CITADEL CAPITAL COMPANY S.A.E.

LIMITED REVIEW REPORT AND SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2018

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the three month ended 31 March 2018

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Limited review report on the separate interim financial statements

To : The Board of Directors of Citadel Capital Company (S.A.E.)

Introduction

We have reviewed the accompanying separate interim statement of financial position of Citadel Capital Company (S.A.E.) ('the Company') as of 31 March 2018 and the related separate interim statements of profits or losses, comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

Scope of limited review

Except for what is explained in the basis of qualified conclusion paragraph, we conducted our review in accordance with Egyptian Standard on Limited 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, 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 separate interim financial statements.

Basis for qualified conclusion

The Company's management has been unable to provide us with the appropriate and sufficient evidence relating to a balance included in payment under investment amounting to EGP 148,636,800 at 31 March 2018. Had further information been available, matters might have come to our attention indicating that adjustments to the carrying value of this balance as at 31 March 2018 might have been necessary and also to the results of the Company's operations for the three-month period ended on that date.

Qualified conclusion

Except for the effect of any adjustments that we might have become aware of had it not been for the situation described in the preceding paragraph, and based on our limited review nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the three-month period then ended in accordance with Egyptian Accounting Standards.

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The Board of Directors of Citadel Capital Company (S.A.E.)
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Emphasis of matter

Without qualifying our conclusion, we draw attention to note (28) to the separate interim financial statements which indicates that the Company's current liabilities exceeded its current assets at 31 March 2018 by EGP 3,115,769,856. The Company is also in breach of its existing debt covenants and has defaulted in settling the loan instalments on their due dates. These conditions, along with other matters set out in note (28) indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As set out in note (28), the Company's management has prepared the business plan that support the continuity of the Company

Wael Sakr
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Mansour & Co. PricewaterhouseCoopers

30 June 2018
Cairo

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of financial position - As of 31 March 2018

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 December 2017
Non-current assets			
Fixed assets	5	15,885,068	16,463,799
Projects under construction	6	20,049,153	20,049,153
Investments in subsidiaries	7	4,521,822,876	4,521,822,876
Available for sale financial assets	8	11,045,871	11,467,990
Payments for investments	9	3,736,341,454	3,736,341,454
Loans due from subsidiaries	10	636,545,027	635,231,564
Deferred tax assets	11	123,791	124,665
Total non-current assets		**8,941,813,240**	**8,941,501,501**
Current assets			
Loans due from subsidiaries	10	1,413,477,176	1,387,300,217
Debtors and other debit balances	12	42,227,568	22,604,367
Due from related parties	13	1,654,405,245	1,692,966,688
Cash and bank balances	14	35,660,740	79,442,012
Total current assets		**3,145,770,729**	**3,182,313,284**
Total assets		**12,087,583,969**	**12,123,814,785**
Equity			
Paid up capital	15	9,100,000,000	9,100,000,000
Legal reserve		89,578,478	89,578,478
Accumulated losses		(3,363,535,094)	(3,300,159,544)
Total equity		**5,826,043,384**	**5,889,418,934**
Current liabilities			
Provisions	16	53,460,175	53,460,175
Creditors and other credit balances	17	1,224,790,856	1,165,378,148
Due to related parties	13	742,838,533	736,513,097
Current portion of long-term loans	18	4,240,451,021	4,279,044,431
Total current liabilities		**6,261,540,585**	**6,234,395,851**
Total equity and liabilities		**12,087,583,969**	**12,123,814,785**

- The accompanying notes on pages 8 to 39 form an integral part of these separate interim financial statements.
- Review report attached

Moataz Farouk	**Hisham El Khazindar**	**Ahmed Mohamed Hassanien Heikal**
Chief Financial Officer	**Managing Director**	**Chairman**

30 June 2018

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of profit or loss - For the three month ended 31 March 2018

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 March 2017
Revenue	19	26,898,866	26,634,072
General and administrative expenses	20	(46,710,359)	(60,205,252)
Fixed asset depreciation	5	(578,731)	(510,579)
Other operating income		-	10,000
Operating losses		**(20,390,224)**	**(34,071,759)**
Finance costs – net	21	(42,984,452)	(10,712,717)
Losses before income tax		**(63,374,676)**	**(44,784,476)**
Income tax	22	(874)	33,980
Net losses for the period		**(63,375,550)**	**(44,750,496)**
Basic loss per share	23	(0.348)	(0.246)
Diluted loss per share		(0.348)	(0.246)

- The accompanying notes on pages 8 to 39 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of comprehensive income - For the three months ended 31 March 2018

(All amounts in Egyptian Pounds)

	31 March 2018	31 March 2017
Net loss for the period	(63,375,550)	(44,750,496)
Total comprehensive loss for the period	**(63,375,550)**	**(44,750,496)**

- The accompanying notes on pages 8 to 39 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of changes in equity - For the three month ended 31 March 2018

(All amounts in Egyptian Pounds)

	Paid up capital	Legal reserve	Accumulated losses	Total equity
Balance at 1 January 2017	**9,100,000,000**	**89,578,478**	**(2,760,294,107)**	**6,429,284,371**
Total comprehensive loss for the period	-	-	(44,750,496)	**(44,750,496)**
Balance at 31 March 2017	**9,100,000,000**	**89,578,478**	**(2,805,044,603)**	**6,384,533,875**
Balance at 1 January 2018	**9,100,000,000**	**89,578,478**	**(3,300,159,544)**	**5,889,418,934**
Total comprehensive loss for the period	-	-	(63,375,550)	**(63,375,550)**
Balance at 31 March 2018	**9,100,000,000**	**89,578,478**	**(3,363,535,094)**	**5,826,043,384**

- The accompanying notes on pages 8 to 39 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of cash flows - For the three month ended 31 March 2018

(All amounts in Egyptian Pounds)	Notes	31 March 2018	31 March 2017
Cash flows from operating activities			
Loss for the period before tax		(63,374,676)	(44,784,476)
Adjusted to:			
Fixed assets depreciation	5	578,731	510,579
Interest expense		106,523,456	-
Interest income		(73,353,262)	(40,878,496)
Foreign currencies differences		22,409,508	11,236,906
Operating (loss) before changes in working capital		**(7,216,243)**	**(73,915,487)**
Changes in working capital:			
Debtors and other debit balances		(19,623,201)	(5,182,864)
Due from related parties		11,071,021	(10,778,754)
Creditors and other credit balances		(40,410,677)	119,752,061
Due to related parties		(60,415,480)	(7,909,830)
Provisions used	16	-	(400,000)
Net cash flows (used in) generated from operating activities		**(116,594,580)**	**21,565,126**
Cash flows from investing activities			
Payments to purchase of projects under construction		-	(3,642,292)
Proceeds from sale of available for sale financial assets		422,119	-
Payments for investments		-	(2,000,000)
Interest collected		73,353,261	-
Net cash flows generated from/ (used in) investing activities		**73,775,380**	**(5,642,292)**
Change in cash and cash equivalents during the period		**(42,819,200)**	**15,922,834**
Effect of change foreign currencies rates		(962,072)	-
Cash and cash equivalents at beginning of the period		79,442,012	(7,743,725)
Cash and cash equivalents at end of the period	14	**35,660,740**	**8,179,109**

- The accompanying notes on pages 8 to 39 form an integral part of these separate interim financial statements.

