

CITADEL CAPITAL COMPANY S.A.E.

**LIMITED REVIEW REPORT AND SEPARATE
INTERIM FINANCIAL STATEMENTS FOR
THE NINE MONTH ENDED 30 SEPTEMBER 2018**

CITADEL CAPITAL COMPANY (S.A.E)

**Notes to the separate interim financial statements
For the nine month ended 30 September 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 30 September 2018 and the related separate interim statements of profits or losses, comprehensive income, changes in equity and cash flows for the nine 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

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.

Conclusion

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 30 September 2018, and of its financial performance and its cash flows for the nine month period then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without qualifying our conclusion:

1. We draw attention to note (29) to the separate interim financial statements which indicates that as at 30 September 2018, the Company's accumulated losses have reached EGP 3.5 billion and the Company current liabilities exceeded its current assets by EGP 2.9 billion. 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 Board of Directors of Citadel Capital Company (S.A.E.)
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2. We draw attention to note (30) to the separate financial statements which set out the restatement made to the corresponding figures for the year ended 31 December 2017, this includes a payment for investment balance of EGP 149 million as at 31 December 2017 in respect of which management have been unable to demonstrate the recoverability of the balances at that date.

Wael Sakr
R.A.A. 26144
F.R.A. 381
Mansour & Co. PricewaterhouseCoopers

20 December 2018
Cairo



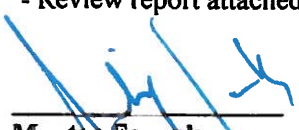
CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of financial position - As of 30 September 2018

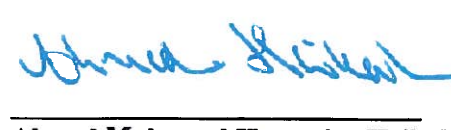
(All amounts in Thousand Egyptian Pounds)

| | Note | 30 September 2018 | Restated 31 December 2017 |
|-------------------------------------|------|----------------------|---------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 5 | 15,371 | 16,464 |
| Projects under construction | 6 | 21,237 | 20,049 |
| Investments in subsidiaries | 7 | 4,521,124 | 4,521,824 |
| Available for sale financial assets | 8 | 11,046 | 11,468 |
| Payments for investments | 9 | 3,587,705 | 3,587,705 |
| Loans due from subsidiaries | 10 | 367,957 | 635,232 |
| Deferred tax assets | 11 | 102 | 125 |
| Total non-current assets | | 8,524,542 | 8,792,867 |
| Current assets | | | |
| Loans due from subsidiaries | 10 | 1,495,354 | 1,387,300 |
| Debtors and other debit balances | 12 | 37,396 | 22,604 |
| Due from related parties | 13 | 2,208,888 | 1,692,967 |
| Cash and bank balances | 14 | 43,641 | 79,442 |
| Total current assets | | 3,785,279 | 3,182,313 |
| Total assets | | 12,309,821 | 11,975,180 |
| Equity and liabilities | | | |
| Equity | | | |
| Paid up capital | 15 | 9,100,000 | 9,100,000 |
| Legal reserve | | 89,578 | 89,578 |
| Accumulated losses | | (3,526,440) | (3,448,796) |
| Total equity | | 5,663,138 | 5,740,782 |
| Liabilities | | | |
| Current liabilities | | | |
| Provisions | 16 | 52,113 | 53,460 |
| Creditors and other credit balances | 17 | 1,422,768 | 1,165,381 |
| Due to related parties | 13 | 866,225 | 736,513 |
| Current portion of long-term loans | 18 | 4,305,577 | 4,279,044 |
| Total current liabilities | | 6,646,683 | 6,234,398 |
| Total equity and liabilities | | 12,309,821 | 11,975,180 |

- The accompanying notes on pages 8 to 41 form an integral part of these separate interim financial statements.
- Review report attached


Moataz Faronk
Chief Financial Officer


Hisham El Khazindar
Managing Director


Ahmed Mohamed Hassanien Heikal
Chairman

20 December 2018

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of profit or loss - For the nine month ended 30 September 2018

(All amounts in Thousand Egyptian Pounds)

| | | | Restated | | Restated |
|-------------------------------------|------|-------------------------------------|------------------|--------------------------------------|------------------|
| | Note | Nine months ended 30 September 2018 | 2017 | Three months ended 30 September 2018 | 2017 |
| Revenue | 19 | 79,598 | 87,231 | 26,374 | 30,071 |
| General and administrative expenses | 20 | (164,055) | (156,255) | (64,252) | (45,808) |
| Decline in payments for investments | | (3,000) | - | - | - |
| Other operating income | 21 | 106,922 | 10 | - | - |
| Operating profit / (loss) | | 19,465 | (69,014) | (37,878) | (15,737) |
| Finance costs – net | 22 | (97,087) | (148,866) | (37,510) | (99,637) |
| Loss before income tax | | (77,622) | (217,880) | (75,388) | (115,374) |
| Income tax | 23 | (22) | (586) | 97 | (656) |
| Net loss for the period | | (77,644) | (218,466) | (75,291) | (116,030) |
| Basic loss per share (EGP/Share) | 24 | (0.04) | (0.12) | (0.04) | (0.06) |
| Diluted loss per share (EGP/Share) | 24 | (0.04) | (0.12) | (0.04) | (0.06) |

- The accompanying notes on pages 8 to 41 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of comprehensive income - For the nine month ended 30 September 2018

(All amounts in Thousand Egyptian Pounds)

| | Nine month ended 30 September 2018 | Restated Nine month ended 30 September 2017 | Three month ended 30 September 2018 | Restated Three month ended 30 September 2017 |
|--|---|--|--|---|
| Net loss for the period | (77,644) | (218,466) | (75,291) | (116,030) |
| Other Comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | (77,644) | (218,466) | (75,291) | (116,030) |

