivalents during the period	62 782 194	(109 964 803)
Cash and cash equivalents at the beginning of the period	148 664 361	248 428 433
Cash and cash equivalents at the end of the period	211 446 555	138 463 630

The accompanying notes from page 5 to 27 are an integral part of these financial statements and are to be read therewith.

Citadel Capital Company
(Egyptian Joint Stock Company)
Notes to the separate financial statements
for the period ended March 31, 2011

1. Company background

Citadel Capital Company - an Egyptian Joint Stock Company - was founded in accordance with the applicable Egyptian laws and in pursuance to law no.(159) of 1981 and its executive regulations. The Company has been registered in the commercial register at Giza under number 11121 on April 11, 2004. The purpose of the Company is represented as follows:

- Providing consultancy in financial and financing fields for different companies and preparing and presenting the feasibility studies in the economical, technological, engineering, marketing, financing, management, borrowing contracts arrangements fields and financing studies in addition to preparing and presenting studies and consultancy regarding projects' promotion and offering the necessary technical support in different fields except legal consultancy.
- Working as an agent in contracting and negotiation in different fields and steps especially negotiation in the management contracts, participation and technical support.
- Managing, executing and restructuring of projects.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian law and regulations.

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as fair value

- Financial instruments at fair value through income statement.
- Derivative financial instruments (hedging reserve).

2.3 Functional and presentation currency

These financial statements are presented in Egyptian pounds (LE), which is the Company's functional currency. All financial information presented in Egyptian pounds.

2.4 Use of estimates and judgments

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 recognized in the year in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note no. (11) – measurement of the recoverable amount of investments in subsidiaries and associates.
- Note no. (15) – recognition of deferred tax.
- Note no. (9) – provisions.

2.5 Consolidated financial statements

The Company has subsidiaries and according to the Egyptian Accounting Standard No. 17 "Consolidated Financial Statements" and the article No. (188) of the executive regulation of law no. (159) of 1981, the Company is required to prepare consolidated financial statements which present fairly the financial position, the result of operations and cash flows for the group as a whole.

3. Significant accounting policies applied

The following accounting policies have been consistently applied by the Company to all periods presented in these financial statements.

3.1 Foreign currency translation

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

3.2 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment note no. (3.6), 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
- Computers	2-3 years
- Furniture & Fixtures & Electric Equipment & Tools	4 years
- Vehicles	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.

3.3 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.

3.4 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 statements.

3.5 Investments

3.5.1 Investments at fair value through income statement

An investment is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial investments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

3.5.2 Available-for-sale investments

Available-for-sale 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 cannot be measured reliably, are stated at cost.

3.5.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less impairment note no. (3.6). At each balance sheet date, management assesses the investments' recoverable amount and in case that the recoverable amount is less than the carrying amount then an impairment loss is recognized in the income statement.

3.6 Impairment of assets

3.6.1 Financial assets

- 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 amortized 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 current 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 recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to income statement.

- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

3.6.2 Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell.

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

3.7 Cash and cash equivalents

Cash and cash equivalent includes the balances, which maturity not exceeding three months from the date of acquisition and the balances represented in cash on hand and banks-current accounts.

3.8 Interest-bearing borrowings

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

3.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a

pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

3.10 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 stopped 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.

3.11 Issued capital

3.11.1 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable cost, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

3.11.2 Dividends

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

3.12 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financial and investment activities. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in income statement when incurred.

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, 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.

3.13 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.

3.14 Revenues

3.14.1 Gains (losses) on sale of investments

Gains (losses) 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.

3.14.2 Dividends income

Dividends income is recognized in the income statement at the date that the Company has rights to receive dividends from investments and occurred after the acquisition date.

3.14.3 Management fee

Management fee is recognized upon rendering the service.

3.14.4 Advisory fee

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

3.14.5 Interest income

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

3.15 Expenses

3.15.1 Interest expense

Interest expense on interest - bearing borrowing is recognized in the income statement using the effective interest rate method.

3.15.2 Employees pension

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

3.15.3 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 substantively 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.

