

CITADEL CAPITAL COMPANY S.A.E.

**AUDITOR'S REPORT AND SEPARATE
FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018**

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

Index	Page
Auditor's report	1 – 2
Separate statement of financial position	3
Separate statement of profit or loss	4
Separate statement of comprehensive income	5
Separate statement of changes in equity	6
Separate statement of cash flows	7
Notes to the separate financial statements	8 - 43



Auditor's report

To The Shareholders of Citadel Capital Company S.A.E.

Report on the separate financial statements

We have audited the accompanying separate financial Statement of Citadel Capital Company S.A.E (The company) which comprise the separate statement of financial position as at 31 December 2018 and the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws. Management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the separate financial statements that are free from material misstatement, whether due to fraud or error. Management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these separate financial statements.



The Shareholders of Citadel Capital Company S.A.E.

Page 2

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Citadel Capital Company S.A.E as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Emphasis of matters

Without qualifying our opinion, we draw attention to the below paragraphs:

1. As described in note (31) to the separate financial statements which indicates that as at 31 December 2018, the Company's accumulated losses have reached EGP 3.7 billion and the Company's current liabilities exceed its current assets by EGP 3 billion. The Company's is also in breach of its existing debt covenants and has defaulted in settling the loan installments on their due dates. These conditions, along with other matters set out in note (31) indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.
2. As described in note (32) to the separate financial statements which set out restatement made to the corresponding figures for the year ended 31 December 2017.

Report on other legal and regulatory requirements

The Company maintains proper financial records, which include all that is required by the law and the Company's statutes, and the accompanying separate financial statements are in agreement therewith.

The financial information included in the Board of Directors' report is prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's accounting records, within the limits that such information recorded therein.


Wael Sakr
R.A.A. 26144
F.R.A. 381

16 May 2019
Cairo



CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of financial position - As of 31 December 2018

(All amounts in Thousand Egyptian Pounds)

	Note	2018	Restated 2017
Assets			
Non-current assets			
Fixed assets	5	14,780	16,464
Projects under construction	6	21,453	20,049
Investments in subsidiaries	7	4,521,123	4,521,823
Available for sale investments	8	13,574	11,468
Payments under investments	9	3,588,542	3,587,705
Loans to subsidiaries	10	368,164	635,232
Deferred tax assets	16	-	125
Total non-current assets		8,527,636	8,792,866
Current assets			
Loans to subsidiaries	10	1,496,193	1,387,300
Other debit balances	11	32,922	22,604
Due from related parties	12	2,326,900	1,692,967
Cash and bank balances	13	6,969	79,442
Total current assets		3,862,984	3,182,313
Total assets		12,390,620	11,975,179
Equity			
Paid up capital	14	9,100,000	9,100,000
Reserves	15	91,210	89,578
Accumulated losses		(3,668,338)	(3,448,796)
Total equity		5,522,872	5,740,782
Non-current liabilities			
Deferred tax liabilities	16	423	-
Total Non-current liabilities		423	-
Current liabilities			
Provisions	17	73,339	53,460
Creditors and other credit balances	18	1,560,517	1,165,380
Due to related parties	12	925,478	736,513
Loans	19	4,307,991	4,279,044
Total current liabilities		6,867,325	6,234,397
Total equity and liabilities		12,390,620	11,975,179

- The accompanying notes on pages 8 to 43 form an integral part of these separate financial statements.

- Auditor's report attached


Moataz Faronk
Chief Financial Officer


Hisham El Khazindar
Managing Director


Ahmed Mohamed Hassanien Heikal
Chairman

16 May 2019

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of profit or loss - For the year ended 31 December 2018

(All amounts in Thousand Egyptian Pounds)

	Note	2018	Restated 2017
Advisory revenue	20	106,002	116,206
Investment revenue		422	-
General and administrative expenses	21	(231,452)	(228,885)
Provisions formed	22	(93,075)	(760,048)
Provisions no longer required	23	21,509	353,200
Other operating income	24	106,922	10
Operating loss		(89,672)	(519,517)
Finance costs – net	25	(129,796)	(80,845)
Loss before income tax		(219,468)	(600,362)
Income tax	26	(74)	(607)
Net loss for the year		(219,542)	(600,969)
Basic loss per share (EGP/Share)	27	(0.12)	(0.33)
Diluted loss per share (EGP/Share)	27	(0.12)	(0.33)

- The accompanying notes on pages 8 to 43 form an integral part of these separate financial statements.