1. Introduction

Citadel Capital Company "S.A.E." was incorporated in 2004 as an Egyptian joint stock company under Law No. 159 of 1981. It was is registered in the commercial register under number 11121, Cairo on 13 April 2004 The company's term is 25 years as of the date it is entered in the commercial register. The company's head office is in 1089 Nile Corniche, Four Season Nile Plaza, Garden City Cairo, Egypt. The company is registered in the Egyptian Stock Exchange.

The purpose of the Company is represented in providing consultancy in financial and financing fields for different companies and preparing and providing the feasibility studies in the economical, engineering, technological, marketing, financial, administrative, borrowing contracts arrangements and financing studies for projects and providing the necessary technical support in different fields except legal consultancy, in addition to working as an agent of companies and projects in contracting and negotiations in different fields and steps especially negotiations in the management contracts, participation and technical support. Managing, executing and restructuring of projects.

The Company will start using its new logo and its new trademark “Qalaa Holding” in the English language only. This change will not effect the Arabic trademark which is used since the company’s inception in 2004. This change will take place subsequent to the capital increase as a result of the strategic transformation to an investment company with a focus on strategic segments which include energy, cement, agrifoods, transportation, logistics and mining. The required procedures to amend the company’s commercial register are currently in process.

The holding company is owned by Citadel Capital Partners Ltd. Company (Malta) by 24.35%.

The separate interim financial statements has been authorised by the Company’s Board of Directors on 30 June 2018.

2. Accounting policies

The principal accounting policies applied in the preparation of these separate interim financial statements are summarised below. They were applied consistently over the presented financial periods unless otherwise stated:

A. Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and the relevant laws, and on the basis of the historical cost convention, except for available-for-sale financial assets, which are measures at the fair value.

The Company presents its assets and liabilities in statement of financial position based on current/ non-current classification. The asset is classified as current when it is:

* Expected to be realised or intended to be sold or used in normal operating course;
* Held primarily for trading.
* Expected to be realised within 12 month after the end of the reporting period, or
* Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve month after the reporting period.

All other assets are classified as non-current.

Basis of preparation of the separate financial statements (continued)

The liability is classified as current when:

* It is expected to be settled in normal operating course;
* Held primarily for trading.
* Expected to be realised within 12 month after the end of the reporting period, or
* The entity does not have an unconditional right to defer the settlement of the liability for at least twelve month after the end of the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

The preparation of the separate financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires the Company's management to exercise its judgement in the process of applying the Company's accounting policies. Note (4) describes the significant accounting estimations and assumptions of these separate financial statements, as well as significant judgments used by the Company's management when applying the Company's accounting policies.

The Company has prepared the consolidated financial statements of the Company and its subsidiaries under the Egyptian Accounting Standards. The subsidiaries have been fully consolidated in the consolidated financial statements, in which the Company directly or indirectly owns more than half of the voting rights or has the ability to control the financial and operating policies of the subsidiary are consolidated and the Group's consolidated financial statements are available from the Company's management. Investments in subsidiaries are presented in these separate financial statements and accounted for cost method.

The EASs require the reference to the International Financial Reporting Standard (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

(1) Functional and presentation currency

The financial statements of each of the Group's companies are measured and presented using the currency of the primary economic environment in which the Company operates ('the functional currency'). The separate financial statements are presented in Egyptian Pounds, which is the Company's functional and presentation currency.

(2) Transactions and balances

Transactions made in foreign currency during the period are initially recognised in the functional currency of the Company on the basis of translation of foreign currency using the spot prevailing exchange rates between the functional currency and the foreign currency at the date of the transaction, and the monetary items denominated in foreign currency are also translated using the closing rates at the end of each financial period. Foreign exchange gains and losses resulting from the settlement of such monetary items and from the translation of monetary items denominated in foreign currencies at the same period or in previous financial statements, are generally recognised by the Company in the profit and loss in the period in which these difference arise, except when currency exchange differences resulting from the translation of non-monetary item are deferred in other comprehensive income, which constitutes an effective part of net investment hedges in a foreign operation or an effective part of cash flow risk hedges.

Basis of preparation of the separate financial statements (continued)

Exchange differences resulting from the changes in the amortised cost of the monetary financial asset available for sale are recognised in gains and losses. Any changes in the carrying amount are recognised within other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognised as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as profit or loss as part of fair value gain or loss. For available for sale financial assets, which do not represent monetary items (e.g. equity instruments), gains or losses recognised within other comprehensive income include any elements of related foreign currencies swaps.

B. Fixed assets

The Company applies the cost model at measurement of fixed assets, and the fixed assets are recognised on their costs net of the accumulated depreciation and accumulated impairment losses. The cost of fixed asset includes any costs directly associated with bringing the asset to a working condition for its use intended by the management of the Company.

The Company recognises subsequent costs of the acquisition of the fixed asset as a separate asset, only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. The Company recognises in the carrying value of fixed asset the cost incurred to replace part of that asset at the date such costs are borne and depreciated over which lower, its useful life or the remaining useful life of the asset and the carrying amount of replaced parts are derecognised. The Company recognises the costs of daily servicing of the fixed assets in the statement of profit or loss.

The straight line method is used to allocate the depreciation of fixed assets consistently to their residual values over their estimated useful lives, except for lands, which are characterised with unlimited estimated useful life. Below are the estimated useful lives of each type of of the assets' Company's:

Buildings and constructions	20 years
Leasehold improvements	2-3 years
Furniture and office equipment	4 years
Vehicles	4 years

The Company reviews the residual value of fixed assets and estimated useful lives of fixed assets at the end of each fiscal year, and adjusted when expectations differ from previous estimates.

The carrying amount of the fixed asset is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment.

Gains or losses on the disposal of an item of fixed assets from the books are determined based on the difference between the net proceeds from the disposal of the item and the book value of the item, and the gain or loss resulting from the disposal of fixed assets is included in the statement of profit and loss.

C. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are tested annually for impairment at the date of financial statements.

Non-financial assets that have definite useful lives, and they are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the asset incurred impairment losses.

The asset is tested for impairment by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows from other inflows of assets or groups of assets (cash-generating units).

The Company recognises impairment losses in the statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

At the end of each financial period the Company assesses whether there is an indication that the impairment loss of any asset other than goodwill, which is recognised in prior years are not impaired, the Company then evaluates the recoverable amount of that asset.

Impairment losses recognised in prior years are reversed when there is an indication that such losses no longer exist or have decreased. Loss of impairment, which should not exceed the carrying amount that would have been determined (net of depreciation). Such reversal is recognised in the statement of profit or loss.

D. Non-current assets (or disposal groups) held for sale

The Company classifies the non-current asset (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) should be available for immediate sale in its condition without any conditions except the conventional and usual conditions for such assets, and sale is considered highly probable. The Company measures the non-current asset (or group disposal), which is classified as assets held for sale on the basis of the lower of carrying amount and fair value less costs to sell.

E. Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets listed in such group are presented as current asset if expected to be recovered within 12 month from the date of the end of the financial period. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the separate statement of financial position.

