

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

**Unconsolidated financial statements**  
**for the period ended September 30, 2010**  
**&**  
**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 unconsolidated statement of financial position of Citadel Capital Company (Egyptian Joint Stock Company) as at September 30, 2010 and the related unconsolidated statements of income, cash flows and changes in equity for the nine 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 unconsolidated financial statements do not present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and of its unconsolidated financial performance and its unconsolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

KPMG Hazem Hassan

Cairo November 28, 2010

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated statement of financial position**  
**as at September 30, 2010**

	note no.	30/9/2010 LE	31/12/2009 LE
<b>Current assets</b>			
Cash and cash equivalents	(4)	149 113 326	248 428 433
Due from related parties (net)	(5)	442 758 375	611 136 362
Other debit balances	(6)	25 804 050	17 194 821
Total current assets		<u>617 675 751</u>	<u>876 759 616</u>
<b>Current liabilities</b>			
Due to related parties	(7)	445 723 403	305 128 943
Current portion of long-term loans	(17)	94 424 121	-
Other credit balances	(8)	28 163 041	39 923 273
Expected claims provision	(9)	14 312 225	14 312 225
Total current liabilities		<u>582 622 790</u>	<u>359 364 441</u>
Working capital		35 052 961	517 395 175
<b>Non - current assets</b>			
Available-for-sale investments	(10)	26 391 801	30 685 943
Investments in subsidiaries and associates (net)	(11)	2 768 888 505	2 351 676 028
Payments for investments (net)	(12)	1 200 163 985	1 026 582 003
Fixed assets (net)	(13)	77 845 273	83 901 410
Other investments	(14)	351 839 237	400 679 647
Deferred tax assets	(15)	1 562 387	687 237
Total non - current assets		<u>4 426 691 188</u>	<u>3 894 212 268</u>
Total investment		<u>4 461 744 149</u>	<u>4 411 607 443</u>
<b>Financed through:</b>			
<b>Equity</b>			
Share capital	(16)	3 308 125 000	3 308 125 000
Legal reserve	(3.10)	89 578 478	79 011 015
Hedging reserve	(17)	( 28 934 568)	( 16 882 076)
Retained earnings		222 926 816	22 145 027
		<u>3 591 695 726</u>	<u>3 392 398 966</u>
Net profit for the period / year		20 231 360	211 349 252
Total equity		<u>3 611 927 086</u>	<u>3 603 748 218</u>
<b>Non - current liabilities</b>			
Long term loans	(17)	849 817 063	807 859 225
Total non - current liabilities		<u>849 817 063</u>	<u>807 859 225</u>
Total equity and non - current liabilities		<u>4 461 744 149</u>	<u>4 411 607 443</u>

The accompanying notes from page 5 to page 26 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

Board Member / CFO  
Ahmed El Shamy

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated income statement**  
**for the period ended September 30, 2010**

	note	For the period		For the period	
	no.	from 1/7/2010	from 1/1/2010	from 1/7/2009	from 1/1/2009
		to 30/9/2010	to 30/9/2010	to 30/9/2009	to 30/9/2009
		LE	LE	LE	LE
Advisory fee	(21.1)	26 423 587	76 651 809	24 940 982	79 363 026
Dividends income		-	-	51 175 557	51 175 557
Gains on sale of investments	(18)	-	11 978 226	-	7 971 576
Other operating income	(21.3)	37 326 975	55 914 561	-	39 098 500
Total operating income		63 750 562	144 544 596	76 116 539	177 608 659
General and administrative expenses	(23)	( 41 775 975)	( 135 862 228)	( 37 596 462)	( 108 446 360)
Impairment loss on assets		-	-	( 15 357 620)	( 15 357 620)
Net operating income		21 974 587	8 682 368	23 162 457	53 804 679
Net finance income (expenses)	(19)	( 2 012 048)	12 737 126	8 542 683	( 9 219 637)
Net profit before income tax		19 962 539	21 419 494	31 705 140	44 585 042
Income tax		( 2 063 284)	( 2 063 284)	1 261 390	-
Deferred tax	(15)	529 914	875 150	4 371	973 483
Net profit for the period		18 429 169	20 231 360	32 970 901	45 558 525
Earnings per share	(20)	0.03	0.03	0.05	0.08

The accompanying notes from page 5 to page 26 are an integral part of these financial statements and are to be read therewith .



