

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

**Separate financial statements**  
**for the period ended June 30, 2012**  
**&**  
**Review report**

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### 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 June 30, 2012 and the related separate statements of income, changes in equity and cash flows for the six 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.

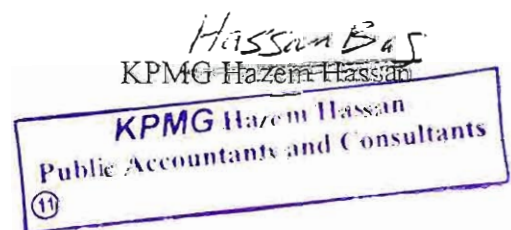
##### *Scope of limited review*

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 June 30, 2012 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo ,October 2 , 2012



**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Separate statement of financial position**  
**as at June 30, 2012**

	Note	30/6/2012 LE	31/12/2011 LE
<b>Current assets</b>			
Cash and cash equivalents	(4)	210 533 940	151 689 302
Due from related parties (net)	(5)	954 398 575	746 057 128
Other debit balances	(6)	5 413 962	1 497 833
Total current assets		<u>1 170 346 477</u>	<u>899 244 263</u>
<b>Current liabilities</b>			
Due to related parties	(7)	204 867 766	225 371 867
Current portion of long-term loans	(17)	211 603 000	210 252 000
Other credit balances	(8)	43 758 992	65 457 489
Expected claims provision	(9)	191 264 884	191 264 884
Total current liabilities		<u>651 494 642</u>	<u>692 346 240</u>
Working capital		518 851 835	206 898 023
<b>Non - current assets</b>			
Available-for-sale investments	(10)	23 766 164	26 391 801
Investments in subsidiaries and associates	(11)	2 698 191 005	2 698 128 505
Payments for investments	(12)	2 021 974 686	1 703 532 988
Fixed assets (net)	(13)	26 263 762	27 995 890
Other investments	(14)	385 204 744	420 201 318
Deferred tax	(15)	1 294 511	1 759 385
Total non - current assets		<u>5 156 694 872</u>	<u>4 878 009 887</u>
Total investment		<u>5 675 546 707</u>	<u>5 084 907 910</u>
Financed through:			
<b>Equity</b>			
Share capital	(16)	4 358 125 000	4 358 125 000
Legal reserve	(3.10)	89 578 478	89 578 478
Retained loss		<u>( 185 528 480)</u>	<u>( 75 398 197)</u>
		4 262 174 998	4 372 305 281
Net loss for the period / year		<u>( 39 736 321)</u>	<u>( 110 130 283)</u>
Net equity		<u>4 222 438 677</u>	<u>4 262 174 998</u>
<b>Non - current liabilities</b>			
Long term loans	(17)	1 453 108 030	822 732 912
Total non - current liabilities		<u>1 453 108 030</u>	<u>822 732 912</u>
Total equity and non - current liabilities		<u>5 675 546 707</u>	<u>5 084 907 910</u>

The accompanying notes from page 5 to 29 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

Citadel Capital Company  
(Egyptian Joint Stock Company)  
 Separate income statement  
for the period ended June 30, 2012

	Note	For the period		For the period	
		from 1/4/2012 to 30/6/2012	from 1/1/2012 to 30/6/2012	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011
		LE	LE	LE	LE
Advisory fees	(20.1)	19 285 877	43 674 666	16 273 264	32 197 625
Administrative and general expenses	(22)	( 25 864 932)	( 48 862 930)	( 41 407 668)	( 75 093 933)
Fixed assets depreciation	(13)	( 842 469)	( 1 732 128)	( 1 127 712)	( 2 324 969)
Net operating loss		( 7 421 524)	( 6 920 392)	( 26 262 116)	( 45 221 277)
Financing (cost) income - (net)	(18)	( 1 550 560)	( 32 351 055)	1 217 670	( 6 499 919)
Net loss before income tax		( 8 972 084)	( 39 271 447)	( 25 044 446)	( 51 721 196)
Deferred tax	(15)	( 240 560)	( 464 874)	21 592	57 093
Net loss for the period		( 9 212 644)	( 39 736 321)	( 25 022 854)	( 51 664 103)
Earnings per share	(19)	(0.01)	(0.05)	(0.04)	(0.08)

The accompanying notes from page 5 to 29 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 June 30, 2012