3.16 Earnings per share

The Company presents basic 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.

3.17 Profit sharing to employees

The Company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

4. Cash and cash equivalents

	31/3/2011	31/12/2010
	LE	LE
Cash on hand	337 960	189 084
Banks – current accounts	211 108 595	148 475 277
Balance	<u>211 446 555</u>	<u>148 664 361</u>

Non cash transactions

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

- LE 24 595 478 from proceeds from other investments and due from related parties (represents the transfer from other investments to one of the related parties).
- LE 23 066 598 from payments for investments and due from related parties (represents the transfer from related parties' current account to payments under investments).

5. Due from related parties

	Nature of transaction		31/3/2011	31/12/2010
	Advisory	Finance		
	LE	LE	LE	LE
Mena Home Furnishings Mall	6 293 878	--	6 293 878	4 867 303
Falcon Agriculture Investments Ltd.	3 608 734	--	3 608 734	13 620 957
Golden Crescent Investments Ltd.	14 912 266	--	14 912 266	13 695 108
Orient Investments Properties Ltd.	43 117 494	--	43 117 494	39 716 159
Regional Investments Holding	5 544 263	--	5 544 263	5 088 275
Logria Holding Ltd.	32 708 033	--	32 708 033	31 881 898
Mena Glass Ltd.	1 124 656	--	1 124 656	4 315 533
Silverstone Capital Investment Ltd.	3 680 451	--	3 680 451	3 066 099
Sabina for Integrated Solutions	6 536 970	--	6 536 970	6 371 860

Citadel Capital Company
Notes to the separate financial statements
for the period ended 31/3/2011

	Nature of transaction		31/3/2011	31/12/2010
	Advisory	Finance		
	fee			
	LE	LE	LE	LE
Sphinx Glass Ltd.	1 188 540	--	1 188 540	4 634 080
ASEC Cement Company	3 663 306	--	3 663 306	14 626 894
Citadel Capital Financing Corp.	39 012 138	--	39 012 138	38 026 774
Valencia Trading Holding Ltd.	8 914 050	--	8 914 050	8 688 900
Citadel Capital Transportation Opportunities II Ltd.	2 077 877	--	2 077 877	741 725
National Development and Trading Company	--	11 885 400	11 885 400	11 585 199
Citadel Capital Holding for Financial Investments- Free Zone	--	229 904 300	229 904 300	189 556 177
ASEC for Mining (ASCOM)	--	11 782 505	11 782 505	9 246 768
Citadel Capital for International Investments Ltd.	--	59 678 593	59 678 593	66 921 097
National Company for Touristic and Property Investments	--	36 000 000	36 000 000	36 000 000
United Foundries Company	--	5 861 755	5 861 755	--
Total			527 495 209	502 650 806
Impairment			(68 001 900)	(82 660 024)
Net			459 493 309	419 990 782

6. Other debit balances

	31/3/2011	31/12/2010
	LE	LE
Deposits with others	219 652	1 419 652
Imprest	275 687	252 777
Advances to suppliers	178 709	234 047
Prepaid expenses	216 150	146 940
Letters of guarantee's margin	594 270	579 260
Sundry debit balances	7 412 715	7 225 558
Balance	8 897 183	9 858 234

7. Due to related parties

	31/3/2011	31/12/2010
	LE	LE
Citadel Capital Partners Ltd. *	<u>769 383 872</u>	<u>705 947 717</u>

* The principal shareholder of the Company – 38.10%.

8. Other credit balances

	31/3/2011	31/12/2010
	LE	LE
Tax Authority	990 739	2 518 440
Accrued expenses	20 590 851	26 280 601
Accrued interest	5 670 268	3 274 852
Suppliers	1 510 242	3 307 561
Prior years dividends payable	2 893 919	2 893 919
National Authority for Social Insurance	195 033	106 100
Sundry credit balances	42 243	42 243
Balance	<u>31 893 295</u>	<u>38 423 716</u>

9. Expected claims provision

	31/3/2011	31/12/2010
	LE	LE
Balance at the beginning of the period / year	187 868 554	14 312 225
Formed during the period / year	--	173 556 329
Provisions used	<u>(6 792 600)</u>	<u>--</u>
Balance	<u>181 075 954</u>	<u>187 868 554</u>

This provision represents contingent claims from one of the parties regarding the Company's activities. The usual information related to provisions according to the Accounting Standards has not been disclosed because management believes that disclosing could seriously affect the outcome of negotiations with this party, and the management periodically reviews this provision and adjusts the provision amount according to the latest discussions with this party.