**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated statement of changes in equity**  
**for the period ended September 30, 2010**

	note no.	Share capital LE	Legal reserve LE	Hedging reserve LE	Retained earnings LE	Net profit for the year / period LE	Total LE
Balance as at December 31, 2008		2 750 000 000	77 845 487	( 3 554 169)	-	23 310 555	2 847 601 873
Profit appropriation for the year 2008	(3.10)	-	1 165 528	-	22 145 027	( 23 310 555)	-
Payment of capital	(16)	558 125 000	-	-	-	-	558 125 000
Changes in fair value of cash flow hedges	(17)	-	-	( 9 263 403)	-	-	( 9 263 403)
Net profit for the period ended September 30, 2009		-	-	-	-	45 558 525	45 558 525
Balance as at September 30, 2009		3 308 125 000	79 011 015	( 12 817 572)	22 145 027	45 558 525	3 442 021 995
Balance as at December 31, 2009		3 308 125 000	79 011 015	( 16 882 076)	22 145 027	211 349 252	3 603 748 218
Profit appropriation for the year 2009	(3.10)	-	10 567 463	-	200 781 789	( 211 349 252)	-
Changes in fair value of cash flow hedges	(17)	-	-	( 12 052 492)	-	-	( 12 052 492)
Net profit for the period ended September 30, 2010		-	-	-	-	20 231 360	20 231 360
Balance as at September 30, 2010		3 308 125 000	89 578 478	( 28 934 568)	222 926 816	20 231 360	3 611 927 086

The accompanying notes from page 5 to page 26 are an integral part of these financial statements and are to be read therewith .

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated cash flows statement**  
**for the period ended September 30, 2010**

	<b>For the period ended</b>	
	<b>30/9/2010</b>	<b>30/9/2009</b>
	<b>LE</b>	<b>LE</b>
<b>Cash flows from operating activities</b>		
Net profit before tax	21 419 494	44 585 042
<b>Adjustments to reconcile net profit to net cash provided from (used in) operating activities :</b>		
Fixed assets depreciation	6 497 470	6 396 894
Unrealized foreign currency differences	9 196 291	( 2 140 237)
Gains on sale of investments in subsidiaries	( 9 575 740)	( 7 971 576)
Impairment of assets	-	15 357 620
Credit interest	( 25 123 681)	-
Gains on sale of available-for-sale investments	( 2 402 486)	-
Operating profit before changes in working capital	11 348	56 227 743
<b>Decrease (increase) in assets</b>		
Due from related parties	77 500 916	( 319 693 250)
Other debit balances	( 1 750 175)	( 341 957)
<b>Increase (decrease) in liabilities</b>		
Due to related parties	140 594 460	( 40 736 940)
Other credit balances	( 15 555 847)	( 7 236 981)
Net cash provided from (used in) operating activities	200 800 702	( 311 781 385)
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets	( 441 333)	( 13 631 913)
Payments for investments	( 456 082 902)	( 197 538 535)
Payments for purchase of investments in subsidiaries and associates	( 39 222 500)	( 182 105)
Proceeds from sale of investments in subsidiaries and associates	29 434 477	22 639 616
Proceeds from sale of available-for-sale investments	6 696 628	4 857 732
Proceeds from loans to associates	63 119 265	-
Net cash used in investing activities	( 396 496 365)	( 183 855 205)
<b>Cash flows from financing activities</b>		
Proceeds from issuing of share capital	-	558 125 000
Dividends paid	-	( 74 143)
Proceeds from / payments for loans	106 700 717	( 2 793 095)
Payments for hedging reserve	( 10 320 161)	( 7 624 575)
Net cash provided from financing activities	96 380 556	547 633 187
Net change in cash and cash equivalent during the period	( 99 315 107)	51 996 597
Cash and cash equivalent at the beginning of the period	248 428 433	125 693 812
Cash and cash equivalent at the end of the period	149 113 326	177 690 409

The accompanying notes from page 5 to page 26 are an integral part of these financial statements and are to be read therewith .