- The accompanying notes on pages 8 to 41 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of changes in equity - For the nine month ended 30 September 2018

(All amounts in Thousand Egyptian Pounds)

| | <u>Note</u> | <u>Paid up capital</u> | <u>Legal reserve</u> | <u>Accumulated losses</u> | <u>Total equity</u> |
|--|-------------|----------------------------|--------------------------|-------------------------------|---------------------|
| Balance at 1 January 2017 | | 9,100,000 | 89,578 | (2,760,294) | 6,429,284 |
| Total comprehensive loss for the period | | - | - | (218,466) | (218,466) |
| Balance at 30 September 2017 | | 9,100,000 | 89,578 | (2,978,760) | 6,210,818 |
| Balance at 1 January 2018 (as issued) | | 9,100,000 | 89,578 | (3,300,159) | 5,889,419 |
| Prior year adjustment | 30 | - | - | (148,637) | (148,637) |
| Restated balance at 1 January 2018 | | 9,100,000 | 89,578 | (3,448,796) | 5,740,782 |
| Total comprehensive loss for the period | | - | - | (77,644) | (77,644) |
| Balance at 30 September 2018 | | 9,100,000 | 89,578 | (3,526,440) | 5,663,138 |

- The accompanying notes on pages 8 to 41 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of cash flows - For the nine month ended 30 September 2018

(All amounts in Thousand Egyptian Pounds)

| | Notes | 30 September 2018 | Restated 30 September 2017 |
|---|-------|----------------------|----------------------------------|
| <u>Cash flows from operating activities</u> | | | |
| Loss for the period before tax | | (77,622) | (217,880) |
| Adjusted to: | | | |
| Depreciation expenses | 5 | 1,727 | 1,572 |
| Unrealized foreign currency exchange differences | | (21,756) | 316,731 |
| Decline in payments for investments | | 3,000 | - |
| Interest income | | (206,394) | (195,329) |
| Interest expense | | 314,983 | 236,022 |
| Other operating income | 21 | (106,922) | - |
| Operating (loss) / profit before changes in working capital | | (92,984) | 141,116 |
| Changes in working capital: | | | |
| Debtors and other debit balances | | (14,792) | (2,903) |
| Due from related parties | | (1,377) | (616,112) |
| Creditors and other credit balances | | (53,148) | 163,446 |
| Due to related parties | | 129,712 | 318,927 |
| Provisions used | 16 | - | (400) |
| Net cash flows (used in) / generated from operating activities | | (32,589) | 4,074 |
| <u>Cash flows from investing activities</u> | | | |
| Payments to purchase of fixed assets | | (634) | - |
| Payments to projects under construction | | - | (8,212) |
| Payments under investment | | (3,000) | (5,750) |
| Proceeds from sale of available for sale financial assets | | 422 | 6,275 |
| Net cash flows used in investing activities | | (3,212) | (7,687) |
| Change in cash and cash equivalents during the period | | (35,801) | (3,613) |
| Cash and cash equivalents at beginning of the period | 14 | 79,442 | 5,567 |
| Cash and cash equivalents at end of the period | 14 | 43,641 | 1,954 |

Non-cash transactions has been disclosed in the Note 27

- The accompanying notes on pages 8 to 41 form an integral part of these separate interim financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 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 financial and financing consultancy for different companies and preparing and providing 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 Extraordinary General Assembly of the Company decided on 20 October 2013 to approve the Company's conditions of work in accordance with the Capital Market Law and its Executive Regulations as a company engaged in the purpose of establishing companies and participating in increasing the capital of companies in accordance with the provisions of Article 27 of the Capital Market Law and 122 of its executive regulations. The necessary legal procedures have been initiated after completion of all necessary legal procedures to increase the company's capital until the situation is reconciled according to the new capital of the company.

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

The separate interim financial statements have been authorised by the Company's Board of Directors on 20 December 2018.

2. Accounting policies

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

A. Basis of preparation of the separate interim 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 measured 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Basis of preparation of the separate interim financial statements (continued)

All other assets are classified as non-current.

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 have rights that give the Company the current ability to direct the relevant activities of the subsidiary, exposed to variable return from its involvement with the subsidiary and the Company has rights to use its power over the subsidiary to affect the amount of the subsidiary return's. The 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 the Company 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Basis of preparation of the separate interim 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 assets 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 the assets' Company's:

| | |
|---|-------------|
| Buildings and constructions | 20 years |
| Computers | 2 – 3 years |
| Furniture, fixture 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 held for sale (or disposal groups)

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.

Loans and receivables

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 Company's loans and receivables comprise 'debtors and other debt balances' and 'cash and cash equivalents' in the separate statement of financial position.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 financial assets are subsequently measured at amortised cost using the effective interest rate. Interests calculated are recognised in the separate statement of profit or loss within finance 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 separate 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 or 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 separate statement of profit or loss.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 separate 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. 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 nine month from the date of placement, less bank overdrafts. In the separate statement of financial position, bank overdrafts are shown within current liabilities.

I. 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 separate statement of profit or loss.

(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 creditors and other credit balances, and bank loans, are subsequently measures at amortised cost using the effective interest method.

J. Capital

Ordinary shares are classified within equity.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

K. Preference shares

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 Company's equity instruments. Discretionary dividends there on are recognized as equity distributions on approval by the company's shareholders.

L. Current and deferred income tax

The Company recognises the current and deferred income tax as revenues or expenses and is included in the separate statement of 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 separate 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.

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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

M. 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.

(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.

N. 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

O. 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.

P. 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.

Q. 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Provisions (continued)

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.