Financial assets (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives assets that are designated in this category and not classified as loans and receivables or held to maturity financial assets or financial assets at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 month of the end of the reporting period. If so, they are classified within current assets.

(2) Initial recognition and measurement
A financial asset is recognised when the Company becomes a party to the contractual provisions of the financial asset.

The acquisition of a financial asset is initially measured at fair value, in addition to other costs directly associated with the execution of the transaction, except for financial assets that are designated at fair value through profit or loss, which are measured initially at fair value only and all other costs associated with the execution of the transaction are charged to the statement of profit or loss.

(3) Subsequent measurement

Available-for-sale financial assets are subsequently measured at fair value. Increase or decrease of fair value during the year is recognised within other comprehensive income.

Loans and receivables and held to maturity financial assets are subsequently measured at amortised cost using the effective interest rate. Interests calculated are recognised in the statement of profit or loss within finance income/ (costs) - net

(4) Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

The financial asset is derecognised at its carrying amount at the date of derecognition, and profit / (loss) of derecognition is recognised in the statement of profit or loss.

The profit/ (loss) of the derecognition of financial asset represents the difference between the carrying amount at the date of derecognition and the proceeds resulting from the derecognition of the financial asset, except for the available for sale financial assets which, where the profit/ (loss) of the derecognition of financial asset represents the difference between the carrying amount at the date of recognition and the proceeds resulting from the financial asset, in addition to the accumulated profit or loss previously recognised within other comprehensive income.

F. Offsetting financial asset and liability

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company has an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default of the counterparty, and should reflect the Company's normal practices and requirements of financial requirements and other conditions related to the considerations of the risk and timing of the Company's cash flows.

G. Impairment of financial assets

(1) Financial assets carried at amortised cost

The Company assesses impairment at the end of each reporting period whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, violation of contract terms such as default or delinquency in interest or principal payments, or the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows since the initial recognition, or, changes in economic of domestic conditions that correlate with defaults of the Company's assets.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. Loans expected to be uncollectible are written off by deduction from the relevant provision, and any subsequent proceeds are recognised as revenue in the statement of profit and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the separate statement of profit or loss.

(2) Available-for-sale financial assets

The Company assesses impairment at the end of each reporting period whenever there is objective evidence that a specific financial asset or a Company of financial assets may be impaired.

For debt securities, if any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost (net of the depreciation or settlement of the principal amount) and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit and loss. If, in any subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the Company reverses the impairment loss through the statement of profit or loss.

Impairment of financial assets (continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. When the Company recognises decrease of fair value directly within other comprehensive income and there is objective evidence of the impairment of the asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses recognised in the profit or loss on equity investment are not reversed through the statement of profit or loss.

H. Trade receivables

Trade receivables are amounts due from the Company's customers for merchandise sold or services performed in the Company's ordinary course of business. If collection is expected within 12 month from the date of the financial statements or in the Company's normal operating cycle of the business, they are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

I. Cash and cash equivalents

In the separate statement of cash flows, cash and cash equivalents includes cash in hand and with banks, deposits held at call with banks, other short-term investments with original maturities of not more than three month from the date of placement.

J. Financial liabilities

(1) Classification
The Company classifies its financial liabilities as financial liabilities at fair value through profit and loss and other financial liabilities. The classification of the financial liability depends on the purpose of acquisition at the initial recognition.

(2) Recognition and derecognition
A financial asset is recognised in the statement of financial position when - and only when- the Company becomes a party to the contractual provisions of the financial liability. The Company removes the financial liability (or part of it) from the statement of financial position when it is disposed, cancelled or expired.

The Company accounts for the exchange between an existing borrower and lender of debt instruments with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of it) extinguished or transferred to another party including non-amortised expenses, and the consideration paid to settle the liability are recognised in profit or loss.

Financial liabilities (continued)

(3) Measurement
At initial recognition, the Company measures the financial liabilities at fair value plus transaction costs, except for financial liabilities at fair value through profit or loss where all other attributable costs are charged to the statement of profit or loss. The other financial liabilities, represented in trade payables and other payables, and bank loans, are subsequently measures at amortised cost using the effective interest method.

K. Capital

Ordinary shares are classified within equity. Share premiums, if any, are added to legal reserve to the extent of half of the issued capital, and the remaining balance of the premium is transferred to a special reserve, after deducting the shares issue expenses (net of any advantage related to their income taxes) from the amount of share premium.

If any of the Company's companies repurchases its own equity instruments (treasury shares), these instruments are presented net of equity, amount paid or received in exchange for those instruments is recognised directly in the parent's equity.

L. Preference shares

The group's redeemable preference are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

The Company's preference shares are all non –redeemable and are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variance number of the Group's equity instruments. Discretionary dividends there on are recognized as equity distributions on approval by the company's shareholders.

M. Current and deferred income tax

The Company recognises the current and deferred income tax as revenues or expenses and is included in the profit or loss for the period. Current and deferred income tax is recognised in other comprehensive income or directly in equity if it related to items recognised - in the same period or different periods- in the statement of comprehensive income or directly in equity.

The income tax for the year is calculated on the basis of the tax laws enacted at the separate statement of financial position date. Management annually evaluates tax situation through tax returns, taking into account the differences that may arise from some interpretations issued by administrative or regulatory authorities, and establishes the appropriate provisions on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted at the date of the separate financial statements and are expected to apply when the related deferred income tax asset is used or the deferred income tax liability is settled.

Current and deferred income tax (continued)

The deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction - other than a business combination - that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current taxable liabilities and assets on a net basis.

N. Employees' benefits

The Company operates various employees' benefits schemes, including defined contribution plans.

(1) Pension obligations

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity (fund). The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The defined contribution plan is a pension plans under which the Company pays fixed contributions to the General Authority for Social Insurance on mandatory basis. The Company has no further liabilities once its obligations are paid. The regular contributions are recognised as periodic cost for the year in which they are due and as such are included in staff costs.

(2) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of EAS 28 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination costs and benefits obligation are initially measured. The Company measures and recognises the subsequent changes in accordance to the nature of the benefits based on the number of employees expected to accept the offer of benefits. Where it is not expected to settle the benefits falling due before 12 month after the end of the reporting period, the benefits are discounted to their present value.

(3) Profit-sharing and bonus plans

The Company recognises a liability and an expense for expected bonuses and profit-sharing (other than the employees' share in legally defined profits), when the Company has a legal or constructive obligation as a result of past events; and the amount can be reliably estimated. The obligation will remain outstanding when the Company has no realistic alternative but to pay.

Employees' benefits (continued)

(4) Employees' share in legally defined profits
The Company recognises expected cash dividends as the employees' share in accordance with the companies' articles of association, to be included as part of dividends in equity, and as liabilities when the ordinary general assembly meeting of the shareholders of the company approved the proposed dividends. The Company does not record any liabilities in the employees' share of undistributed dividends.

O. Leases

Operating lease
Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any discounts received from the lessor) are recognised as expense in the statement of profit or loss on a straight-line basis over the period of the lease.

P. Borrowings

The Company recognises borrowings initially at fair value plus any directly attributable transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the original value (net of transaction costs) and value at the date of maturity is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that the Company expects that all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 month after the date of the separate financial statements.