10. Available-for-sale investments

	31/3/2011	31/12/2010
	LE	LE
Arab Swiss Engineering Company (ASEC)	17 479	17 479
Modern Company for Isolating Materials	43 396	43 396
Horus Private Equity Fund II	10 360 126	10 360 126
Horus Private Equity Fund III	15 970 800	15 970 800
Balance	<u>26 391 801</u>	<u>26 391 801</u>

The available-for-sale investments are represented in unlisted investments in the Stock Exchange.

11. Investments in subsidiaries and associates

	Percentage	31/3/2011	Percentage	31/12/2010
	%	LE	%	LE
National Development and Trading Company	44.47	668 170 587	44.47	668 170 587
ASEC for Mining (ASCOM)	39.22	183 051 762	39.22	183 051 762
Citadel Capital Holding for Financial Investments- Free Zone	99.99	1 345 352 547	99.99	1 345 352 547
United Foundries Company	29.29	103 699 040	29.29	103 699 040
Citadel Capital for International Investments Ltd.	100	397 854 569	100	397 854 569
Balance		<u>2 698 128 505</u>		<u>2 698 128 505</u>

- Investments in subsidiaries and associates are represented in unlisted securities in the Stock Exchange except ASEC for Mining (ASCOM) which has market value of LE 138 514 228 as at March 31, 2011 versus LE 173 794 860 as at December 31, 2010.

12. Payments for investments

	31/3/2011	31/12/2010
	LE	LE
Citadel Capital Holding for Financial Investments- Free Zone	1 292 638 147	1 243 021 253
Citadel Capital for International Investments Ltd.	297 794 004	250 208 876
Fund Project	4 175 587	25 188 018
Forestry Project	--	2 400 624
Mammoth Project	--	7 658 206
Total	<u>1 594 607 738</u>	<u>1 528 476 977</u>
Impairment	--	(33 015 508)
Net	<u>1 594 607 738</u>	<u>1 495 461 469</u>

13. Fixed assets

	Building and constructions	Computers	Furniture, fixture and equipments	Vehicles	Total
	LE	LE	LE	LE	LE
Cost as at 1/1/2011	33 742 368	7 511 251	22 396 002	539 800	64 189 421
Additions during the period	--	297 224	--	--	297 224
Total cost as at 31/3/2011	<u>33 742 368</u>	<u>7 808 475</u>	<u>22 396 002</u>	<u>539 800</u>	<u>64 486 645</u>
Accumulated depreciation as at 1/1/2011	6 748 473	6 036 592	19 324 061	393 604	32 502 730
Depreciation during the period	421 780	356 991	384 749	33 737	1 197 257
Accumulated depreciation as at 31/3/2011	<u>7 170 253</u>	<u>6 393 583</u>	<u>19 708 810</u>	<u>427 341</u>	<u>33 699 987</u>
Net cost as at 31/3/2011	<u>26 572 115</u>	<u>1 414 892</u>	<u>2 687 192</u>	<u>112 459</u>	<u>30 786 658</u>
Net cost as at 31/12/2010	===== 26 993 895	===== 1 474 659	===== 3 071 941	===== 146 196	===== 31 686 691

14. Other investments

Other investments are represented in loans granted to subsidiaries and associates as follows:

	31/3/2011	31/12/2010
	LE	LE
National Development and Trading Company *	--	313 082 482
Sequoia Willow Investments Ltd. *	330 253 815	--
United Foundries Company **	<u>51 695 149</u>	<u>71 506 264</u>
Balance	<u>381 948 964</u>	<u>384 588 746</u>

* The Company has granted two subordinating loans to National Development and Trading Company – (one of the associate companies - 44.47%) 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.