R. 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.

S. 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.

T. 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.

U. Comparative figures

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

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 and fair value interest rate 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:

| | 30 September 2018 | 31 December 2017 |
|----------|----------------------|---------------------|
| USD 10% | 9,152 | 7,588 |
| Euro 10% | (2,406) | (2,398) |
| GBP 10% | (33) | (35) |

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

| | 30 September 2018 | | | 31 December 2017 |
|------|----------------------|-------------|----------|---------------------|
| | Assets | Liabilities | Net | Net |
| USD | 379,560 | (288,041) | 91,519 | 75,880 |
| Euro | (24,121) | 61 | (24,060) | (23,982) |
| GBP | 3 | (337) | (334) | (347) |

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, whereas the Company have investment in ASEC for Mining, listed in the Egyptian stock exchange.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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 |
|-------------------|-------------------------------|--|
| 30 September 2018 | ±1% | 43,056 |
| 31 December 2017 | ±1% | 42,790 |

(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.

Balances exposed to credit risks are as follows:

| | 30 September 2018 | 31 December 2017 |
|---------------------------------|------------------------------|-----------------------------|
| Debtors and other debt balances | 2,089 | 1,632 |
| Due from related parties | 2,208,888 | 1,692,967 |
| Cash and bank balances | 43,641 | 79,442 |
| | 2,254,618 | 1,774,041 |

(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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Financial risk management (continued)

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 related parties 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 facilities and reserves, and by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 30 September 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 |
|-------------------------------------|--------------------------|---------------------------------------|---------------------------------------|--------------------------|
| <u>30 September 2018</u> | | | | |
| Creditors and other credit balances | 1,046,742 | - | - | - |
| Long-term loans | 4,305,577 | - | - | - |
| Due to related parties | 866,225 | - | - | - |
| Total | 6,218,544 | - | - | - |
| <u>31 December 2017</u> | | | | |
| Creditors and other credit balances | 896,671 | - | - | - |
| Loans | 4,279,044 | - | - | - |
| Due to related parties | 736,513 | - | - | - |
| Total | 5,912,228 | - | - | - |

(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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Financial risk management (continued)

Net debt to total capital ratio as at 30 September 2018 and 31 December 2017 is as follows:

| | 30 September 2018 | 31 December 2017 |
|---------------------------------------|----------------------|---------------------|
| Total borrowings | | |
| Due to related parties | 866,225 | 736,513 |
| Long term loans | 4,305,577 | 4,279,044 |
| Creditors and other credit balances | 1,046,742 | 896,671 |
| Less: Cash and bank balances | (43,641) | (79,442) |
| Net borrowings | 6,174,903 | 5,832,786 |
| Equity | 5,663,138 | 5,740,782 |
| Total capital | 11,838,041 | 11,573,568 |
| Net debts to total capital | 52% | 50% |

Compliance with debt covenants

Under the terms of loan agreement and bank overdrafts, the group is required to comply with the following financial covenants:

- The minimum consolidated tangible net worth must be not less than USD 400 million;
- The minimum unconsolidated tangible net worth must be not less than USD 500 million;
- The debt service rate must be not less than 1.35;
- The current assets to current liabilities ratio must be not less than 1.2;
- Actual advisory fees must be not less than 85% of the budgeted amount;
- Financial leverage must not exceed 2.5;
- The debt to EBITDA ratio must not be more than 3.0; and
- The debt to equity ratio must not be less than 3.0

(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 30 September 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Financial risk management (continued)

| Financial assets | Level 3 | Total |
|-------------------------------------|---------------|---------------|
| 30 September 2018 | | |
| Available-for-sale financial assets | | |
| Equity investments | 11,046 | 11,046 |
| Total financial assets | 11,046 | 11,046 |

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 | 11,468 | 11,468 |
| Total financial assets | 11,468 | 11,468 |

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.

4. Critical accounting estimates and judgement

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

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.

Impairment of due from related parties

Impairment of due from related parties is estimated by monitoring ageing of balances. The Company's management examines the credit position and ability of related parties to make payments for their past due debts. Impairment is recognised for amounts due from related parties whose credit position, as believed by the management, does not allow them to pay their dues. The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of future cash flows discounted at the original effective interest rate of the financial asset, and the carrying amount is reduced directly to the related parties balance by making a provision for impairment of related parties' balance.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

5. Fixed assets

| | Buildings & constructions | Computers | Furniture, fixture & office equipment | Vehicles | Total |
|--|--|------------------|--|-----------------|---------------|
| <u>1 January 2017</u> | | | | | |
| Cost | 33,742 | 8,792 | 23,037 | 540 | 66,111 |
| Accumulated depreciation | (16,871) | (8,471) | (22,903) | (540) | (48,785) |
| Net carrying value | 16,871 | 321 | 134 | - | 17,326 |
| Net book value at the beginning of the year | 16,871 | 321 | 134 | - | 17,326 |
| Additions | - | 1,306 | - | - | 1,306 |
| Depreciation expense | (1,687) | (420) | (61) | - | (2,168) |
| Net book value at the end of the year | 15,184 | 1,207 | 73 | - | 16,464 |
| <u>31 December 2017</u> | | | | | |
| Cost | 33,742 | 10,098 | 23,037 | 540 | 67,417 |
| Accumulated depreciation | (18,558) | (8,891) | (22,964) | (540) | (50,953) |
| Net carrying value | 15,184 | 1,207 | 73 | - | 16,464 |
| <u>Fiscal period ended 30 September 2018</u> | | | | | |
| Net book value at the beginning of the period | 15,184 | 1,207 | 73 | - | 16,464 |
| Additions | - | 634 | - | - | 634 |
| Depreciation expense | (1,265) | (416) | (46) | - | (1,727) |
| Net book value at the end of the period | 13,919 | 1,425 | 27 | - | 15,371 |
| <u>30 September 2018</u> | | | | | |
| Cost | 33,742 | 10,732 | 23,037 | 540 | 68,051 |
| Accumulated depreciation | (19,823) | (9,307) | (23,010) | (540) | (52,680) |
| Net carrying value | 13,919 | 1,425 | 27 | - | 15,371 |