Q. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When funds are borrowed for the purpose of acquiring a qualifying asset to bear the cost of borrowing, the Company determines the amount of borrowing costs that are capitalised on this asset, which is the actual borrowing costs incurred by the entity during the period because of the borrowing transaction less any revenue realised from the temporary investment of borrowed funds.

The Company recognises other borrowing costs as expenses in the period the Company incurs such costs.

R. Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. The Company recognises the commitments required for restructuring and not related to the Company's effective activities within the costs of the provision of restructure.

Contingent obligation is a present obligation that arose due to past events, and was not recognised because it was not expected to have an outflow of resources embodying economic benefits to settle the obligation, or the amount could be reliably estimated. Instead the Company disclosed its contingent liabilities in its note to the separate financial statements.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. However, it is expected that an outflow of resources is required to settle all items of obligations.

Where the impact of the time value of money is significant, the amount of the provision is the present value of expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as borrowing cost in the statement of profit or loss.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party outside the Company, the reimbursement should be recognised as a separate asset in the statement of financial position, when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognised should not exceed the amount of the provision.

S. Contingent assets

A contingent asset is a possible asset that may arise from past events because of occurring or non-occurring of contingent future events that are not under the Company control. The Company recognises the contingent assets in the statement of financial position when the realisation of the relevant revenue is certain. Contingent assets are disclosed only when there is a possibility of inflow of economic benefits.

T. Trade payables

Trade payables are recognised initially at the amount of goods or services received from others, whether they received invoices or not. When they are material, goods and services received, as well as the trade payables are recognised at the present value of the cash outflow expected by using interest rate of similar loans. Trade payables are then carried at amortised cost using the effective interest rate.

U. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service rendered due to the Company's normal course of business, stated net of value added taxes, discounts, or deductions. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities, as described below. The amount of revenue is not considered accurately measurable unless all cases of uncertainty regarding the possibility of the collection of the amount due are excluded. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the related specifics arrangement.

(1) Rendering of services
Revenue resulting from services rendered is recognised in the related period when the execution of the transaction can be measured at the end of the financial period on the basis of services performed to date in relation to the total services to be performed.

(2) Interest income
Interest income is recognised on a time-proportionate basis using the effective interest method. When a receivable balance resulting from the recognition of interest is impaired, the carrying amount is reduced to the present value of the future cash flows discounted at the original effective interest rate.

(3) Dividend income
Dividend income is recognised when the right to receive payment is established.

V. Dividends

Dividends are recognised as liabilities in the separate financial statements at the end of the financial period in which the dividends are approved by the Company's General Assembly of Shareholders..

W. Comparative figures

Where necessary, comparative figures are reclassified to conform to changes in presentation in the current year.

3. Financial risk management

(1) Financial risks factors

The Company's activities expose it to a variety of financial risks. These risks include market risks (including foreign currency exchange risks, prices risks, cash flow interest rate risks and fair value risks), credit risks, and liquidity risks.

The Company's management aims to minimise the potential adverse effects on the Company's financial performance, through the monitoring process performed by the Company's Finance Department, and the Board of Directors.

The Company does not use any derivative financial instruments to hedge specific risks.

(A) Market risk

i. Foreign exchange risks

Foreign exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates. The following analysis shows the calculation of the effect of reasonable and possible changes in foreign currencies against the functional currency of the Company while keeping all other variables constant, on the separate statement of comprehensive income:

	31 March 2018	31 December 2017
USD 10%	8,310,167	7,588,009
Euro 10%	2,398,310	(2,398,181)
GBP 10%	(40,615)	(34,650)

The following table shows the currencies position denominated in Egyptian Pounds at the date of the statement of financial position:

	31 March 2018			31 December 2017
	Assets	Liabilities	Net	Net
USD	371,151,642	(288,049,970)	**83,101,672**	**75,880,093**
Euro	24,129,694	(146,590)	**23,983,104**	**(23,981,805)**
GBP	400	(406,546)	**(406,146)**	**(346,504)**

ii. Price risk

The Company have investments in equity securities listed and traded in financial markets, accordingly subject to risk of change in the fair value of the investments as a result of the changes in prices, where as the Company have investment in ASEC for Mining, listed in the Egyptian stock exchange.

Financial risk management (continued)

iii. Cash flows and fair value interest rate risks

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in interest rates.

The Company is exposed to interest rate risk on all interest bearing assets and liabilities (loans due from subsidiaries and long-term loans). The Company maintains an appropriate mix of fixed rate and variable rate borrowings to manage the interest rate risk.

The below table shows the analysis of sensitivity to possible and reasonable changes in interest rates, while holding the other variables constant, on the separate statement of profit or loss.

The sensitivity on the separate statement of profit or loss is the effect of the assumed changes in the interest rates on the Company's results for one year based on financial assets and liabilities with variable interest rates at:

	Increase/ decrease	Effect of separate profit or loss EGP
31 March 2018	±1%	10,601,127
31 December 2017	±1%	42,790,444

(B) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, For banks and financial institutions, only high-credit-quality and rating banks and financial institutions are accepted.

(C) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, due to shortage of funding. Company's exposure to liquidity risk results primarily from the lack of offset between assets of maturities of assets and liabilities.

The management makes cash flow projections on periodic basis, which are discussed during the Board of directors meeting, and takes the necessary actions to negotiate with suppliers, follow-up the collection process from customers and manage the inventory balances in order to ensure sufficient cash is maintained to discharge the Company's liabilities. The Company's management monitors liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs while maintaining sufficient cash cover to meet the cash outflows to settle the obligations of loans and borrowings to be able to maintain financial terms, guarantees and covenants at all times.

The Company limits liquidity risk by maintaining sufficient bank facilities and reserves, and by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2018, based on contractual payment dates and current market interest rates.

	Below 6 month	From 6 month to 1 year	From 1 year to 2 years	Above 2 years
31 March 2018				
Creditors and other credit balances	1,224,790,856	-	-	-
Loans	4,240,451,021	-	-	-
Due to related parties	742,838,533	-	-	-
Total	**6,208,080,410**	-	-	-
31 December 2017				
Creditors and other credit balances	1,165,378,148	-	-	-
Loans	4,279,044,431	-	-	-
Due to related parties	736,513,097	-	-	-
Total	**6,180,935,676**	-	-	-

(2) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the financial statements. The Company also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Company's debts.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and bank overdrafts less cash and bank balances. The total share capital comprises the amount of equity and net loans.

Net debt to total capital ratio as at 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018	31 December 2017
Total borrowings		
Due to related parties	742,838,533	736,513,097
Current portion of long term loans	4,240,451,021	4,279,044,431
Creditors and other credit balances	1,224,790,856	1,165,378,148
Less: Cash and bank balances	(35,660,740)	(79,442,012)
Net borrowings	**6,172,419,670**	**6,101,493,664**
Equity	5,826,043,384	5,889,418,934
Total capital	**11,998,463,054**	**11,990,912,598**
Net debts to total capital	**51%**	**51%**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

(3) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or pay the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market for the asset or the liability.

The Company should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Company does not need to conduct a thorough search of all possible markets to determine the principal or the most advantageous market. However, the Company takes into consideration all information reasonably available.