CITADEL CAPITAL COMPANY (S.A.E)**Separate statement of comprehensive income - For the year ended 31 December 2018****(All amounts in Thousand Egyptian Pounds)**

	<u>2018</u>	<u>Restated 2017</u>
Net loss for the year	(219,542)	(600,969)
Other comprehensive income		
Change in fair value of available for sale financial assets	2,106	-
Tax income relating to other comprehensive income	<u>(474)</u>	<u>-</u>
Total other comprehensive income for the year, net of tax	<u>1,632</u>	<u>-</u>
Total comprehensive loss for the year	<u>(217,910)</u>	<u>(600,969)</u>

- The accompanying notes on pages 8 to 43 form an integral part of these separate financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of changes in equity - For the year ended 31 December 2018

(All amounts in Thousand Egyptian Pounds)

	<u>Note</u>	<u>Paid up capital</u>	<u>Reserves</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance at 1 January 2017		9,100,000	89,578	(2,847,827)	6,341,751
Total comprehensive loss for the year		-	-	(600,969)	(600,969)
Balance at 31 December 2017		9,100,000	89,578	(3,448,796)	5,740,782
Balance at 1 January 2018 as previously issued		9,100,000	89,578	(3,300,159)	5,889,419
Prior year adjustment	32	-	-	(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 year		-	1,632	(219,542)	(217,910)
Balance at 31 December 2018		9,100,000	91,210	(3,668,338)	5,522,872

- The accompanying notes on pages 8 to 43 form an integral part of these separate financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Separate statement of cash flows - For the year ended 31 December 2018

(All amounts in Thousand Egyptian Pounds)

	<u>Note</u>	<u>2018</u>	<u>Restated 2017</u>
<u>Cash flows from operating activities</u>			
Loss for the year before tax		(219,468)	(600,362)
Adjusted to:			
Fixed asset depreciation	5	2,319	2,169
Proceeds from loans contracts		(106,922)	-
Provisions formed		93,075	760,049
Provisions no longer required		(21,509)	(353,200)
Unrealized foreign currency exchange differences gain / (loss)		14,992	(266,652)
Interest income		(273,606)	(265,993)
Interest expense		425,733	329,192
Investments income		(422)	-
Operating loss before changes in working capital		(85,808)	(394,797)
Changes in working capital:			
Other debit balances		(17,890)	(8,280)
Due from related parties		(137,850)	181,327
Creditors and other credit balances		(14,716)	9,981
Due to related parties		188,856	335,132
Provisions used	17	-	(400)
Net cash flows (used in) / generated from operating activities		(67,408)	122,963
<u>Cash flows from investing activities</u>			
Payments to purchase of fixed assets	5	(634)	-
Payments to projects under construction		(594)	(8,963)
Payments under investments in subsidiaries		(3,837)	(41,750)
Proceeds from sale of available for sale investments		-	1,625
Net cash flows used in investing activities		(5,065)	(49,088)
Change in cash and cash equivalents		(72,473)	73,875
Cash and cash equivalents at beginning of the year	13	79,442	5,567
Cash and cash equivalents at end of the year	13	6,969	79,442

Non-cash transactions has been disclosed in the Note 29

- The accompanying notes on pages 8 to 43 form an integral part of these separate financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 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 financial statements has been authorised by the Company's Board of Directors on 16 May 2019, and the Shareholders' General Assembly has the right to modify the separate financial statements when they are issued.

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 financial statements

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

The Company presents its assets and liabilities in separate 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 year, or
- * Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve month after the reporting year.