6. Projects under construction

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

| | <u>30 September 2018</u> | <u>31 December 2017</u> |
|--|-------------------------------------|------------------------------------|
| Balance at the beginning of the period / year | 20,049 | 11,086 |
| Additions during the period / year | 1,188 | 8,963 |
| Balance at the end of the period / year | 21,237 | 20,049 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

7. Investments in subsidiaries

| Company Name | Country of operation | Shareholding % | 30 September 2018 | 31 December 2017 |
|---|----------------------|----------------|-------------------|------------------|
| Citadel Capital Holding for Financial consultancy-Free Zone | Egypt | 99.99 | 1,350,002 | 1,350,002 |
| Citadel Capital for International Investments Ltd. | Egypt | 100 | 2,826,096 | 2,826,096 |
| National Development and Trading Company | Egypt | 47.65 | 668,171 | 668,171 |
| ASEC Company for Mining (ASCOM) | Egypt | 54.74 | 303,050 | 303,050 |
| United Foundries Company | Egypt | 29.29 | 103,699 | 103,699 |
| ASEC Cement Company | Egypt | 1.8 | 41,913 | 42,613 |
| International Company for Mining | Egypt | 99.99 | 63 | 63 |
| Total | | | 5,292,994 | 5,293,694 |
| Accumulated impairment loss | | | (771,870) | (771,870) |
| | | | 4,521,124 | 4,521,824 |

Accumulated impairment loss on investments in subsidiaries comprised the following:

| | 30 September 2018 | 31 December 2017 |
|--|-------------------|------------------|
| National Development and Trading Company | 668,171 | 668,171 |
| United Foundries Company | 103,699 | 103,699 |
| | 771,870 | 771,870 |

All investments in subsidiaries are represented in unlisted equity shares in the Stock Exchange except ASEC Company for Mining (ASCOM) with market value of EGP 184,210 k as at 30 September 2018 (31 December 2017: EGP 288,665 k), which represents 25,728,683 share with a market price EGP 7.16 per share as at 30 September 2018 (31 December 2017: 25 727 683 share with a market price EGP 11.22).

8. Available for sale financial assets

| | 30 September 2018 | 31 December 2017 |
|------------------------------------|-------------------|------------------|
| EFG Capital Partners Fund II | 5,962 | 5,962 |
| EFG Capital Partners Fund III | 11,046 | 11,468 |
| Modern Co. for Isolating Materials | 44 | 44 |
| Arab Swiss Engineering Co. (AESC) | 17 | 17 |
| Total | 17,069 | 17,491 |
| Accumulated impairment loss | (6,023) | (6,023) |
| Net | 11,046 | 11,468 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Available for sale financial assets (continued)

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

| | 30 September 2018 | 31 December 2017 |
|------------------------------------|----------------------|---------------------|
| EFG Capital Partners Fund II | 5,962 | 5,962 |
| Modern Co. for Isolating Materials | 44 | 44 |
| Arab Swiss Engineering Co. (AESC) | 17 | 17 |
| Total | 6,023 | 6,023 |

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

9. Payments for investments

| | 30 September 2018 | Restated 31 December 2017 |
|---|----------------------|---------------------------------|
| Citadel Capital Holding for Financial Investments – Free Zone | 2,604,785 | 2,604,785 |
| Citadel Capital for International Investments Ltd. | 982,920 | 982,920 |
| Others | 151,637 | 148,637 |
| Deduct: Impairment of payments under investment | (151,637) | (148,637) |
| Total | 3,587,705 | 3,587,705 |

The movement for impairment of payments under investment as follows:

| | 30 September 2018 | Restated 31 December 2017 |
|--------------------------------|----------------------|---------------------------------|
| Balance at 1 January | 148,637 | - |
| Formed during the period/ year | 3,000 | 148,637 |
| Balance | 151,637 | 148,637 |

10. Loans due from subsidiaries

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

| | 30 September 2018 | 31 December 2017 |
|--|----------------------|---------------------|
| <u>Current</u> | | |
| National Development and Trading Company * | 1,495,354 | 1,387,300 |
| <u>Non-current</u> | | |
| United Foundries Company ** | 212,529 | 480,761 |
| ASEC Company for Mining (ASCOM) *** | 155,428 | 154,471 |
| Total | 1,863,311 | 2,022,532 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Loans due from subsidiaries (continued)

*** National Development and Trading Company Loan**

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 \$ 40,969K and US \$8,065 K 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 \$14,813K (principle amount) and US \$ 8,188 K(accrued interest amount).

The balances of the two loans after the Waiver Agreements will be an amount of US \$83,773 K (equivalent to EGP 1,495,354 K) as at 30 September 2018 against US \$78,202 K (equivalent to EGP 1,387,300 K) at 31 December 2017 including accrued interest during the year amounted to US \$6,647 K (equivalent to EGP 118,058 K) as at 30 September 2018 (Note 22) against US \$8,339 K (equivalent to EGP 147,938 K as at 31 December 2017).

**** United Foundries Company Loan**

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 K for nine 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%.

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 K (equivalent to EGP 8.642 K) at the transaction date.

The subordinating loan for United Foundries Company is US \$11,906 K (equivalent to EGP 212,529 K) as at 30 September 2018 versus US \$27,100 K (equivalent to EGP 480,761 K) as at 31 December 2017 including accrued interest during the period amounted to US \$1,218 (equivalent to EGP 20,432 K) as at 30 September 2018 (Note 22) versus US \$1,495 K (equivalent to EGP 26,521 K as at 31 December 2017).