The table below shows the financial assets and liabilities at fair value in the separate financial statements at 31 March 2018 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Company can have access to at the date of measurement.
- Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3- Unobservable inputs of the asset or the liability.

Financial assets	**Level 3**	**Total**
31 March 2018		
Available-for-sale financial assets		
Equity investments	11,045,871	11,045,871
Total financial assets	**11,045,871**	**11,045,871**

The table below shows the financial assets and liabilities at fair value in the separate financial statements at 31 December 2017 within the hierarchy of fair value.

Financial assets	**Level 3**	**Total**
31 December 2017		
Available-for-sale financial assets		
Equity investments	11,467,990	11,467,990
Total financial assets	**11,467,990**	**11,467,990**

The Company determines the level, in the case of transfers between levels within the hierarchy of fair value through the revaluation of the classification (based on the lowest input levels that are considered to be significant to the fair value measurement as a whole). The Company did not make any transfers between levels 1 and 2 during the year.

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

4. Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(1) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment on investment in subsidiaries

The Company decides that the investment in subsidiaries were impaired when there is a significant or prolonged impairment to below their cost. This determination of what is significant or prolonged requires several factors that depend on judgement, industry, market, technological progress and financing and operating cash flows.

(2) Critical judgment in applying the Company's accounting policies

In general, the application of the Company's accounting policies does not require from management the use of personal judgment (except relating to critical accounting estimates and assumptions "Note 4.1") which might have a major impact on the values recognised in the financial statements.

5. Fixed assets

	Buildings & constructions	Computers	Furniture, fixture & office equipment	Vehicles	Total
1 January 2017					
Cost	33,742,368	8,791,813	23,036,843	539,800	**66,110,824**
Accumulated depreciation	(16,871,183)	(8,470,917)	(22,902,595)	(539,800)	**(48,784,495)**
Net carrying value	**16,871,185**	**320,896**	**134,248**	-	**17,326,329**
Net book value at the beginning of the year	**16,871,185**	**320,896**	**134,248**	-	**17,326,329**
Additions	-	1,306,376	-	-	**1,306,376**
Depreciation expense	(1,687,118)	(420,363)	(61,425)	-	**(2,168,906)**
Net book value at the end of the year	**15,184,067**	**1,206,909**	**72,823**	-	**16,463,799**
31 December 2017					
Cost	33,742,368	10,098,189	23,036,843	539,800	**67,417,200**
Accumulated depreciation	(18,558,301)	(8,891,280)	(22,964,020)	(539,800)	**(50,953,401)**
Net carrying value	**15,184,067**	**1,206,909**	**72,823**	-	**16,463,799**
Fiscal period ended 31 March 2018					
Net book value at the beginning of the period	**15,184,067**	**1,206,909**	**72,823**	-	**16,463,799**
Depreciation expense	(421,780)	(141,595)	(15,356)	-	**(578,731)**
Net book value at the end of the period	**14,762,287**	**1,065,314**	**57,467**	-	**15,885,068**
31 March 2018					
Cost	33,742,368	10,098,189	23,036,843	539,800	**67,417,200**
Accumulated depreciation	(18,980,081)	(9,032,875)	(22,979,376)	(539,800)	**(51,532,132)**
Net carrying value	**14,762,287**	**1,065,314**	**57,467**	-	**15,885,068**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

6. Projects under construction

Project under construction are represented in computer software and accounting system:

	31 March 2018	31 December 2017
Balance at the beginning of the period / year	20,049,153	11,085,708
Additions during the period / year	-	8,963,445
Balance at the end of the period / year	**20,049,153**	**20,049,153**

7. Investments in subsidiaries

Company Name	Shareholding %	Book value 31 March 2018	Shareholding %	Book value 31 December 2017
Citadel Capital Holding for Financial consultancy-Free Zone	99.99	1,350,002,534	99.99	1,350,002,534
Citadel Capital for International Investments Ltd.	100	2,826,096,099	100	2,826,096,099
National Development and Trading Company	47.65	668,170,587	47.65	668,170,587
ASEC Company for Mining (ASCOM)	54.74	303,049,871	54.74	303,049,871
United Foundries Company	29.29	103,699,040	29.29	103,699,040
ASEC Cement Company	1.8	42,611,872	1.8	42,611,872
International Company for Mining	99.99	62,500	99.99	62,500
Total		**5,293,692,503**		**5,293,692,503**
Accumulated impairment loss		(771,869,627)		(771,869,627)
		4,521,822,876		**4,521,822,876**

Accumulated impairment loss on investments comprised the following:

	31 March 2018	31 December 2017
National Development and Trading Company	668,170,587	668,170,587
United Foundries Company	103,699,040	103,699,040
	771,869,627	**771,869,627**

Investments in subsidiaries are represented in unlisted equity shares in the Stock Exchange except ASEC Company for Mining (ASCOM) with market value of EGP 266,796,073 as at 31 March 2018(31 December 2017: 288,664,603), which represents 25 727 683 share with a market price EGP 10.37 per share as at 31 March 2018 (31 December 2017: 25 727 683 share with a market price EGP 11.22).

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

8. Available for sale financial assets

	31 March 2018	31 December 2017
EFG Capital Partners Fund II	5,962,038	5,962,038
EFG Capital Partners Fund III	11,045,871	11,467,990
Modern Co. for Isolating Materials	43,396	43,396
Arab Swiss Engineering Co. (AESC)	17,479	17,479
Total	**17,068,784**	**17,490,903**
Accumulated impairment loss	(6,022,913)	(6,022,913)
Net	**11,045,871**	**11,467,990**

* Accumulated impairment loss on available-for-sale investments of the company is represented in the following:

	31 March 2018	31 December 2017
EFG Capital Partners Fund II	5,962,038	5,962,038
Modern Co. for Isolating Materials	43,396	43,396
Arab Swiss Engineering Co. (AESC)	17,479	17,479
Total	**6,022,913**	**6,022,913**

The available-for-sale for financial asset are represented in listed securities in the Egyptian Stock Exchange.

9. Payments for investments

	31 March 2018	31 December 2017
Citadel Capital Holding for Financial Investments – Free Zone	2,604,784,586	2,604,784,586
Citadel Capital for International Investments Ltd.	982,920,068	982,920,068
Other	148,636,800	148,636,800
Total	**3,736,341,454**	**3,736,341,454**

Represents payments for investments in strategic and specialized sectors such as Energy, Mining and Cement and Nutrition.

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

10. Loans due from subsidiaries

Loans to subsidiaries are represented in loans granted to subsidiaries as follows:

	31 March 2018	31 December 2017
Current		
National Development and Trading Company (Note 13)	1,413,477,176	1,387,300,217
Non-current		
United Foundries Company * (Note 13)	483,467,569	480,760,910
ASEC Company for Mining (ASCOM) (Note 13)	153,077,458	154,470,654
	636,545,027	**635,231,564**
Total	**2,050,022,203**	**2,022,531,781**

The Company granted two subordinating loans to National Development and Trading Company — subsidiary, two loans dated 28 December 2009 and 21 September 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 compound 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 National Development and Trading Company with par value at the end of loans period.