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

**Notes to the unconsolidated financial statements**  
**for the period ended September 30, 2010**

**1. Company background**

Citadel Capital Company - an Egyptian Joint Stock Company - was founded in accordance with the Egyptian applicable laws & in pursuance to executive regulation of Law no.159/1981& the Company has been registered under the number of 11121 on 11 April 2004. The purpose of the Company is represented as follows:

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

**2. Basis of preparation**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

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

- Financial instruments at fair value through income statement.
- Available-for-sale investments.
- 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 period 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 (11) – measurement of the recoverable amount of investments in subsidiaries and associates.
- Note (15) – recognition of deferred tax.
- Note (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. 159/1981, 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. Foreign currency differences arising on the retranslation 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 3.6). Depreciation is charged to the income statement over the estimated useful life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

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

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

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



### **3.5.3 Investments in subsidiaries and associates**

Investments in subsidiaries and associates are stated at cost less impairment (note 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**

For the purpose of preparing the Cash Flows Statement, cash and cash equivalents are represented in the 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**

The lending is stated at cost deducting from it any impairment loss in its value and the Company evaluate the loans at the 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 recorded when declared.

#### **3.14.3 Management fee**

Management fee is recognized upon rendering the service according to accrual basis.

#### **3.14.4 Advisory fee**

Advisory fee is calculated based on agreed percentage in accordance with contract term with companies and recognized according to accrual basis.

#### **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 year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or 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

	30/9/2010	31/12/2009
	LE	LE
Cash on hand	574 282	68 565
Banks – current accounts	148 539 044	248 359 868
Balance	<u>149 113 326</u>	<u>248 428 433</u>

Non cash transactions

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

- An amount of LE 1 732 331 from changes in other credit balances and changes in fair value of cash flow hedges reserve (represents the accrued amount of September according to the bank claim).
- An amount of LE 8 881 138 from payments for investments and due from related parties (represents the transfer from related parties' current account to payments for investments).
- An amount of LE 81 995 933 from payments for loans to associates and due to related parties (represents the transfer from related parties' current account to loans to associates).
- An amount of LE 397 848 714 from payments for purchase of investments in subsidiaries and associates and payments for investments (represents the transfer during the period as investment).
- An amount of LE 6 859 054 from proceeds from loans to associates and changes of other debit balances (represents the uncollected portion of loans to associates).
- An amount of LE 106 466 656 from proceeds from loans to associates and payments for investments (represents the investments that the company has acquire against part of loans to associates).

## 5. Due from related parties

	Nature of transaction		30/9/2010	31/12/2009
	Advisory fee	Finance		
	LE	LE	LE	LE
Mena Home Furnishings Mall	3 533 451	--	3 533 451	3 450 513
Falcon Agriculture Investments Ltd.	9 972 072	--	9 972 072	13 903 434
Golden Crescent Investments	11 792 991	--	11 792 991	6 591 082
Orient Investments Properties Ltd.	38 850 281	--	38 850 281	27 177 005
Regional Investments Holding	3 967 699	--	3 967 699	6 817 887
Logria Holding	25 770 581	--	25 770 581	34 335 141
Mena Glass Ltd.	3 160 040	--	3 160 040	3 817 404
Silverstone Capital Investment Ltd.	2 554 777	--	2 554 777	1 228 523
Sabina for Integrated Solutions	6 254 600	--	6 254 600	38 338 300
Sphinx Glass Ltd.	3 411 600	--	3 411 600	4 381 520
ASEC Cement Holding	10 578 706	--	10 578 706	13 604 022
National Development and Trading Company	--	--	--	58 902 090
CC Holding for Financial Investments-Free Zone	--	253 245 767	253 245 767	213 616 287
ASEC for Mining (ASCOM)	--	4 681 964	4 681 964	31 207 600
Citadel Capital for International Investments Ltd.	--	19 127 871	19 127 871	117 668 506
Citadel Capital Financing Corp.	37 326 975	--	37 326 975	--
Valencia Trading Holding Ltd.	8 529 000	--	8 529 000	--
United Foundries	--	--	--	36 097 048
Citadel Capital for Scholarship	--	--	--	2 301 113
Total			442 758 375	613 437 475
Impairment			--	(2 301 113)
Net			442 758 375	611 136 362