	Share capital	Legal reserve	Retained earnings (loss)	Net loss for the year / period	Total
	LE	LE	LE	LE	LE
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 the period ended June 30, 2011	-	-	-	( 51 664 103)	( 51 664 103)
Balance as at June 30, 2011	3 308 125 000	89 578 478	( 75 398 197)	( 51 664 103)	3 270 641 178
Balance as at December 31, 2011	4 358 125 000	89 578 478	( 75 398 197)	( 110 130 283)	4 262 174 998
Carrying 2011 loss forward	-	-	( 110 130 283)	110 130 283	-
Net loss for the period ended June 30, 2012	-	-	-	( 39 736 321)	( 39 736 321)
Balance as at June 30, 2012	4 358 125 000	89 578 478	( 185 528 480)	( 39 736 321)	4 222 438 677

The accompanying notes from page 5 to 29 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 June 30, 2012**

	For the period ended	
	30/6/2012	30/6/2011
	LE	LE
<b>Cash flows from operating activities</b>		
Net loss before tax	( 39 271 447)	( 51 721 196)
<b>Adjustments to reconcile net loss to net cash (used in) provided from operating activities :</b>		
Fixed assets depreciation	1 732 128	2 324 969
Unrealized foreign currency differences	6 908 201	18 793 883
Interest income	( 20 744 476)	( 20 883 100)
Expected claims provision used	-	( 9 336 851)
Operating loss before changes in working capital	<u>( 51 375 594)</u>	<u>( 60 822 295)</u>
<b>(Increase) decrease in assets</b>		
Due from related parties	( 270 113 760)	67 542 572
Other debit balances	( 3 916 129)	913 334
<b>(Decrease) increase in liabilities</b>		
Due to related parties	( 20 504 101)	119 998 347
Other credit balances	<u>( 21 698 497)</u>	<u>6 513 455</u>
Net cash (used in) provided from operating activities	<u>( 367 608 081)</u>	<u>134 145 413</u>
<b>Cash flows from investing activities</b>		
Payments for investments	( 198 562 292)	( 155 340 007)
Payments for purchasing of investments in subsidiaries and associates	( 62 500)	-
Proceeds from refund of available- for- sale investments	2 625 637	-
Payments for purchase of fixed assets	-	( 297 224)
Payments for other investments	-	( 2 072 400)
Net cash used in investing activities	<u>( 195 999 155)</u>	<u>( 157 709 631)</u>
<b>Cash flows from financing activities</b>		
Proceeds from loans	622 451 874	31 328 585
Net cash provided from financing activities	<u>622 451 874</u>	<u>31 328 585</u>
Net change in cash and cash equivalents during the period	58 844 638	7 764 367
Cash and cash equivalents at the beginning of the period	151 689 302	148 664 361
Cash and cash equivalents at the end of the period	<u><u>210 533 940</u></u>	<u><u>156 428 728</u></u>

The accompanying notes from page 5 to 29 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 June 30, 2012**

**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.

The financial statements were approved by the board on October 2, 2012.

**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 at 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:

<b>Assets depreciation</b>	<b>Estimated useful life</b>
- 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 note no. (3.6) 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 less impairment loss.

### **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 revaluates 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

	30/6/2012	31/12/2011
	LE	LE
Cash on hand	6 324	74 154
Banks – current accounts	209 621 454	146 706 893
Total	<u>209 627 778</u>	<u>146 781 047</u>
Effect of foreign exchange differences	906 162	4 908 255
Balance	<u><u>210 533 940</u></u>	<u><u>151 689 302</u></u>

#### Non cash transactions

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

- LE 58 107 093 from proceeds from other investments and due from related parties (represents the transfer from other investments to one of the related parties against current account).
- LE 119 879 406 from payments for investments and due from related parties (represents the transfer of payments for investments to one of the related parties).
- LE 20 744 476 from proceeds from interest income and changes in other investments (represents the value of interest due on other investment during the period).