The guarantees are representing line on a number of the National for Development and Trading Company's investments in shares of the following subsidiaries in favor of the company as a guarantee for the loan principal:

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

During 2014, the Company has signed two waiver contracts with Al Olayan Saudi investment Ltd for a portion from the two loans with a total amount of US.$ 23 million divided to US $14,813,172 (principle amount) and US $ 8,186,828 (accrued interest amount).

The balances of the two loans after the Waiver Agreements will be an amount of US $80,402,570 (equivalent to EGP 1,413,477,176) as at 31 March 2018 against US $78,201,816 (equivalent to EGP 1,387,300,217) at 31 December 2017 including accrued interest during the year amounted to US $2,200,754 (equivalent to EGP 38,711,257) as at 31 March 2018 against US $8,339,211 (equivalent to EGP 147,937,609 as at 31 December 2017).

The Company granted a subordinating convertible loan to United Foundries Company — one of its subsidiaries — on 2 June 2010 with an amount of US $11,563,187 for three years contract, the principle of the loan has to be paid with interest at the end of the loan period, with 11.5% annual compound 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 a subsidiary of 99.72%.

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Loans due from subsidiaries (continued)

On 9 January 2012 the board of directors of United Foundries Company decided to convert the convertible loan contract to a subordinating loan that will be settled on 10 years with annual interest rate of 6% against commission with an amount of US.$ 1.421.320 (equivalent to EGP 8.641.626) at the transaction date.

The subordinating loan for United Foundries Company is US $27,500,999 (equivalent to EGP 483,467,569) as at 31 March 2018 versus US $27,100,390 (equivalent to EGP 480,760,910) as at 31 December 2017 including accrued interest during the year amounted to US $400,610 (equivalent to EGP 7,042,721) as at 31 March 2018 versus US $1,494,983 (equivalent to EGP 26,520,995 as at 31 December 2017).

The Company granted a loan to ASEC company for mining (ASCOM) - one of its subsidiaries - on 7 September 2014 with an amount of US $17,700,000. The loan contract period is seven years with annual interest rate of 6% and default rate of 8%. The principle of the loan has to be re-paid at the end of the loan agreement period. The principle of the loan should be used solely to support ASCOM and its related subsidiaries. The borrower should pay to Citadel Capital S.A.E (The lender) a fee up to 3% of the aggregate amount of the loan to cover the fees, costs and expenses incurred in connection with the loan.

During 2014, the borrower has re-paid an amount of US $8.9 million from the due loan amount. The balance of the loan became with an amount of US $8,707,478 (equivalent to EGP 153,077,458) as at 31 March 2018, versus US $8,707,478 (equivalent to EGP 154,470,654) as at 31 December 2017. Accrued interest during the year amounted to US $128,823 (equivalent to EGP 2,265,996) as at 31 March 2018 has been recorded on the current account - included in due from related parties - (note 4) versus US $509,164 (equivalent to EGP 9,032,566) as at 31 December 2017.

11 Deferred tax assets

	31 March 2018		31 December 2017	
	Asset	**Liability**	**Asset**	**Liability**
Total deferred tax asset	123,791	-	124,665	-
Net deferred tax asset	**123,791**	-	**124,665**	
Deferred tax charged to the profit or loss for the period	**874**		**608,726**	

The Company has carried forward tax losses as of 31 March 2018 amounted to 522,788,512 EGP and the related deferred tax assets amounted to 117,627,415 EGP which have not been recognized as it is not probable that future taxable profit will be available to Company to can utilize the benefits relating to these assets.

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

12 Debtors and other debit balances

	31 March 2018	31 December 2017
Other debit balances	24,914,283	8,088,790
Impress	12,895,843	5,551,879
Letters of guarantee's margin	1,758,000	1,774,000
Prepaid expenses	1,270,954	6,464,930
Taxes deducted by others	867,268	867,268
Advances to vendors	663,720	-
Deposits with others	57,500	57,500
Balance	**42,427,568**	**22,804,367**
Accumulated impairment loss	(200,000)	(200,000)
	42,227,568	**22,604,367**

13 Related party transactions

The Company entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Company's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Company as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses. Below is the statement that shows the nature and values of transaction with related parties during the year, and the balances due at the date of the separate financial statements.

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Related party transactions (continued)

Below is the statement of the nature and amounts of related parties transaction during the year, as well as the balances due at the date of the separate financial statements.

(a) Due from related parties

	Nature of transaction				
Company name	**Foreign exchange**	**Advisory fee**	**Finance**	**31 March 2018**	**31 December 2017**
Mena Home furnishings Mall	(842,951)	-	-	92,619,280	93,462,231
Falcon Agriculture Investments Ltd.	8,738,157	-	-	274,318,091	265,579,934
Golden Crescent Investments Ltd.	(610,440)	-	-	67,072,095	67,682,535
Citadel Capital Transportation Opportunities Ltd.	4,071,380	1,064,363	-	25,766,742	20,630,999
Logria Holding Ltd.	(880,624)	-	-	96,758,580	97,639,204
Mena Glass Ltd.	(549,760)	-	-	60,404,880	60,954,640
Silverstone Capital Investment Ltd.	-	4,234,899	-	4,234,899	-
Sabina for Integrated Solutions	(176,000)	-	-	19,338,000	19,514,000
Citadel Capital Financing Corp.	(1,050,355)	-	-	115,407,707	116,458,062
Citadel Capital Transportation Opportunities II Ltd.	(878,678)	4,827,239	-	101,372,029	97,423,468
Citadel Capital Holding for Financial Investments-Free Zone	27,398,773	-	(90,052,250)	1,440,939,109	1,503,594,213
ASEC Company for Mining (ASCOM)	(555,251)	-	6,089,708	86,527,281	80,992,824
United Foundries Company	(1,515,807)	-	(4,050,442)	135,974,976	141,541,225
Citadel Capital for International Investments Ltd.	(26,396,895)	-	10,690,972	648,260,454	663,966,449
Africa Raliways Limited	10,386,654	-	-	31,737,666	21,351,012
Mena Joint Investment Fund GP	(561,132)	1,118,430	-	62,700,556	62,145,260
Citadel Capital Joint Investments Fund	(33,874)	-	-	3,721,959	3,755,842
Africa JIF HOLD CO I	(37,044)	305,960	-	4,356,965	4,088,040
Africa JIF HOLD CO III	(94,659)	867,450	-	11,213,485	10,440,699
Mena JIF HOLD CO I	(54,475)	305,960	-	6,272,179	6,020,730
Crondall Holdings Ltd.	(282,698)	-	-	31,061,452	31,344,150
International Company for Mining Consultation	-	-	-	129,000	129,000
ESACO Manufacturing, Engineering & Contracting	-	-	-	10,000,000	10,000,000
National Company for Multimodal	-	-	10,486,786	39,990,355	29,503,571
Total				**3,370,177,740**	**3,408,218,088**
Accumulated impairment loss				(1,715,772,495)	(1,715,251,400)
Net				**1,654,405,245**	**1,692,966,688**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Related party transactions (continued)