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Loans due from subsidiaries (continued)

***** ASEC Company for Mining (ASCOM) Loan**

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 K. 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 2015, the borrower has repaid 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 K (equivalent to EGP 155,428 K) as at 30 September 2018, versus US \$8,707 K (equivalent to EGP 154,471 K) as at 31 December 2017. Accrued interest during the Period amounted to US \$390 K (equivalent to EGP 6,940 K) as at 30 September 2018 has been recorded on the current account - included in due from related parties - (note 22) versus US \$509 K (equivalent to EGP 9,033 K) as at 31 December 2017.

11. Deferred tax assets

| | Deferred tax assets | |
|--------------------------|----------------------|---------------------|
| | 30 September 2018 | 31 December 2017 |
| Total deferred tax asset | 102 | 125 |
| Net deferred tax asset | 102 | 125 |

The Company has carried forward tax losses as of 30 September 2018 amounted to EGP 522,789 K and the related deferred tax assets amounted to EGP 117,627 K 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.

12. Debtors and other debit balances

| | 30 September 2018 | 31 December 2017 |
|-------------------------------|----------------------|---------------------|
| Prepaid expenses | 17,778 | 6,465 |
| Imprests | 8,407 | 5,552 |
| Letters of guarantee's margin | 2,231 | 1,774 |
| Taxes deducted by others | 867 | 867 |
| Advances to vendors | 481 | - |
| Deposits with others | 58 | 58 |
| Other debit balances | 7,774 | 8,088 |
| Balance | 37,596 | 22,804 |
| Accumulated impairment loss | (200) | (200) |
| | 37,396 | 22,604 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

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.

(a) Due from related parties

| Company name | Nature of relationship | Nature of transaction | | | 30 September 2018 | 31 December 2017 |
|---|------------------------|-----------------------|--------------|-----------|-------------------|------------------|
| | | Foreign exchange | Advisory fee | Finance | | |
| Mena Home furnishings Mall | Subsidiary | 580 | - | - | 94,042 | 93,462 |
| Falcon Agriculture Investments Ltd. | Subsidiary | 1,818 | 33,742 | - | 301,140 | 265,580 |
| Golden Crescent Investments Ltd. | Subsidiary | 420 | - | - | 68,103 | 67,683 |
| Citadel Capital Transportation Opportunities Ltd. | Subsidiary | 105 | 7,588 | - | 28,324 | 20,631 |
| Logria Holding Ltd. | Subsidiary | 605 | - | - | 98,244 | 97,639 |
| Mena Glass Ltd. | Subsidiary | 378 | - | - | 61,333 | 60,955 |
| Silverstone Capital Investment Ltd. | Subsidiary | 65 | 12,835 | - | 12,900 | - |
| Sabina for Integrated Solutions | Subsidiary | 121 | - | - | 19,635 | 19,514 |
| Citadel Capital Financing Corp. | Subsidiary | 722 | - | - | 117,180 | 116,458 |
| Citadel Capital Transportation Opportunities II Ltd. | Subsidiary | 678 | 14,630 | - | 112,731 | 97,423 |
| Citadel Capital Holding for Financial Investments-Free Zone | Subsidiary | 38,144 | - | (185,458) | 1,356,280 | 1,503,594 |
| ASEC Company for Mining (ASCOM) | Subsidiary | 4,186 | - | 4,522 | 89,701 | 80,993 |
| United Foundries Company | Subsidiary | 9,793 | - | (15,026) | 136,308 | 141,541 |
| Citadel Capital for International Investments Ltd. | Subsidiary | 105,590 | - | 335,590 | 1,105,146 | 663,966 |
| Africa Railways Limited | Subsidiary | 108 | - | - | 21,459 | 21,351 |
| Mena Joint Investment Fund GP | Subsidiary | 403 | - | 3,414 | 65,962 | 62,145 |
| Citadel Capital Joint Investments Fund | Subsidiary | 23 | - | - | 3,779 | 3,756 |
| Africa JIF HOLD CO I | Subsidiary | 31 | - | 937 | 5,056 | 4,088 |
| Africa JIF HOLD CO III | Subsidiary | 78 | - | 2,657 | 13,176 | 10,441 |
| Mena JIF HOLD CO I | Subsidiary | 42 | - | 937 | 7,000 | 6,021 |
| Crondall Holdings Ltd. | Subsidiary | 194 | - | - | 31,538 | 31,344 |
| International Company for Mining Consultation | Subsidiary | - | - | - | 129 | 129 |
| ESACO Manufacturing, Engineering & Contracting | Subsidiary | - | - | - | 10,000 | 10,000 |
| National Company for Multimodal | Subsidiary | (29,504) | - | 183,087 | 183,087 | 29,504 |
| Total | | | | | 3,942,253 | 3,408,218 |
| Accumulated impairment loss | | | | | (1,733,365) | (1,715,251) |
| Net | | | | | 2,208,888 | 1,692,967 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

(All amounts in the notes are shown in Thousand 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 period | Balance as at 30 September 2018 |
|--|--------------------------------------|---|--------------------------------|---------------------------------------|
| Logria Holding Ltd. | 97,639 | 605 | - | 98,244 |
| Citadel Capital Financing Corp. | 116,458 | 722 | - | 117,180 |
| Golden Crescent Investments Ltd. | 67,683 | 420 | - | 68,103 |
| Sabina | 19,514 | 121 | - | 19,635 |
| ESACO Manufacturing, Engineering & Contracting | 10,000 | - | - | 10,000 |
| Citadel Capital Transportation Opportunities Ltd. | 20,631 | 6,613 | 1,080 | 28,324 |
| Mena Glass Ltd. | 60,955 | 378 | - | 61,333 |
| Africa Railways Limited | 21,351 | 108 | - | 21,459 |
| Crondall Holdings Ltd. | 31,344 | 194 | - | 31,538 |
| Citadel Capital Holding for Financial Investments-Free Zone | 858,988 | 5,326 | - | 864,314 |
| Citadel Capital for International Investments Ltd. | 317,226 | 1,967 | - | 319,193 |
| Mena Home furnishings Mall | 93,462 | 580 | - | 94,042 |
| Balance | 1,715,251 | 17,034 | 1,080 | 1,733,365 |