## 6. Other debit balances

	30/9/2010	31/12/2009
	LE	LE
Deposits with others	1 419 652	1 419 652
Imprest	797 430	826 627
Advances to suppliers	690 688	1 785 883
Prepaid expenses	3 127 544	475 440
Letters of guarantee's margin	568 600	547 690
Sundry debit balances	19 200 136	12 139 529
Balance	25 804 050	17 194 821

**7. Due to related parties**

	<b>30/9/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Citadel Capital Partners Ltd.*	<u>445 723 403</u>	<u>305 128 943</u>

\* The principal shareholder of the Company – 40.27%.

**8. Other credit balances**

	<b>30/9/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Tax Authority	6 445 654	284 538
Accrued expenses	13 471 720	31 914 294
Accrued interest	3 559 436	2 665 113
Suppliers	1 650 613	2 091 727
Prior years dividends payable	2 893 919	2 893 919
Social Insurance Association	80 762	12 745
Sundry credit balances	60 937	60 937
Balance	<u>28 163 041</u>	<u>39 923 273</u>

**9. Expected claims provision**

	<b>30/9/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Balance at the beginning of the period / year	14 312 225	11 212 225
Formed during the period / year	--	3 100 000
Balance	<u>14 312 225</u>	<u>14 312 225</u>

Provision represents contingent liability from External Party regarding the Company's activities. The usual information related to provisions according to the Accounting Standards has not been disclosed because management believes that disclosure will affect its negotiations with this party, and the management periodically reviews this provision and adjusts the provision amount according to the latest discussions with the party.



# 10. Available-for-sale investments

	30/9/2010	31/12/2009
	LE	LE
Arab Swiss Engineering Company (ASEC)	17 479	17 479
Modern Company for Isolating Materials	43 396	43 396
Horus Private Equity Fund II	10 360 126	14 654 268
Horus Private Equity Fund III	15 970 800	15 970 800
Balance	<u>26 391 801</u>	<u>30 685 943</u>

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

# 11. Investments in subsidiaries and associates

	Percentage	30/9/2010	Percentage	31/12/2009
	%	LE	%	LE
National Development and Trading Company	47.65	668 170 587	49.50	668 170 587
ASEC for Mining (ASCOM)	39.22	183 051 762	44.64	163 687 999
Citadel Capital Holding for Financial Investments- Free Zone	99.99	1 345 352 547	99.99	1 345 352 547
United Foundries	49.29	174 459 040	49.29	174 459 040
Citadel Capital for International Investment Ltd.	100	397 854 569	100	5 855
Citadel Capital – Algeria	--	--	99.99	6 194 250
Total		<u>2 768 888 505</u>		<u>2 357 870 278</u>
Impairment		--		(6 194 250)
Net		<u>2 768 888 505</u>		<u>2 351 676 028</u>

- Investments in subsidiaries and associates are represented in unlisted securities in the Stock Exchange except ASEC for Mining (ASCOM) which has market value of LE 185 326 272 as at September 30, 2010 versus LE 236 023 425 as at December 31, 2009.

# 12. Payments for investments

	30/9/2010	31/12/2009
	LE	LE
Glass Rock	305 662	5 211 925
Citadel Capital Holding for Financial Investments -Free Zone	1 061 009 469	651 176 519
Fund Project	22 323 368	19 414 025
Forestry Project	2 400 624	2 400 624



	30/9/2010	31/12/2009
	LE	LE
Mammoth Project	7 658 206	--
National Development and Trading Company	103 623 378	--
United Foundries	2 843 278	--
Citadel Capital for International Investments Ltd.	--	348 378 910
ASCOM Algeria	--	3 285 594
Citadel Capital – Algeria	--	9 413 070
Total	1 200 163 985	1 039 280 667
Impairment	--	(12 698 664)
Net	1 200 163 985	1 026 582 003