The accumulated Impairment loss of due from related parties is as follows:-

Company name	Balance as at 31 December 2017	Foreign currency translation differences	Formed during the year	Balance as at 31 March 2018
*Logria Holdint Ltd.	97,639,204	(880,624)	-	96,758,580
*Citadel Capital Financing Corp.	116,458,062	(1,050,355)	-	115,407,707
*Golden Crescent Investments Ltd.	67,682,535	(610,440)	-	67,072,095
*Citadel Capital Financing Corp.	19,514,000	(176,000)	-	19,338,000
*ESACO Manufacturing, Engineering & Contracting	10,000,000	-	-	10,000,000
*Citadel Capital Transportation Opportunities Ltd.	20,630,999	5,135,743	-	25,766,742
*Mena Glass Ltd.	60,954,640	-	(549,760)	60,404,880
*Africa Raliways Limited	21,351,012	10,386,654	-	31,737,666
*Crondall Holdings Ltd.	31,344,150	(282,698)	-	31,061,452
*Citadel Capital Holding for Financial Investments-Free Zone	858,988,118	(7,747,356)	-	851,240,762
*Citadel Capital for International Investments Ltd.	317,226,449	(2,861,118)	-	314,365,331
*Mena Home furnishings Mall	93,462,231	(842,951)	-	92,619,280
Balance	**1,715,251,400**	**1,070,855**	**(549,760)**	**1,715,772,495**

(b) Due to related parties

	31 March 2018	31 December 2017
National Development and Trading Company	729,616,039	720,561,575
ASEC Cement Company	13,222,494	15,951,522
Total	**742,838,533**	**736,513,097**

14 Cash and bank balances

	31 March 2018	31 December 2017
Cash on hands	313,065	1,131,194
Banks – current accounts	35,347,675	78,310,818
	35,660,740	**79,442,012**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

15 Paid-up capital

The Company's authorized capital is EGP 6 Billion and the issued and paid-in capital is EGP 4,358,125,000 represents 871,625,000 shares distributed over 653,718,750 ordinary shares and 217,906,250 preferred shares with par value EGP 5 per share.

The Company's extra-ordinary general assembly meeting held on October 20, 2013 approved the increase of the authorized capital from EGP 6 billion to EGP 9 billion and the increase of the issued capital from EGP 4,358,125,000 to EGP 8 billion, with an amount of EGP 3,641,875,000 by issuing 728,375,000 new shares at par value of EGP 5 per share, distributed over 182,093,750 preferred shares and 546,281,250 ordinary shares, without issuance costs. The purpose of this capital increase is to finance the acquisition of additional shares in its subsidiary companies, financing the Company's contribution in the capital increases of certain of its subsidiary companies and entering into new investments and settlement of certain liabilities of the Company. The Board of Directors approved in its meeting held on February 13, 2014 to cover the subscription of the unsubscribed Company's shares in the capital increase through offsetting the shareholders' credit balances that are payable by the Company (note 7) against the subscription price of the shares. The commercial register has been updated to reflect such increase on April 16, 2014.

The Company's extra-ordinary general assembly meeting held on March 25, 2015 approved the increase of the authorized capital from EGP 9 billion to EGP 10 billion and the increase of the issued capital from EGP 8 billion to EGP 9.7 billion, with an amount of EGP 1.7 billion in cash allowing the use of credit balances payable to existing shareholders through issuance of 340 million new shares at par value of EGP 5 per share, consisting of (85 million preferred shares and 255 million ordinary shares), without issuance costs. The capital increase subscription has been completed on two stages on June 2, 2015 and closed on the end of the working day September 9, 2015. The subscription had been covered by 64.71% represented in 220 million share of which 1,738,649 preferred share with an amount of EGP 8,693,245 and 218,261,351 ordinary share with an amount of EGP 1,091,306,755, with a total amount of EGP 1.1 billion accordingly the company's issued share capital after increase became EGP 9.1 billion, represents 1.820 billion shares comprising of 1,418,261,351 ordinary share and 401,738,649 preferred share at par value of EGP 5 per share. The commercial register has been updated with the increase on September 29, 2015.

Preferred shares have 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 extra-ordinary 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 in the following:

Shareholder's name	**Percentage %**	**No. of Shares**	**Amount**
Citadel Capital Partners Ltd.	24.36	443295671	2,216,478,355
Emirates International Investments Company	7.62	138767960	693,839,800
Other shareholders	68.02	1237936369	6,189,681,845
	100	**1820000000**	**9,100,000,000**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

16 Provisions

	31 March 2018	31 December 2017
Balance at 1 January 2018	53,460,175	53,860,175
Provisions used	-	(400.000)
Total	**53,460,175**	**53,460,175**

The provisions represents the expected claims from certain external parties in relation to the Company's activities. Information usually published on the provisions made according to the Egyptian accounting standards (standard number 28 provisions, assets and contingent liabilities) was not disclosed, as the management believes that doing so may seriously affect the outcome of negotiations with that party. The management reviews these provisions on a periodic basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

17 Creditors and other credit balances

	31 March 2018	31 December 2017
Accrued interest	611,413,668	562,217,397
Accrued expenses	189,114,596	197,029,909
Other credit balances and notes payable	168,507,519	109,527,949
Tax Authority	167,656,423	162,714,524
Consultancy and professional fees	83,091,716	129,209,327
Dividends payable- prior years	2,893,919	2,893,919
Shareholders' credit balances	1,464,312	1,464,311
Social Security Authority	648,703	320,812
	1,224,790,856	**1,165,378,148**

18 Long term borrowings

On February 1, 2012 the Company has signed a long-term loan contract with an amount of US.$ 325 million with Citi Bank Group - syndication manager — along 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 31 December 2011 (which represented in the loan granted to the Company on 15 May 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 Citi 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 15 May 2013. The loan balance is US $171,957,803 (equivalent to EGP 1,032 ,984,912) as at 31 December 2011 until the date of the new contract)

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

Long term borrowings (continued)

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 variable 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 variable 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 each year.

The Company has used an amount of US $300 million from funding granted to it till 31 December 2013. The Company paid an amount of US.$ 58,791,182 from the amount used and the outstanding balance of the loan became with an amount of US.$ 241,208,818 as at 31 March 2018 (equivalent to EGP 4,279,044,431).

The current installments amounted US.$ 241,208,818 (equivalent to EGP 4,240,451,021 as at 31 March 2018) versus an amount of US.$ 241,208,818 (equivalent to EGP 4,279,044,431 as at 31 December 2017).

Total amount has been reclassified to current liabilities until negotiations on restructuring the debt with the Senior Lenders is complete.