All other assets are classified as non-current.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Basis of preparation of the separate financial statements (continued)

The liability is classified as current when:

- * It is expected to be settled in normal operating course;
- * Held primarily for trading.
- * Expected to be realised within 12 month after the end of the reporting year, 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 year.

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 Standards (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

B. Foreign currency translation

(1) Functional and presentation currency

The separate 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 year 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 year. 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 year or in previous financial statements, are generally recognised by the Company in the profit and loss in the year 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 financial statements - For the year ended 31 December 2018

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

Basis of preparation of the separate financial statements (continued)

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

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

C. 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 financial statements - For the year ended 31 December 2018

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

D. Investments in subsidiaries

Investments in subsidiaries is accounted for using the cost method. Investment in subsidiaries in the separate financial statements is stated at cost. The Cost method require recognition of investment at cost and recording of investment income to the extent of dividends distribution received from investee. The subsidiaries are entities controlled by the Company, a subsidiary is separate when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

E. 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 year 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.

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

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

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

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

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 year. 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

H. 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.

I. Impairment of financial assets

(1) Financial assets carried at amortised cost

The Company assesses impairment at the end of each reporting year 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 year, 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Impairment of financial assets (continued)

(2) Available-for-sale financial assets

The Company assesses impairment at the end of each reporting year 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 year, 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.

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.

J. Cash and cash equivalents

In the separate statement of cash flows, cash and cash equivalents includes cash in hand and with banks, deposits held at call with banks, other short-term investments with original maturities of not more than three month from the date of placement, less bank overdrafts. In the separate statement of financial position, bank overdrafts are shown within current liabilities.

K. 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Financial liabilities (continued)

(3) Measurement

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

L. Capital

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

M. Preferred 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.

N. 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 year. Current and deferred income tax is recognised in other comprehensive income or directly in equity if it related to items recognised - in the same year 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Current and deferred income tax (continued)

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.

O. 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 years.

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 year, 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

P. 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 year of the lease.

Q. 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 year 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.

R. 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 year 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 year 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 year the Company incurs such costs.

S. 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Provisions (continued)

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

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

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

T. 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.

U. Revenue recognition

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

(1) Rendering of services

Revenue resulting from services rendered is recognised in the related year when the execution of the transaction can be measured at the end of the financial year 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.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

V. Dividends

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

W. Comparative figures

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

3. Financial risk management

(1) Financial risks factors

The Company's activities expose it to a variety of financial risks. These risks include market risks (including foreign currency exchange risks, prices risks, cash flow 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:

	2018	2017
USD 10%	9,802	7,588
Euro 10%	(2,456)	(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:

	2018			2017
	Assets	Liabilities	Net	Net
USD	386,050	(288,028)	98,022	75,880
Euro	(24,094)	(469)	(24,563)	(23,982)
GBP	3	(337)	(334)	(347)

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Financial risk management (continued)

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.

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 31 December:

	<u>Increase/ decrease</u>	<u>Effect of separate profit or loss</u>
2018	±1%	43,080
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:

	<u>2018</u>	<u>2017</u>
Debtors and other debt balances	2,090	1,632
Due from related parties	2,326,900	1,692,967
Cash and bank balances	6,969	79,442
	<u>2,335,959</u>	<u>1,774,041</u>

(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 financial statements - For the year ended 31 December 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 31 December, 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
2018				
Creditors and other credit balances	1,364,850	-	-	-
Loans	4,307,991	-	-	-
Due to related parties	925,478	-	-	-
Total	6,598,319	-	-	-
2017				
Creditors and other credit balances	1,002,343	-	-	-
Loans	4,279,044	-	-	-
Due to related parties	736,513	-	-	-
Total	6,017,900	-	-	-

(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 financial statements - For the year ended 31 December 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 31 December 2018 and 31 December 2017 is as follows:

	2018	2017
Total borrowings		
Due to related parties	925,479	736,513
Loans	4,307,991	4,279,044
Creditors and other credit balances	1,364,850	1,002,343
Less: Cash and bank balances	(6,969)	(79,442)
Net borrowings	6,591,351	5,938,458
Equity	5,522,872	5,740,782
Total capital	12,114,223	11,679,240
 Net debts to total capital	 54%	 51%

(3) Fair value estimation

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

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

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

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

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

Financial assets	Level 3	Total
2018		
Available-for-sale financial assets		
Equity investments	13,574	13,574
Total financial assets	13,574	13,574

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Financial risk management (continued)

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
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.