(b) Due to related parties

| Company name | Nature of relationship | Nature of transaction | | | 30 September 2018 | 31 December 2017 |
|---|---------------------------|-----------------------|-----------------|---------|----------------------|---------------------|
| | | Foreign exchange | Advisory fee | Finance | | |
| National Development and Trading Company | Subsidiary | 4,474 | - | 4,302 | 729,338 | 720,562 |
| ASEC Cement Company | Subsidiary | (6,360) | 1,007 | 1,339 | 11,937 | 15,951 |
| Sadek Elswedy * | Shareholder | - | - | 124,950 | 124,950 | - |
| Total | | | | | 866,225 | 736,513 |

* The balance of US \$ 7 million is secured against a guarantee of solidarity through Citadel Capital Partners Ltd, a major shareholder of the company.

(c) Key management compensation

The member of the top management received LE 41,672 as salaries and benefits during the nine month period ended 30 September 2018, (31 December 2017: LE 52,371).

14. Cash and bank balances

| | 30 September 2018 | 31 December 2017 |
|-------------------------------------|----------------------|---------------------|
| Current accounts – local currency | 40,107 | 25,512 |
| Current accounts – foreign currency | 3,521 | 52,799 |
| Cash on hands | 13 | 1,131 |
| | 43,641 | 79,442 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

15. Paid-up capital

| Shareholder's name | Percentage % | No. of Shares | Amount |
|--|--------------|----------------------|------------------|
| Citadel Capital Partners Ltd. | 24.36 | 443295671 | 2,216,478 |
| Emirates International Investments Company | 7.62 | 138767960 | 693,840 |
| Other shareholders | 68.02 | 1237936369 | 6,189,682 |
| | 100 | 1,820,000,000 | 9,100,000 |

The Company's authorized capital when establishing was EGP 6 Billion and the issued and paid-in capital is EGP 4,358,125 K 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 K to EGP 8 billion, with an amount of EGP 3,641,875 K 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 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 K and 218,261,351 ordinary share with an amount of EGP 1,091,307 K 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:

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

16. Provisions

| | 30 September 2018 | 31 December 2017 |
|--|----------------------|---------------------|
| Balance at 1 January 2018 | 53,460 | 53,860 |
| Foreign currency translation differences | (1,347) | - |
| Provisions used | - | (400) |
| Total | 52,113 | 53,460 |

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

| | 30 September 2018 | 31 December 2017 |
|--------------------------------|----------------------|---------------------|
| Accrued interest | 744,537 | 562,217 |
| Accrued expenses | 251,116 | 326,238 |
| Notes payable | 48,195 | 5,322 |
| Other credit balances | 186,483 | 105,674 |
| Tax Authority | 188,895 | 162,715 |
| Dividends payable- prior years | 2,894 | 2,894 |
| Social Security Authority | 648 | 321 |
| | 1,422,768 | 1,165,381 |

18. Long-term loan

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 nine installments during the contract period begins from the third year to the end of contract on 15 May 2013. The loan balance is US \$171,958 K (equivalent to EGP 1,032 ,985 K) as at 31 December 2011 until the date of the new contract).

The new loan amount is divided into three classes:

First class: Irrevocable amount of US.\$ 175 million bearing variable interest rate (4.25 % + Libor rate) for 5 years begins from the date of the contract and payable on five equal annual installments.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Long-term loan (continued)

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 nine 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 (not yet used)

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

The current installments amounted US.\$ 241,209 K (equivalent to EGP 4,305,577 K as at 30 September 2018) versus an amount of US.\$ 241,209 K (equivalent to EGP 4,279,044 K 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.

| | 30 September 2018 | 31 December 2017 |
|----------------|----------------------|---------------------|
| First Class | 2,286,296 | 2,272,207 |
| Second Class | 2,019,281 | 2,006,837 |
| Balance | 4,305,577 | 4,279,044 |

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 COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Long-term loan (continued)

- Citadel Capital financing Corp
- Grandview Investment Holding
- Africa Railways Holding
- National Company for Marine Petroleum Services (Petromar)
- Taqa Arabia S.A.E.
- Egyptian 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

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:

| | Nine month ended 30 September | | Three month ended 30 September | |
|---|----------------------------------|---------------|-----------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Mena Home Furnishings Mall | - | 11,315 | - | 3,893 |
| Falcon Agriculture Investments Ltd | 33,742 | 32,596 | 11,298 | 11,214 |
| ASEC for Cement | 10,446 | 9,109 | 3,191 | 3,167 |
| Silverstone Capital Investment Ltd | 12,835 | 12,399 | 4,297 | 4,266 |
| Citadel Capital Transportation Opportunities II Ltd | 14,630 | 14,133 | 4,899 | 4,862 |
| Mena Joint Investment Fund GP | 3,414 | 3,300 | 1,156 | 1,147 |
| Africa JIF HOLD CO I | 937 | 906 | 317 | 315 |
| Africa JIF HOLD CO III | 2,657 | 2,568 | 899 | 893 |
| Mena JIF HOLD CO I | 937 | 905 | 317 | 314 |
| | 79,598 | 87,231 | 26,374 | 30,071 |

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 period comprised the following:

| | Nine month ended 30 September | | Three month ended 30 September | |
|---|----------------------------------|----------------|-----------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Golden Crescent Investments Ltd. | 29,874 | 84,215 | 1,161 | 27,752 |
| Logria Holding Ltd. | 17,640 | 15,594 | 6,269 | 5,139 |
| Africa Railways Limited | 16,067 | 10,159 | 5,355 | - |
| Citadel Capital Transportation Opportunities Ltd. | 6,221 | 3,116 | 242 | 1,072 |
| Total | 69,802 | 113,084 | 13,027 | 33,963 |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