**5. Due from related parties**

	Nature of transaction		30/6/2012	31/12/2011
	Advisory	Finance		
	fee			
	LE	LE	LE	LE
Mena Home Furnishings Mall	2 646 029	--	2 646 029	10 305 892
Falcon Agriculture Investments Ltd.	7 579 961	--	7 579 961	14 841 947
Golden Crescent Investments Ltd.	23 066 239	--	23 066 239	21 175 667
Citadel Capital Transportation Opportunities Ltd.	659 524	--	659 524	6 587 408
Logria Holding Ltd. *	33 275 486	--	33 275 486	33 063 034
Mena Glass Ltd.	6 865 005	--	6 865 005	4 547 451
Silverstone Capital Investment Ltd.	6 465 216	--	6 465 216	5 342 519
Sabina for Integrated Solutions	6 650 380	--	6 650 380	6 607 920
Sphinx Glass Ltd.	7 254 960	--	7 254 960	4 805 760
ASEC Cement Company	7 495 136	--	7 495 136	15 018 000
Citadel Capital Financing Corp. *	39 688 960	--	39 688 960	39 435 562
Valencia Trading Holding Ltd.	9 068 697	--	9 068 697	9 010 800
Citadel Capital Transportation Opportunities II Ltd.	3 320 198	--	3 320 198	5 961 449
Citadel Capital Holding for Financial Investments- Free Zone	--	569 410 997	569 410 997	405 280 039
ASEC Company for Mining (ASCOM)	--	49 333 728	49 333 728	24 083 533
Citadel Capital for International Investments Ltd.	--	28 928 040	28 928 040	58 161 464
National Company for Touristic and Property Investments	--	36 000 000	36 000 000	36 000 000
United Foundries Company	--	154 581 721	154 581 721	46 635 557
National Development and Trading Company	--	10 124 675	10 124 675	4 082 996
Ledmore Holdings Ltd.	588 516	--	588 516	--
Africa Railways Limited	2 267 175	--	2 267 175	--
Mena Joint Investment Fund GP	1 712 850	--	1 712 850	--
Citadel Capital Joint Investment Fund Management Ltd.	2 411 694	--	2 411 694	--
Africa JIF HOLD CO I	200 318	--	200 318	--
Africa JIF HOLD CO III	602 924	--	602 924	--
Mena JIF HOLD CO I	200 318	--	200 318	--
Orient Investments Properties Ltd.	--	--	--	50 752 763
Total			1 010 398 747	801 699 761
Accumulated impairment *			(56 000 172)	(55 642 633)
Net			954 398 575	746 057 128

\* Accumulated impairment on due from related parties are represented in:

	<b>Balance as at 1/1/2012</b>	<b>Foreign currency translation differences</b>	<b>Balance as at 30/6/2012</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>
Logria Holding Ltd.	33 063 035	212 451	33 275 486
Citadel Capital Financing Corp.	22 579 598	145 088	22 724 686
Balance	<u>55 642 633</u>	<u>357 539</u>	<u>56 000 172</u>

**6. Other debit balances**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Deposits with others	221 152	221 152
Imprest	2 464 954	515 793
Advances to suppliers	2 123 276	11 228
Letters of guarantee's margin	604 580	602 720
Prepaid expenses	--	146 940
Balance	<u>5 413 962</u>	<u>1 497 833</u>

**7. Due to related parties**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Citadel Capital Partners Ltd. *	<u>204 867 766</u>	<u>225 371 867</u>

\* The principal shareholder of the Company – 28.49%.

**8. Other credit balances**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Tax Authority	12 888 903	6 798 148
Accrued expenses	18 040 972	21 303 329
Accrued interest	2 313 794	25 632 722
Suppliers	7 233 719	8 586 639
Prior years dividends payable	2 893 919	2 893 919
National Authority for Social Insurance	345 442	200 489
Sundry credit balances	42 243	42 243
Balance	<u>43 758 992</u>	<u>65 457 489</u>

**9. Expected claims provision**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Balance at the beginning of the period / year	191 264 884	187 868 554
Formed during the period / year	--	16 300 000
Provisions used during the period / year	--	(12 903 670)
Balance	<u>191 264 884</u>	<u>191 264 884</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 these parties, and the management periodically reviews this provision and adjusts the provision amount according to the latest discussions with these parties.