4.1 Critical accounting estimates and assumptions

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

Impairment on investment in subsidiaries

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

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.

4.2 Significant professional judgments in the application of the Company's accounting policies

In general, the application of the Company's accounting policies does not require management to use professional judgment (other than the accounting estimates and assumptions referred to in Note 4.1) which may have a material impact on the recognized values in the financial statements.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 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
1 January 2017					
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
Financial year ended 31 December 2017					
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
31 December 2017					
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
Financial year ended 31 December 2018					
Net book value at the beginning of the year	15,184	1,207	73	-	16,464
Additions	-	635	-	-	635
Depreciation expense	(1,687)	(579)	(53)	-	(2,319)
Net book value at the end of the year	13,497	1,262	20	-	14,780
31 December 2018					
Cost	33,742	10,733	23,037	540	68,052
Accumulated depreciation	(20,245)	(9,470)	(23,017)	(540)	(53,272)
Net carrying value	13,497	1,263	20	-	14,780

6. Projects under construction

Project under construction are represented in computer software and accounting system which designed for reporting the financial position of the company and its subsidiaries and the financial performance of the group in the appropriate times to take the decision and it is expected to be completed during 2019.

	2018	2017
Balance at the beginning of the year	20,049	11,086
Additions during the year	1,404	8,962
Balance at the end of the year	21,453	20,048

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

7. Investments in subsidiaries

Company Name	Country of operation	Shareholder percentage 2017	Share holder Percentage 2018	2018	2017
Citadel Capital Holding for Financial consultancy-Free Zone	Egypt	99.99%	99.99%	1,350,002	1,350,002
Citadel Capital for International Investments Ltd.	Egypt	100%	100%	2,826,096	2,826,096
National Development and Trading Company	Egypt	47.65%	47.65%	668,170	668,170
ASEC Company for Mining (ASCOM)	Egypt	54.74%	54.74%	303,050	303,050
United Foundries Company	Egypt	29.29%	29.29%	103,699	103,699
ASEC Cement Company	Egypt	1.8%	1.8%	41,913	42,613
International Company for Mining	Egypt	99.99%	99.99%	63	63
Total				5,292,993	5,293,693
Accumulated impairment loss				(771,870)	(771,870)
				4,521,123	4,521,823

Accumulated impairment loss on investments in subsidiaries comprised of the following:

	2018	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 208,394 k as at 31 December 2018 (2017: EGP 288,665 k), which represents 25 727 683 shares with a market price EGP 8.10 per share as at 31 December 2018 (2017: 25 727 683 share with a market price EGP 11.22).

8. Available for sale investments

	2018	2017
EFG Capital Partners Fund II	5,962	5,962
EFG Capital Partners Fund III	13,574	11,468
Modern Co. for Isolating Materials	44	44
Arab Swiss Engineering Co. (AESC)	17	17
Total	19,597	17,491
Accumulated impairment loss	(6,023)	(6,023)
Net	13,574	11,468

CITADEL CAPITAL COMPANY (S.A.E)**Notes to the separate financial statements - For the year ended 31 December 2018**

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

Available for sale investments (continued)

The movement of available for sale investments is represented in

	<u>2018</u>	<u>2017</u>
Balance at 1 January	11,468	11,468
Fair value revaluation	2,106	-
Balance at 31 December	<u>13,574</u>	<u>11,468</u>

Available for sale investment are denominated in the following currencies :