20. General and administrative expenses

| | Nine month ended 30 September | | Three month ended 30 September | |
|---|----------------------------------|----------------|-----------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Wages, salaries and similar items | 124,491 | 114,931 | 44,520 | 37,135 |
| Consultancy | 7,514 | 9,975 | 6,984 | 424 |
| Marketing, advertising and public relations | 4,898 | 6,987 | 2,365 | 2,946 |
| Fixed assets depreciation | 1,727 | 1,572 | 600 | 553 |
| Travel and accommodation | 7,215 | 4,041 | 2,801 | 731 |
| Donations | 754 | 4,150 | 294 | 1,400 |
| Professional fees | 8,043 | 3,796 | 2,963 | 1,214 |
| Other | 9,413 | 10,803 | 3,725 | 1,405 |
| Total | 164,055 | 156,255 | 64,252 | 45,808 |

21. Other operating income

A debt transfer agreement was signed on 15 May 2017 between Citadel Capital, National Transport Company and Nile Cargo; that all the debts owed by Nile Cargo to Alex Bank to be transferred to National Transport Company. Also the second party agreed to accept the offer of Citadel Capital to pay the settlement amounted to EGP 58,330 K on behalf of the first party. The payment was made in full and the debt was transferred to Citadel Capital, resulting in a profit of EGP 106,922 K presented as other operating income in Citadel Capital's Profit or losses due to reduction of the debt offered by Alex bank .

| | Nine month ended 30 September | | Three month ended 30 September | |
|------------------------|----------------------------------|-----------|-----------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Other operating income | 106,922 | 10 | - | - |
| Net | 106,922 | 10 | - | - |

22. Finance costs - net

| | Nine month ended 30 September | | Three month ended 30 September | |
|--|----------------------------------|------------------|-----------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Credit interest | 206,394 | 195,329 | 66,414 | 67,958 |
| Interest expenses | (298,708) | (230,390) | (103,050) | (90,551) |
| Other financing costs | (16,275) | (5,632) | (2,130) | (885) |
| Foreign currency translation differences | 11,502 | (108,173) | 1,256 | (76,159) |
| Net | (97,087) | (148,866) | (37,510) | (99,637) |

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

Finance costs – net (continued)

Interest income includes an amount of EGP 204,782 K which represents the accrued interest income according to the signed contracts with related parties as follows:

| | Nine month ended 30 September | | Three month ended 30 September | |
|---|--|----------------|---|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| National Development and Trading Company | 118,058 | 109,305 | 39,645 | 38,040 |
| United Foundries Company | 20,432 | 25,715 | 2,132 | 8,902 |
| Citadel Capital Holding for Financial Investments-Free Zone | 45,107 | 53,517 | 13,076 | 18,651 |
| ASEC Company for Mining (ASCOM) | 6,940 | 6,707 | 2,349 | 2,332 |
| National Multimodal Transportation | 14,245 | - | 9,061 | - |
| Total | 204,782 | 195,244 | 66,263 | 67,925 |

23. Income tax

| | Nine month ended 30 September | | Three month ended 30 September | |
|--|--|--------------|---|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Deferred tax | (22) | (586) | 97 | (656) |
| | | | | |
| | Nine month ended 30 September | | Three month ended 30 September | |
| | 2018 | 2017 | 2018 | 2017 |
| Net loss before tax | (77,622) | (217,880) | (75,388) | (115,374) |
| Tax calculated at enacted tax rate | (17,465) | (49,023) | (16,962) | (897) |
| Non-deductible expenses for tax purposes | 4,230 | 25,062 | - | - |
| Income not subject to tax | 3,970 | - | - | - |
| Unrecognized tax losses | 9,243 | 23,375 | 17,059 | 241 |
| Income tax expense | (22) | (586) | 97 | (656) |

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Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

24. Earnings 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.

| | Nine month ended 30 September | | Three month ended 30 September | |
|---|----------------------------------|---------------|-----------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net loss for the period | (77,644) | (218,466) | (75,291) | (116,030) |
| Weighted average number of ordinary shares | 1,820,000 | 1,820,000 | 1,820,000 | 1,820,000 |
| Loss per share - EGP | (0.04) | (0.12) | (0.04) | (0.06) |

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.

25. 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 10 December 2018, the Company's Extraordinary General Assembly Meeting decided to approve the Employees Stock Option Plan (ESOP) through promise to acquire shares/ designate share with distinctive conditions to employees, managers and executive board of directors members.

26. Commitments and liabilities

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

27. Non cash transactions:

The non-cash transaction represent as follow:

- 1) Reduction of investment in subsidiaries in ASEC Cement Company amounted to EGP 700 K.
- 2) Projects under constructions additions amounted to EGP 1,118 K.

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Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

28. Tax position

Because of the nature of the procedures of estimating tax liabilities in the Arab Republic of Egypt, the final result of this estimations by the Tax Authority may not be realistic. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority over the Company. A summary of the tax status of the Company to 30 September 2018 is as follows:

A) Corporate tax

The period since inception to 31 December 2008

The period mentioned above was not inspected by the tax authority till date but the tax returns for this period were submitted on the legal dates.

The period 2009/2012

The public tax authority estimated the amount of the period mentioned above and the company refused this estimation. Necessary procedures are being taken to issue the decision of re-inspecting the tax returns submitted by the company.

The period 2013/2017

The period mentioned above was not inspected by the tax authority till date but the tax returns for this period were submitted on the legal dates.

B) Payroll tax

The period since inception to 31 December 2009

The public tax authority estimated the amount of the period mentioned above and the company refused this estimation. Necessary procedures are being taken to issue the decision of re-inspecting the tax returns submitted by the company.