**10. Available-for-sale investments**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>LE</b>	<b>LE</b>
Arab Swiss Engineering Company – ASEC	17 479	17 479
Modern Company for Isolating Materials	43 396	43 396
EFG Capital Partners Fund II	7 734 489	10 360 126
EFG Capital Partners Fund III	15 970 800	15 970 800
Balance	<u>23 766 164</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	30/6/2012	Percentage	31/12/2011
	%	LE	%	LE
<b>11.1 Investments in subsidiaries</b>				
Citadel Capital Holding for Financial Investments-Free Zone	99.99	1 345 352 547	99.99	1 345 352 547
Citadel Capital for International Investments Ltd.	100	397 854 569	100	397 854 569
International Company for Mining Consultation	99.99	62 500	--	--
Balance		<u>1 743 269 616</u>		<u>1 743 207 116</u>
<b>11.2 Investments in associates</b>				
National Development and Trading Company	44.47	668 170 587	44.47	668 170 587
ASEC Company for Mining (ASCOM)	39.22	183 051 762	39.22	183 051 762
United Foundries Company	29.29	<u>103 699 040</u>	29.29	<u>103 699 040</u>
Balance		<u>954 921 389</u>		<u>954 921 389</u>
Total		<u>2 698 191 005</u>		<u>2 698 128 505</u>

- Investments in subsidiaries and associates are represented in unlisted securities in the Stock Exchange except ASEC Company for Mining (ASCOM) which has market value of LE 101 860 810 as at June 30, 2012 versus LE 104 880 942 as at December 31, 2011.

**12. Payments for investments**

	30/6/2012	31/12/2011
	LE	LE
Citadel Capital Holding for Financial Investments- Free Zone	1 651 344 153	1 525 277 171
Citadel Capital for International Investments Ltd.	367 375 834	176 219 906
Fund Project	3 254 699	2 035 911
Balance	<u>2 021 974 686</u>	<u>1 703 532 988</u>

**13. Fixed assets**

	Building and constructions	Computers	Furniture, fixture and equipments	Vehicles	Total
	LE	LE	LE	LE	LE
Cost as at 1/1/2012	33 742 368	7 808 475	22 791 143	539 800	64 881 786
Total cost as at 30/6/2012	<u>33 742 368</u>	<u>7 808 475</u>	<u>22 791 143</u>	<u>539 800</u>	<u>64 881 786</u>
Accumulated depreciation as at 1/1/2012	8 435 593	7 241 763	20 685 610	522 930	36 885 896
Depreciation during the period	843 560	241 313	630 385	16 870	1 732 128
Accumulated depreciation as at 30/6/2012	<u>9 279 153</u>	<u>7 483 076</u>	<u>21 315 995</u>	<u>539 800</u>	<u>38 618 024</u>
Carrying amounts at 30/6/2012	<u>24 463 215</u>	<u>325 399</u>	<u>1 475 148</u>	<u>--</u>	<u>26 263 762</u>
Carrying amounts at 31/12/2011	<u>25 306 775</u>	<u>566 712</u>	<u>2 105 533</u>	<u>16 870</u>	<u>27 995 890</u>

**14. Other investments**

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

	30/6/2012	31/12/2011
	LE	LE
National Development and Trading Company *	385 204 744	--
Sequoia Willow Investments Ltd. *	--	362 094 225
United Foundries Company **	--	58 107 093
Balance	<u>385 204 744</u>	<u>420 201 318</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. on January 10, 2011 based on the original contracts' terms granted to National Development and Trading Company. On February 1, 2012 the Company has transferred the total value of the two loans due in addition to the accrued interest on Sequoia Willow Investments Ltd. to National Development and Trading Company according to the original contracts terms granted to National Development and Trading Company.

The value of the two loans is US.\$ 63 714 437 (equivalent to LE 385 204 744 as at June 30, 2012) versus US.\$ 60 276 705 (equivalent to LE 362 094 225 as at December 31, 2011) including accrued interest from the beginning of loans period amounted to US.\$ 14 680 918 (equivalent to LE 88 757 894 as at June 30, 2012) against US.\$ 11 243 186 (equivalent to LE 67 540 070 as at December 31, 2011).

\*\* The Company has signed 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%.

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

The value of loan is US.\$ 9 672 908 (equivalent to LE 58 107 093 as at December 31, 2011) including accrued interest from the beginning of loan period amounted to US.\$ 1 542 808 (equivalent to LE 9 267 956).

### 15. Deferred tax

	30/6/2012	31/12/2011
	LE	LE
Fixed assets (depreciation)	<u>1 294 511</u>	<u>1 759 385</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. 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. Those preferred shares are owned by Citadel Capital Partners Ltd. the principle shareholder of the Company.