### 13. Fixed assets

	Land	Building and constructions	Computer and software	Furniture and fixture	Vehicles	Assets under* construction	Total
	LE	LE	LE	LE	LE	LE	LE
Cost as at 1/1/2010	24 000 000	33 742 368	7 048 249	22 368 302	539 800	20 084 048	107 782 767
Additions during the period	--	--	313 633	27 700	--	100 000	441 333
Total cost as at 30/9/2010	24 000 000	33 742 368	7 361 882	22 396 002	539 800	20 184 048	108 224 100
Accumulated depreciation as at 1/1/2010	--	5 061 355	4 660 792	13 900 556	258 654	--	23 881 357
Depreciation during the period	--	1 265 339	1 034 587	4 096 331	101 213	--	6 497 470
Accumulated depreciation as at 30/9/2010	--	6 326 694	5 695 379	17 996 887	359 867	--	30 378 827
Net cost as at 30/9/2010	24 000 000	27 415 674	1 666 503	4 399 115	179 933	20 184 048	77 845 273
Net cost as at 31/12/2009	24 000 000	28 681 013	2 387 457	8 467 746	281 146	20 084 048	83 901 410

\* Assets under construction represent payments for preparations of the two purchased lands at Smart Village for the purpose of constructing a new headquarters.

#### 14. Other investments

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

A- The Company has granted two subordinating loans to National Company for Development and Trading – (one of the associate companies - 47.65%) as follows:

- 1- A contract as at December 28, 2009 with an amount of US.\$ 73 097 863 (equivalent to LE 400 349 686 as at December 31, 2009) in addition to an interest amounted to US.\$ 60 251 (equivalent to LE 329 961) and the Company has transferred an amount of US.\$ 32 129 233 (equivalent to LE 176 443 876) from the loan principle for Financial Holding International (one of National Development & Trading Company's shareholders) to be US.\$ 40 968 630 (equivalent to LE 232 968 630 as at September 30, 2010) in addition to an interest amounted to US.\$ 3 574 172 (equivalent to LE 20 322 742) to be US.\$ 44 542 802 (equivalent to LE 253 270 372).
- 2- A contract as at September 21, 2010 with an amount of US.\$ 8 080 132 (equivalent to LE 45 943 622 as at September 30, 2010) including an interest amounted to US.\$ 15 132 (equivalent to LE 86 041).

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

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

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

B- The Company has granted a subordinating loan to United Foundries – (one of the associate companies - 49.29%) as at June 2, 2010 with an amount of US.\$ 9 255 231 (equivalent to LE 52 625 243 as at September 30, 2010) including an interest amounted to US.\$ 485 916 (equivalent to LE 2 762 918) 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 with par value.

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



**15. Deferred tax assets**

	30/9/2010	31/12/2009
	LE	LE
Fixed assets (depreciation)	<u>1 562 387</u>	<u>687 237</u>

**16. Share capital**

- The Company's authorized capital is LE 6 billion.
- The Board of directors of the Company held on December 12, 2008 decided to increase the issued capital with an amount of LE 275 500 000 to be LE 3 025 500 000 by issuing new 55 100 000 shares with par value LE 5 each, accordingly the total number of shares after increase is 605 100 000 shares. The share capital increase was paid in full. The commercial register was updated on March 4, 2009.
- The Board of directors of the Company held on April 5, 2009 decided to increase the issued capital with an amount of LE 282 625 000 to be LE 3 308 125 000 by issuing new 56 525 000 shares with par value LE 5 each, accordingly the total number of shares after increase is 661 625 000 shares. The share capital increase was paid in full during July. The commercial register was updated on July 26, 2009.