	<u>2018</u>	<u>2017</u>
USD	13,574	11,468
Total	<u>13,574</u>	<u>11,468</u>

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

	<u>2018</u>	<u>2017</u>
EFG Capital Partners Fund II	5,962	5,962
Modern Co. for Isolating Materials	44	44
Arab Swiss Engineering Co. (AESC)	17	17
Total	<u>6,023</u>	<u>6,023</u>

9. Payments under investments

	<u>2018</u>	<u>Restated 2017</u>
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	152,474	148,637
Deduct: Impairment of payments under investment	<u>(151,637)</u>	<u>(148,637)</u>
Total	<u>3,588,542</u>	<u>3,587,705</u>

The movement for impairment of payments under investment as follows:

	<u>2018</u>	<u>Restated 2017</u>
Balance at 1 January	148,637	-
Formed during the year	3,000	148,637
Balance at 31 December	<u>151,637</u>	<u>148,637</u>

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

10. Loans to subsidiaries

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

	2018	2017
<u>Current</u>		
National Development and Trading Company *	1,536,960	1,387,300
Less: impairment loss	(40,767)	-
	<u>1,496,193</u>	<u>1,387,300</u>
<u>Non-current</u>		
United Foundries Company **	212,648	480,761
ASEC Company for Mining (ASCOM) ***	155,516	154,471
	<u>368,164</u>	<u>635,232</u>
Total	<u>1,864,357</u>	<u>2,022,532</u>

* 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 \$8,065K 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 \$86,056K (equivalent to EGP 1,536,960) as at 31 December 2018 against US \$78,202K (equivalent to EGP 1,387,300) at 31 December 2017 including accrued interest during the year amounted to US \$63,985

** 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 \$11,563K for Three years contract, the principle of the loan has to be paid with interest at the end of the loan period, with 11.5% annual compound interest , according to the loan contract the Company has the right to convert the value of the loan in addition to its interest due into capital increase in the capital of United Foundries Company with par value at the end of loan period.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Loans due from subsidiaries (continued)

On 30 June 2018, the company has waived 16 million us dollars equivalent to 280,285 EGP for citadel capital for international investment Ltd. one of the subsidiary companies from the total accrued to the company before the united foundries company with annual interest amounted 6%

The subordinating loan for United Foundries Company is US \$11,906K (equivalent to EGP 212,648) as at 31 December 2018 versus US \$27,100K (equivalent to EGP 480,761) as at 31 December 2017 including accrued interest during the year amounted to US \$8,778K (equivalent to EGP 156,775) as at 31 December 2018 versus US \$7,972K (equivalent to EGP 141,424 as at 31 December 2017).

*** 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 \$17,700K. The loan contract year 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 year. 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 \$8,707K (equivalent to EGP 155,516) as at 31 December 2018, versus US \$8,707K (equivalent to EGP 154,471) as at 31 December 2017. Accrued interest during the Year amounted to US \$522K (equivalent to EGP 9,292) as at 31 December 2018 has been recorded on the current account - included in due from related parties versus US \$509K (equivalent to EGP 9,033) as at 31 December 2017.

11. Other debit balances

	2018	2017
Letter of guarantee margins	19,649	1,774
Employee advances	11,593	5,552
Other debit balances	7,770	7,773
Withholding tax	867	867
Advances to suppliers	757	315
Deposits with others	57	58
Prepaid expenses	-	6,465
Balance	40,693	22,804
Accumulated impairment loss	(7,771)	(200)
	32,922	22,604

The movement of the provision for impairment of trade and notes receivable was as follows:

	2018	2017
Balance at 1 January	200	-
Formed during the year	7,571	200
Balance at 31 December	7,771	200

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

12. 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 top management of the company, their entities, companies under common control, the management decide the terms and conditions of the transactions and services provided beyond to the related parties and any other expenses fairly and depending on contracts and agreements. The following are the nature and values of the transactions with the related parties during the year also the accrued balances at the date of separate financial position.