	First class		Second class		
	Maturity date	US $	Maturity date	US $	Total US $
First installment	December 20, 2012	35,000,000	December 20, 2012	Grace period one year	35,000,000
Second installment	December 20, 2013	35,000,000	December 20, 2013	13,888,888	48,888,888
Third installment	December 20, 2014	35,000,000	December 20, 2014	13,888,888	48,888,888
Fourth installment	December 20, 2015	35,000,000	December 20, 2015	13,888,888	48,888,888
Fifth installment	December 20, 2016	35,000,000	December 20, 2016	13,888,888	48,888,888
Sixth installment			December 20, 2017	13,888,888	13,888,888
Seventh installment			December 20, 2018	13,888,888	13,888,888
Eighth installment			December 20, 2019	13,888,888	13,888,888
Ninth installment			December 20, 2020	13,888,888	13,888,888
Tenth installment			December 20, 2021	13,888,886	13,888,896
Total					**300,000,000**
Amount paid					(58,791,182)
Balance					**241,208,818**

Long term borrowings (continued)

Loan guarantees are as follows:
- First degree lien contract on the equity shares owned by the Company in National Development and Trading Company.
- First degree lien contract on the equity shares owned by the Company in International Company for Mining Consulting.
- First degree lien contract on the shares owned by the Company in United Foundries Company.
- First degree lien contract on the shares of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
- First degree lien contract on the shares owned by the Company in ASEC Cement Company.
- First degree lien contract on the shares owned by the Company in ASEC Company for Mining (ASCOM).
- First degree lien contract on the investments of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone) 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 Investments Ltd.
  - Andalusia Trading Investments Ltd.
  - Citadel Capital Transportation Opportunities Ltd.
  - Lotus Alliance Limited
  - Citadel Capital financing Corp
  - Grandview Investment Holding
  - Africa Raliways Holding
  - National Company for Marine Petroleum Services (Petromar)
  - Taqa Arabia S.A.E.
  - Egyptain Company for Solid Waste Recycling (ECARU)
  - Engineering Tasks Group (ENTAG)
  - Mashreq Petroleum
  - Ledmore Holdings Ltd.
  - Everys Holdings Limited
  - Eco-Logic Ltd.
  - Sequoia Willow Investments Ltd.
  - Undersore International Holdings Ltd
  - Brennan Solutions
  - Citadel Capital Transportation Opportunities II Ltd.
  - Citadel for investments promotion

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

19 Revenue

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

	31 March 2018	31 March 2017
Mena Home Furnishings Mall	-	3,462,370
Falcon Agriculture Investments Ltd	11,139,800	9,974,522
ASEC for Cement	4,097,704	2,755,652
Silverstone Capital Investment Ltd	4,237,255	3,794,018
Citadel Capital Transportation Opportunities II Ltd	4,829,985	4,324,754
Africa Raliways Holding	2,594,122	-
Mena Joint Investment Fund GP	-	273,958
Africa JIF HOLD CO I	-	273,958
Africa JIF HOLD CO III	-	776,703
Mena JIF HOLD CO I	-	998,137
	26,898,866	**26,634,072**

The Company did not recognize advisory fees related to Golden Crescent Investments, Logria Holding Ltd., Africa Railways Limited and Citadel Capital Transportation Opportunities Ltd. according to the signed contracts due to unfulfilling the conditions of recognition and collection. The unrecognized advisory fees income during the year comprised the following:

	31 March 2018	31 March 2017
Golden Crescent Investments Ltd.	27,552,484	27,679,431
Logria Holding Ltd.	5,101,751	5,125,258
Africa Railways Limited	5,289,611	4,738,986
Citadel Capital Transportation Opportunities Ltd.	4,879,979	953,568
Total	**42,823,825**	**38,497,243**

20 General and administrative expenses

	31 March 2018	31 March 2017
Wages, salaries and similar items	37,178,248	39,813,329
Consultancy	488,007	6,897,699
Marketing, advertising and public relations	1,238,986	2,721,083
Travel and accommodation	2,090,045	2,503,824
Donations	460,000	1,375,000
Other	5,255,073	6,894,317
Total	**46,710,359**	**60,205,252**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

21 Finance costs - net

	31 March 2018	31 March 2017
Credit interest	73,353,262	67,001,030
Interest expenses	(93,547,242)	(63,767,143)
Other financing costs	(12,976,214)	(1,871,176)
Foreign currency translation differences	(9,814,258)	(12,075,428)
Net	**(42,984,452)**	**(10,712,717)**

Interest income includes an amount of EGP 72,149,858 which represents the accrued interest income according to the signed contracts with related parties as follows:

	31 March 2018	31 March 2017
National Development and Trading Company	38,711,257	33,048,110
United Foundries Company	9,065,425	7,830,386
Citadel Capital Holding for Financial Investments-Free Zone	19,620,395	15,935,174
ASEC Company for Mining (ASCOM)	2,265,996	2,028,962
National Multimodal Transportation	2,486,785	-
Total	**72,149,858**	**58,842,632**

22 Income tax

	31 March 2018	31 March 2017
Deferred tax	(874)	33,980

	31 March 2018	31 March 2017
Net loss before tax	(63,374,676)	(44,784,475)
Tax calculated at enacted tax rate	(14,259,302)	(10,076,507)
Non-deductible expenses for tax purposes	1,884,589	-
Unrecognized tax losses	12,373,839	10,110,487
Income tax expense	**(874)**	**33,980**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

23 Earning per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	31 March 2018	31 March 2017
Net loss for the period	(63,375,550)	(447,750,496)
Weighted average number of ordinary shares	1820000000	1820000000
Loss per share	**(0.348)**	**(0.246)**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company does not have any categories of dilutive potential ordinary shares, hence the diluted earnings per share is the same as the basic earnings per share.

24 Employees Stock Option Plan

The Company's extraordinary general assembly 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 Financial Regularity Authority (FRA) approved the ESOP plan and the Company has not start to apply it yet.

25 Commitments and liabilities

The company guarantees some of the related companies against the loans and credit facilities that these companies have taken from banks.

26 Tax position

Due to the nature of the procedures for estimating tax liabilities in the Arab Republic of Egypt, the final result of this estimate by the Tax Authority may not be realistic. Therefore, there may be additional contingent liabilities arising from the tax assessment and tax assessment of the Company's tax payable. The following is a summary of the tax position of the Company as at 31 March 2018.

A) Tax on the profits of legal entities

The Company submitted its tax returns on regular basis for the years from 2005 to 2016 according to tax law No. 91/2005. The Company's books have not been inspected yet.

B) Payroll tax

The Company deducts the salaries tax according to tax law no. 91/2005 and the Company's books inspected for the period since inception till the date of 31/12/2009 but the authority did not inform the Company with results yet. And the years from 2010 to 2017 have not been inspected yet.

Tax position (continued)

C) Stamp tax
The Company was inspected since inception till July 31, 2006 and paid all the accrued amounts according to the Internal Committee decision and for the period from August 1, 2006 to 31 December 2014 has been inspected and the dispute has transferred to Internal Committee in the Authority. Years from 2015 till now have not been inspected.

D) Withholding tax
The Company applies the withholding tax provision 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.

27 Going Concern

The Company accumulated losses reached an amount of EGP 3,363,535,094, and the Company's current liabilities exceeded its current assets at 31 March 2018 by EGP 3,115,769,856. The Company is also in breach of its existing debt covenants and has defaulted in settling the loan instalments on their due dates. These conditions, along with other matters set out in note (29) indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's management has prepared the business plan that support the continuity of the Company

The Company has prepared the business Plans for all sectors and all subsidiaries covered 5-years forecasts including expansion plans, restructure and reorganization plans. Citadel Capital Group is working on restructuring troubled debt with lenders, which the company considers a key objective in the coming period. The company's management believe that the liquidity required for partial repayment of the Group's debt will be through operational cash flow as well as restructuring and disposed of non-core assets.