The period 2010/2017

The company's documents were not inspected by the tax authority till date.

C) Stamp tax

The period since inception to July 2006

The inspected was made and the outstanding tax amount and paid.

The period from August 2006 to 31 December 2009

The tax authority of El Dokki estimated the tax amount for this period but the company refused and the disagreement is currently in court.

The period 2010/2013

The public tax authority estimated the amount of the period mentioned above and the company refused this estimation. Necessary procedures are being taken to issue the decision of re-inspecting the tax returns submitted by the company.

The period 2014/2017

The company's documents were not inspected by the tax authority till date.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

29. Going Concern

As of 30 September 2018, the company's accumulated losses amounts to EGP 3.5 billion (31 December 2017: EGP 3 billion) and the net loss amounts to EGP 0.078 billion for the nine month period ended 30 September 2018 (31 December 2017: EGP 0.452 billion). In addition, the company is also in breach of its existing debt covenants amounts to EGP 4 billion which have been classified as current liabilities. These circumstances indicate significant doubt about as to whether the company will be able to meet its debt obligations

These matters indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

In order to address the going concern of the company, management prepared forecasted business plan and future cash flows including all sectors during the next 5 years. The forecasted cash flows will be achieved through planned and agreed increases in prices with current customers and securing contracts with new customers, finalising key construction projects that will be completed in the next 12 months, cost reduction plans and implementing a restructuring and reorganisation plan for non-core assets which will include the disposal of loss-making subsidiaries. In addition to plans are underway to enter into an initial public offering "IPO" for some subsidiaries during 2019 that will contribute to raise funds for the company to enable it meet its obligations. Negotiations are currently underway with lenders to restructure debts where breach have occurred that management prioritise in the coming period, moreover with planned significant events that contribute to the future cash flows and business plans.

The separate interim financial statements of the company have been prepared on a going concern basis and based on management assessment that underlay on the business plan for the next 5 years till 2023 and the future cash flows expected from the date of issuance these separate interim financial statements.

With the expected cash flows from the above actions to be implemented, management is confident that sufficient cash flows would be generated to meet the debt obligations and the consolidated interim financial statements of the company are therefore prepared on a going concern basis. Although the company breached the loan covenant, lender have not claimed the loans up to the date of these financial statements and the management are in process of remedy the breached covenants with lenders which expected to be finalised by end of 2018.

Based on the expected business plan, the company have adequate financial resources to meet its obligation on the short term basis for the reasons:

- Raising additional funds through debt restructure
- Initial public offering for some of the company's subsidiaries during the next 12 months.
- Management reorganisation plan for non-core assets

Management believe that it will be able to meet its obligation based on the procedures explained above and achieve net profits and cash flows that will enhance the shareholders wealth.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate interim financial statements - For the nine month ended 30 September 2018

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

30. Prior year adjustment

During the nine month period ended 30 September 2018, the Group's management has corrected certain comparative balances for the year ended 31 December 2017 in accordance with Egyptian Accounting Standard No.5 "Accounting Policies and changes in accounting estimates and errors". These corrections related to certain errors as follows:

A. Payment under investment – Citadel Capital Company

The company made a number of payments between 2015 to 2017 to two minority shareholders of one of the Group's subsidiary company accumulating to EGP 149 million. The following sets out the payments made to the minority shareholders:

| <u>Payment made during financial year ended</u> | <u>Amount</u> |
|---|---------------|
| 31 December 2015 | 76,487 |
| 31 December 2016 | 30,400 |
| 31 December 2017 | 41,750 |

The company during the years 2015 to 2017 treated these payments as advance payments and included these under Payment for Investments in the statement of financial position in its financial statements.

Management had assessed the impairment of the advance payments at the end of December 2017 but had not appropriately considered all relevant facts and circumstances in making the assessment of recoverability of the advance payments. If due consideration was given by management, such advance payments would not be considered recoverable for the year ended 31 December 2017 and as such should not have been shown as an asset in the statement of financial position at the year ended 31 December 2017.

Accordingly, the company restated its separate and financial statements with respect to this balance as follows:

| | <u>Amount</u> |
|--------------------------|---------------|
| Payment under investment | (148,637) |
| Accumulated losses | 148,637 |

The effect of the amendment to the financial statements for the financial year ended 31 December 2017 will be adjusted in the last quarter when such payments become non-refundable and will be reflected in the financial statements for the year ended 31 December 2018. Consequently, of the separate interim statement of financial profit or loss.

| | <u>31 December 2017 As issued</u> | <u>Impact of restatement</u> | <u>31 December 2017 Restated</u> |
|---|---|----------------------------------|--|
| Separate interim statement of financial position | | | |
| Payments under investments | 3,736,341 | (148,637) | 3,587,705 |
| Accumulated losses | (3,300,160) | (148,637) | (3,448,796) |

CITADEL CAPITAL COMPANY (S.A.E)**Notes to the separate interim financial statements - For the nine month ended 30 September 2018**

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

Prior year adjustment (continued)

The impact on the statement of profits or losses for the year ended 31 December 2017 will only be adjusted in the comparatives of the last quarter when the advance payments were deemed not recoverable and reflected in the 31 December 2018 annual financial statements. As such there is no adjustment of this error in the comparatives of the current interim statement of profit or loss.

Summary of the effect of impairment loss recognised on basic and diluted earnings per share for the year ended 31 December 2017:

| | All amounts are shown in Egyptian Pounds | | |
|------------------------|---|--------------------|--------------------|
| | 31 December | | 31 December |
| | 2017 | Impact of | 2017 |
| | As issued | restatement | Restated |
| Basic loss per share | (0.25) | (0.082) | (0.332) |
| Diluted loss per share | (0.25) | (0.082) | (0.332) |