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 Company has transferred the total value of the two loans due from National Development and Trading Company in addition to the accrued interest to Sequoia Willow Investments Ltd. - (one of the subsidiaries - 100%) as at January 10, 2011 according to the original contacts terms granted to National Development and Trading Company.

The value of the two loans is US.\$ 55 573 025 (equivalent to LE 330 253 815 as at March 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.\$ 6 539 508 (equivalent to LE 38 862 333 as at March 31, 2011) against US.\$ 5 015 180 (equivalent to LE 29 050 932 as at December 31, 2010).

** The Company has concluded a subordinating loan contract with United Foundries Company (one of the associate companies - 29.29%) 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.\$ 8 698 933 (equivalent to LE 51 695 149 as at March 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.\$ 773 858 (equivalent to LE 4 598 806 as at March 31, 2011) against US.\$ 781 229 (equivalent to LE 4 525 347 as at December 31, 2010).

15. Deferred tax

	31/3/2011	31/12/2010
	LE	LE
Fixed assets (depreciation)	<u>1 753 810</u>	<u>1 718 309</u>

16. 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 shareholders' structure is represented as follows:

Shareholders' name	Percentage %	No. of shares	Value in LE
Citadel Capital Partners Ltd.	38.10	252 050 000	1 260 250 000
Emirates International Investments Company	8.37	55 362 835	276 814 175
Others	53.53	354 212 165	1 771 060 825
	<u>100</u>	<u>661 625 000</u>	<u>3 308 125 000</u>
	=====	=====	=====

- Subsequent to the financial position date the Company has taken the necessary procedures to obtain the approval of the Egyptian Financial Supervisory Authority to increase issued capital from LE 3 308 125 000 to LE 4 358 125 000 with an increase of LE 1 050 000 000 by issuing 210 000 000 shares with par value LE 5 per share.

17. Long term loans

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

The Company has withdrawn an amount of US.\$ 191 064 225 (equivalent to the amount of LE 1 135 437 370 as at March 31, 2011) against an amount of US.\$ 166 064 225 (equivalent to LE 961 943 630 as at December 31, 2010), and the first stage installment due on May 15, 2011 is amounted to US.\$ 19 106 422 (equivalent to LE 113 543 738) against an amount of US.\$ 16 606 423 (equivalent to LE 96 194 363 as at December 31, 2010).

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 13 727 872 shares of ASEC for mining (ASCOM).
 - 3- First degree lien contract of the shares owned by the Company in Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
 - 4- First degree lien contract of the investments owned by Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone) in the following companies:
 - Orient Investments Properties Ltd.
 - Logria Holding Ltd.
 - Golden Crescent Investments Ltd.
 - Falcon Agriculture Investments Ltd.
 - Silverstone Capital Investment Ltd.
 - Mena Glass Ltd.
 - Mena Home Furnishings Mall.
 - Valencia Trading Holding Ltd.
 - Andalusia Trading Investments Ltd.
 - Regional Investments Holding.
 - Lotus Alliance Limited.
 - Citadel Capital Financing Corp.
 - 5- First degree lien pledge of the investments of Citadel Capital for International Investments Ltd. – (one of the subsidiaries – 100%) – in the Egyptian Sudanese Bank (Sudanese Joint Stock Company).
- The bank interest on loan recorded in the income statement during the period is amounted to LE 15 313 375.

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.

18. Gains on sale of investments

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Gains on sale of investments in subsidiaries and associates	--	9 575 740
Gains on sale of available-for-sale investments	--	2 402 486
Total	--	11 978 226

19. Financing (cost) income

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Credit interest *	13 301 855	20 131 649
Debit interest	(15 313 375)	(6 136 388)
Foreign currency differences	(5 706 069)	(3 463 285)
Net	(7 717 589)	10 531 976

* Note no. (21.2)

20. Earnings per share

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Net (loss) profit for the period	(26 641 249)	1 514 190
The weighted average number of shares	661 625 000	661 625 000
Earnings per share	(0.040)	0.002