The shareholders' structure is represented as follows:

Shareholders' name	Percentage %	No. of shares	Value in LE
Citadel Capital Partners Ltd.	28.49	248 292 220	1 241 461 100
Soliman Abd Elmohsen Abd Allah Abnamy	15.16	132 100 000	660 500 000
Emirates International Investments Company	7.49	65 318 565	326 592 825
Others	48.86	425 914 215	2 129 571 075
	<u>100</u>	<u>871 625 000</u>	<u>4 358 125 000</u>



#### 17. Long term loans

On February 1, 2012 the Company has signed a long-term loan with an amount of US.\$ 325 million with City Bank Group - syndication manager – a long with other group of banks (represented in Arab African International Bank S.A.E, Arab International Bank, Banque du caire, Misr Bank S.A.E, and Piraeus Bank ) and guaranteed by Overseas private Investment Corporation (OPIC) for the purpose of expanding the Company's investments and refinancing the outstanding debts as at December 31, 2011 (which represented in the loan granted to the company on May 15, 2008 with an amount of US.\$ 200 million for a period of five years 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”; loan is to be paid on three installments during the contract period begins from the third year to the end of contract on May 15, 2013. The loan balance is an amount of US.\$ 171 957 803 (equivalent to LE 1 032 984 912) as at December 31, 2011 until the date of the new contract)

The new 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 20<sup>th</sup> each year.

The Company has used an amount of US.\$ 275 350 000 (equivalent to LE 1 664 711 030) till June 30, 2012 and the current stage installment is amounted to US.\$ 35 million (equivalent to LE 211 603 000 as at June 30, 2012).

- The interest on loan charged to the income statement during the period is LE 106 731 184 including an amount LE. 69 345 000 represents loan's expenses and fees.
- - note no. (18).
- The loan guarantees are as follows:
  - First degree lien contract of the shares owned by the Company in National Development and Trading Company.
  - First degree lien contract of the shares owned by the Company in International Company for Mining Consulting.
  - First degree lien contract of the shares owned by the Company in United Foundries Company.
  - First degree lien contract of the shares of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
  - 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 Capital for Promotion Company

## 18. Financing cost

	For the period		For the period	
	from 1/4/2012	from 1/1/2012	from 1/4/2011	from 1/1/2011
	to 30/6/2012	to 30/6/2012	to 30/6/2011	to 30/6/2011
	LE	LE	LE	LE
Interest income note (20.2)	23 899 260	69 357 879	13 682 923	26 984 778
Interest expense note (17)	(25 298 621)	(106 731 184)	(12 953 966)	(28 267 341)
Foreign currency differences	(151 199)	5 022 250	488 713	(5 217 356)
Net	<u>(1 550 560)</u>	<u>(32 351 055)</u>	<u>1 217 670</u>	<u>(6 499 919)</u>

## 19. Earnings per share

	For the period		For the period	
	from 1/4/2012	from 1/1/2012	from 1/4/2011	from 1/1/2011
	to 30/6/2012	to 30/6/2012	to 30/6/2011	to 30/6/2011
	LE	LE	LE	LE
Net loss for the period	<u>(9 212 644)</u>	<u>(39 736 321)</u>	<u>(25 022 854)</u>	<u>(51 664 103)</u>
The weighted average number				
of shares	<u>871 625 000</u>	<u>871 625 000</u>	<u>661 625 000</u>	<u>661 625 000</u>
Earnings per share	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.04)</u>	<u>(0.08)</u>

## 20. Related parties transactions

The Company transact with related parties on the same basis of transacting with another parties and related parties transactions are presented as follows:

### 20.1 Advisory fees

Advisory fees 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		For the period	
	from 1/4/2012 to 30/6/2012	from 1/1/2012 to 30/6/2012	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011
	LE	LE	LE	LE
Mena Glass Ltd.	1 140 345	2 280 179	1 122 820	2 235 515
Mena Home Furnishings Mall	1 318 595	2 636 597	1 298 330	2 584 953
Citadel Capital Transportation Opportunities Ltd.	328 660	657 173	323 610	644 301
Falcon Agriculture Investments Ltd.	3 777 316	7 552 940	3 641 551	7 211 907
Golden Crescent Investments Ltd.	--	1 747 858	860 885	1 714 000
Orient Investments Properties Ltd.	1 266 710	3 709 746	2 292 689	4 644 554
Sphinx Glass Ltd.	1 205 120	2 409 700	1 186 600	2 362 500
ASEC Cement Company	3 755 684	7 468 429	3 697 968	7 118 943
Silverstone Capital Investment Ltd.	542 363	1 084 485	534 029	1 063 243
Citadel Capital Transportation Opportunities II Ltd.	1 654 551	3 308 361	1 314 782	2 617 709
Africa Railways Limited	1 133 588	5 111 214	--	--
Mena Joint Investment Fund GP	856 426	1 710 611	--	--
Citadel Capital Joint Investment Fund Management Ltd.	1 205 847	2 408 543	--	--
Africa JIF HOLD CO I	106 330	200 072	--	--
Africa JIF HOLD CO III	301 462	602 136	--	--
Mena JIF HOLD CO I	106 330	200 072	--	--
Ledmore Holdings Ltd.	586 550	586 550	--	--
<b>Total</b>	<b>19 285 877</b>	<b>43 674 666</b>	<b>16 273 264</b>	<b>32 197 625</b>