Accordingly the issued and paid-in capital is distributed as follows:

Shareholders' name	Percentage %	No. of shares	Value in LE
Citadel Capital Partners Ltd.	40.27	266 483 467	1 332 417 335
Emirates International Investments Company	8.36	55 362 835	276 814 175
Others	51.37	339 778 698	1 698 893 490
	<u>100</u>	<u>661 625 000</u>	<u>3 308 125 000</u>
	=====	=====	=====

**17. Long term loans**

On May 15, 2008 the Company obtained a long-term loan from a group of banks (represented in Arab African International Bank, Suez Canal Bank, Misr bank , Piraeus Bank, Morgan & Stanely Bank and City Bank London "syndication manager" ) with an amount of US.\$ 200 millions for a period of five years (US.\$113 millions committed & US.\$ 87 millions uncommitted) bearing variable interest rate (2.5 % + Libor rate) for the first 3 years and (2.75 % + Libor rate) for the last 2 years

Loan is to be paid on three installments:

- The first stage 10% will be settled after three years.
- The second stage 20% will be settled at the end of the fourth year.
- The last stage 70% will be settled at the end of the loan period.

The Company has withdrawn an amount of US.\$ 166 064 225 (equivalent to the amount of LE 944 241 184 as at September 30, 2010) versus of US.\$ 147 503 008 (equivalent to the amount of LE 807 859 225 as at December 31, 2009), and the current portion amounted to US.\$ 16 606 423 (equivalent to LE 94 424 121) .

The loan guarantees are as follows:

- 1- First rank lien contract for shares of National Development and Trading.
  - 2- First rank lien contract of 9 805 622 shares of ASEC for mining (ASCOM).
  - 3- First rank lien contract for shares of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
  - 4- First rank lien contract for Investments of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone) in the following companies:
    - Orient Properties Ltd.
    - Logria Holding Ltd.
    - Golden Crescent Investment Ltd.
    - Falcon Agriculture Investment Ltd.
    - Silverstone Capital Investment Ltd.
    - Mena Glass Inc. Company.
    - Mena Home Furnishings Mall.
    - Valencia Trading Holding Ltd.
    - Andalusia Trading Investments.
    - Regional Investments Holding.
    - Lotus Alliance Limited.
    - Citadel Capital for Financing Corp.
- **Hedging contract for risk of interest rate swap**
- On May 15, 2008 the Company signed a hedging contract with Citi Bank – London that results in stabilizing the libor interest on loan by 4.195 % interest rate on the amount of US. \$ 74 millions that equal 50 % of the withdrawal amount of the loan according to its conditions.



# **18. Gains on sale of investments**

	For the period		For the period	
	from 1/7/2010 to 30/9/2010	from 1/1/2010 to 30/9/2010	from 1/7/2009 to 30/9/2009	from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Gains on sale of investments in subsidiaries *	--	9 575 740	--	22 639 616
Gains on sale of available-for-sale investments	--	2 402 486	--	(14 668 040)
Total	--	11 978 226	--	7 971 576

\* Represented in gains arising from sale of shares in ASEC for Mining (ASCOM) one of the associates owned by the Company with a percentage of 44.64% to be owned by 39.22% after sale:

	Selling price of investment	Cost of investment	Net
	LE	LE	LE
ASEC for Mining (ASCOM)	29 434 477	(19 858 737)	9 575 740

# **19. Finance income (expenses)**

	For the period		For the period	
	from 1/7/2010 to 30/9/2010	from 1/1/2010 to 30/9/2010	from 1/7/2009 to 30/9/2009	from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Credit interest *	11 945 357	44 866 256	13 996 143	19 164 171
Debit interest	(14 130 570)	(26 611 981)	(7 127 861)	(24 047 026)
Foreign currency differences	173 165	(5 517 149)	1 674 401	(4 336 782)
Net	(2 012 048)	12 737 126	8 542 683	(9 219 637)

\* Note (21.2)

## 20. Earnings per share

	For the period		For the period	
	from 1/7/2010 to 30/9/2010	from 1/1/2010 to 30/9/2010	from 1/7/2009 to 30/9/2009	from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Net profit for the period	18 429 169	20 231 360	32 970 901	45 558 525
The weighted average number of shares	661 625 000	661 625 000	648 580 769	607 087 316
Earnings per share	0.03	0.03	0.05	0.08