21. Related party transactions

21.1 Advisory fee presented in the income statement represents the advisory services rendered to the related parties according to signed contracts as follows:

Company's name	For the period ended		
	31/3/2011		31/3/2010
	Accrued advisory fee according to contracts	Advisory fee recognized	Advisory fee recognized according to contracts
	LE	LE	LE
Mena Glass Ltd.	1 112 695	1 112 695	996 860
Mena Home Furnishings Mall	1 286 623	1 286 623	1 006 224
Regional Investments Holding	320 691	320 691	1 160 406
Falcon Agriculture Investments Ltd.	3 570 356	3 570 356	3 158 600
Logria Holding Ltd. *	9 313 774	--	8 581 705
Golden Crescent Investments Ltd. *	1 706 230	853 115	1 589 030
Orient Investments Properties Ltd.	2 351 865	2 351 865	3 387 277
Sphinx Glass Ltd.	1 175 900	1 175 900	1 095 120
ASEC Cement Company	3 420 975	3 420 975	3 395 754
Silverstone Capital Investment Ltd.	529 214	529 214	410 670
Citadel Capital Transportation Opportunities II	1 302 927	1 302 927	--
Total	26 091 250	15 924 361	24 781 646

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

21.2 Credit interest – finance income note no.(19) includes an amount of LE 12 622 534 which represent the accrued interest income according to signed contracts with related parties as follows:

Company's name	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
National Development and Trading Company	--	11 018 579
Sequoia Willow Investments Ltd.	8 962 286	--
United Foundries Company	1 409 463	625 105
Citadel Capital Holding for Financial Investments -Free Zone	1 507 022	6 548 350
Citadel Capital for International Investments Ltd.	743 763	1 772 578
Total	<u>12 622 534</u>	<u>19 964 612</u>

21.3 Other operating income presented in the income statement amounted to LE 5 491 300 (equivalent to US. \$ 1 million) as at March 31, 2010 is represented in the amounts due from Eco-Logic Ltd. – (one of the subsidiaries – 100%) due to bearing the Company all the direct and indirect pre-operation fees.

22. Tax Status

Corporate tax

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

Salaries tax

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

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.

23. Administrative and general expenses

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Wages , salaries and similar items	22 982 165	30 426 211
Consultancy	3 037 469	3 869 773
Advertising and public relations	1 662 121	3 382 348
Travel , accommodation and transportation	966 742	5 108 353
Management fees –note no. (24)	--	168 243
Other expenses	5 037 768	6 664 189
Total	<u>33 686 265</u>	<u>49 619 117</u>

24. Management fees

The Company’s extraordinary general assembly meeting held on May 12, 2008 approved the management contract with Citadel Capital Partners Ltd. (the principal shareholder of – 38.10 %) which states that Citadel Capital Partners Ltd. provides management duties for fees based on 10% of the net annual profit available for distribution. The total fees for the period ended March 31, 2011 are nil against an amount of LE 168 243 as at March 31, 2010 which was listed in the administrative and general expenses.

25. 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 did not start to apply it till now.

26. Contingent liabilities and commitments

The Company guarantees some of its related parties against the loans and credit facilities granted from banks.

27. Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances and debtors while financial liabilities include creditors. Note no. (3) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the Company to minimize the consequences of such risks.

27.1 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 financial assets include debtors and other debit balances representing amounts due from customers. Strict credit control is maintained and further appropriate level of impairment loss is made. The credit risk on investment by ensuring that investments are made only after careful credit evaluation for these investments.

27.2 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.

27.3 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies. Assets and liabilities that have foreign currency position at the financial position date equivalent to LE 981 017 531 and LE 1 185 221 745 respectively, and net foreign currencies balances are as follows:

Foreign currencies	(Deficit) / surplus
	LE
US.\$	(210 358 471)
Euro	6 154 257

- As disclosed in note no. (3.1) the Company has used the prevailing exchange rates to revalue monetary assets and liabilities at the financial position date.

27.4 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 statements, the financial instruments' fair value does not substantially deviate from their book values at the financial position date .