- The Company did not recognize advisory fees with an amount LE 18 950 718 and LE 1 752 348 related to Logria Holding Ltd. and Golden Crescent Investments Ltd. in accordance with the signed contracts due to inadequate assurance concerning the revenue recognition and collection conditions.

### 20.2 Interest income

Interest income - finance cost note no.(18) includes an amount of LE 68 250 212 which represent the accrued interest income according to the signed contracts with some related parties as follows:

Company's name	For the period		For the period	
	from 1/4/2012 to 30/6/2012 LE	from 1/1/2012 to 30/6/2012 LE	from 1/4/2011 to 30/6/2011 LE	from 1/1/2011 to 30/6/2011 LE
National Development and Trading Company*	10 391 919	20 744 476	--	--
Sequoia Willow Investments Ltd.	--	--	9 144 326	18 106 612
United Foundries Company*	2 204 466	12 785 874	1 618 329	3 027 792
Citadel Capital Holding for Financial Investments-Free Zone	945 285	24 612 816	1 806 527	3 313 549
Citadel Capital for International Investments Ltd.	10 107 046	10 107 046	773 627	1 517 390
<b>Total</b>	<b>23 648 716</b>	<b>68 250 212</b>	<b>13 342 809</b>	<b>25 965 343</b>

\* Note no. (14).

## 21. Tax Status

### Corporate tax

The Company submitted its tax returns on regular basis for the years from 2005 to 2011 according to tax law No. 91/2005. The Company's books have not been inspected yet.

### 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 . And the years from 2010/2011 have not been inspected 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 31/12/2011 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 with private sector according to tax law No. 91/2005 and no tax inspection for withholding tax has been taken place yet.

**22. Administrative and general expenses**

	For the period		For the period	
	from 1/4/2012 to 30/6/2012	from 1/1/2012 to 30/6/2012	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011
	LE	LE	LE	LE
Wages , salaries and similar items	13 699 921	29 283 325	29 609 178	52 591 343
Consultancy	3 961 418	5 220 386	3 083 186	6 120 655
Advertising and public relations	2 288 420	3 325 307	2 970 899	4 633 020
Travel , accommodation and transportations	1 614 377	2 711 785	2 526 158	3 492 900
Other expenses	4 300 796	8 322 127	3 218 247	8 256 015
<b>Total</b>	<b>25 864 932</b>	<b>48 862 930</b>	<b>41 407 668</b>	<b>75 093 933</b>

**23. 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 – 28.49 %) 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 June 30, 2012 and June 30, 2011 are nil.

**24. 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 year 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.

**25. Contingent liabilities and commitments**

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

**26. 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.

**26.1 Credit risk**

Credit risk is the risk that one party will fail to discharge his obligation and cause the other party to incur financial loss. The financial assets representing amounts due from customers. Strict credit control is maintained and further appropriate level of impairment loss is made. The credit risk on financial instrument by ensuring that investments are made only after careful credit evaluation for these assets.

**26.2 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.

**26.3 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 balance sheet date .

**26.4 Market risk**

**A- 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 1 527 555 424 and LE 1 672 292 861 respectively, and net foreign currencies balances are as follows:

<b>Foreign currencies</b>	<b>(Deficit ) / Surplus LE</b>
US.\$	(144 754 166)
Euro	16 729

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

**B- 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.

**C- Price risk**

Market risk is represented in the factors which affect values, earnings and profits of all securities negotiated in stock exchange or affect the value, earning and profit of a particular security.

According to the company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.
- Diversification of investments in different sectors and industries.
- Performing continuous studies required to follow up the company's investments and their development.