## 21. Related party transactions

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

	For the period		For the period	
	from 1/7/2010 to 30/9/2010	from 1/1/2010 to 30/9/2010	from 1/7/2009 to 30/9/2009	from 1/1/2009 to 30/9/2009
Company's name	LE	LE	LE	LE
Mena Glass Ltd.	1 090 708	3 096 808	982 204	2 895 316
Mena Home Furnishings Mall	1 245 422	3 464 763	869 256	2 574 271
Regional Investments Holding	1 386 604	3 889 886	959 354	2 893 325
Falcone Agriculture Investment Ltd.	3 382 059	9 770 820	3 182 892	9 655 372
Logria Holding	8 919 613	26 189 597	8 648 157	26 233 794
Golden Crescent Investment Ltd.	1 651 603	4 849 397	1 601 335	5 096 715
Orient Investment properties Ltd.	3 653 038	10 421 967	3 411 939	11 244 322
Sphinx Glass Ltd.	1 138 240	3 342 080	1 103 600	3 347 720
ASEC Cement Holding	3 529 460	10 363 138	3 362 653	14 602 599
Silverstone Capital Investment Ltd.	426 840	1 263 353	819 592	819 592
Total	26 423 587	76 651 809	24 940 982	79 363 026

- 21.2 Credit interest – finance cost (note 19) includes an amount of LE 44 082 062 which represent the accrued interest income according to signed contracts with related parties as follows:

Company's name	For the period		For the period	
	from 1/7/2010 to 30/9/2010	from 1/1/2010 to 30/9/2010	from 1/7/2009 to 30/9/2009	from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Citadel Capital for International Investments Ltd.	(104 225)	2 628 449	3 202 802	6 557 385
Citadel Capital Holding for Financial Investments-Free Zone	3 914 245	16 329 932	720 503	1 660 587
National Development and Trading Company	6 502 389	22 401 667	9 369 992	9 369 992
United Foundries	1 390 127	2 722 014	--	--
Total	<u>11 702 536</u>	<u>44 082 062</u>	<u>13 293 297</u>	<u>17 587 964</u>

- 21.3 Other operating income presented in the income statement is represented in the following:

- 21.3.1 The related parties' amounts due to the Company for bearing all the direct and indirect pre-operation fees for those related parties as follows:

Company's name	For the period		For the period	
	from 1/7/2010 to 30/9/2010	from 1/1/2010 to 30/9/2010	from 1/7/2009 to 30/9/2009	from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Eco-Logic Ltd.	--	10 070 736	--	--
Valencia Trading Holding Ltd.	--	8 516 850	--	--
Citadel Capital Financing Corp.	17 626 600	17 626 600	--	--
Sabina for Integrated Solutions	--	--	--	39 098 500
Total	<u>17 626 600</u>	<u>36 214 186</u>	<u>--</u>	<u>39 098 500</u>

- 21.3.2 Management fees due from Citadel Capital Financing Corp. with an amount of LE 19 700 375 according to signed contract.



## **22. Tax Status**

### **Corporate tax**

- The Company's books have not been inspected yet.
- The Company submitted its tax returns on regular basis for the year from 2005 to 2009 according to tax law No 91/2005.

### **Salaries tax**

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

### **Stamp tax**

The Company was inspected till July 31, 2006 and paid all the accrued amounts according to the Internal Committee decision and no tax inspection for the period from 1/8/2006 to 31/12/2009 has been taken place yet.

### **Withholding tax**

The Company applies the withholding tax provisions on its transactions according to tax law No. 91/2005.

## **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 – 40.27 %) which states that Citadel Capital Partners Ltd. provides management duties for fees based on 10% of the net annual profit available for distribution amounted to LE 2 477 183 as at September 30, 2010 against LE 5 062 058 for the period ended September 30, 2009.

## **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 2005 which modified executive regulation for the law No. 159 / 1981.
- On June 22, 2008 the Capital Market Authority approved the ESOP plan and the Company did not start to apply it till now.

**25. 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 with banks and debtors while financial liabilities include banks over draft and 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.

**25.1 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.

**25.2 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.
- As disclosed in note (3.1) the Company has used the prevailing exchange rates to revalue monetary assets and liabilities at the balance sheet date.

**25.3 Financial instruments' fair values**

The financial instruments' fair value does not substantially deviated from their book values at the balance sheet date .

**26. Comparative Figures**

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