(a) Due from related parties

Company name	Nature of relationship	Nature of transaction			2017
		Advisory fee	Finance	2018	
Mena Home furnishings Mall	Subsidiary	632	-	94,094	93,462
Falcon Agriculture Investments Ltd.	Subsidiary	47,040	-	312,620	265,580
Golden Crescent Investments Ltd.	Subsidiary	457	-	68,140	67,683
Citadel Capital Transportation Opportunities Ltd.	Subsidiary	140	-	20,771	20,631
Logria Holding Ltd.	Subsidiary	661	-	98,300	97,639
Mena Glass Ltd.	Subsidiary	412	-	61,367	60,955
Silverstone Capital Investment Ltd.	Subsidiary	17,209	-	17,209	-
Sabina for Integrated Solutions	Subsidiary	-	132	19,646	19,514
Citadel Capital Financing Corp.	Subsidiary	788	-	117,246	116,458
Citadel Capital Transportation Opportunities II Ltd.	Subsidiary	20,276	-	117,699	97,423
Citadel Capital Holding for Financial Investments-Free Zone	Subsidiary	-	(140,685)	1,362,909	1,503,594
ASEC Company for Mining (ASCOM)	Subsidiary	-	7,062	88,055	80,993
United Foundries Company	Subsidiary	-	(3,321)	138,220	141,541
Citadel Capital for International Investments Ltd.	Subsidiary	-	520,393	1,184,359	663,966
Africa Raliways Limited	Subsidiary	144	-	21,495	21,351
Mena Joint Investment Fund GP	Subsidiary	5,011	-	67,156	62,145
Citadel Capital Joint Investments Fund	Subsidiary	-	25	3,781	3,756
Africa JIF HOLD CO I	Subsidiary	1,288	-	5,376	4,088
Africa JIF HOLD CO III	Subsidiary	3,642	-	14,083	10,441
Mena JIF HOLD CO I	Subsidiary	1,300	-	7,321	6,021
Crondall Holdings Ltd.	Subsidiary	212	-	31,556	31,344
International Company for Mining Consultation	Subsidiary	-	6	135	129
ESACO Manufacturing, Engineering & Contracting	Subsidiary	-	(10,000)	-	10,000
National Company for Multimodal	Subsidiary	-	162,644	192,148	29,504
Total				4,043,686	3,408,218
Accumulated impairment loss				(1,716,786)	(1,715,251)
Net				2,326,900	1,692,967

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 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 exchange	Formed during the year	ESACO spin-off	Balance as at 31 December 2018
Logria Holding Ltd.	97,639	661	-	-	98,300
Citadel Capital Financing Corp.	116,458	788	-	-	117,246
Golden Crescent Investments Ltd.	67,683	457	-	-	68,140
Sabina for Integrated Solutions	19,514	132	-	-	19,646
ESACO Manufacturing, Engineering & Contracting	10,000	-	-	(10,000)	-
Citadel Capital Transportation Opportunities Ltd.	20,631	140	-	-	20,771
Mena Glass Ltd.	60,955	412	-	-	61,367
Africa Raliways Limited	21,351	144	-	-	21,495
Crondall Holdings Ltd.	31,344	212	-	-	31,556
Citadel Capital Holding for Financial Investments-Free Zone	858,988	5,811	-	-	864,799
Citadel Capital for International Investments Ltd.	317,226	2,146	-	-	319,372
Mena Home furnishings Mall	93,462	632	-	-	94,094
Balance	1,715,251				1,716,786

(b) Due to related parties

Company name	Nature of relationship	Nature of transaction		2018	2017
		Advisory fee	Finance		
National Development and Trading Company	Subsidiary	-	9,183	729,745	720,562
ASEC Cement Company	Subsidiary	1,076	(4,486)	12,541	15,951
Sadek Elswedy *	Shareholder	-	183,192	183,192	-
Total				925,478	736,513

* The balance of US \$ 14 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 56,059 as salaries and benefits during the year ended 31 December 2018 (2017: LE 73,062).

13. Cash and bank balances

	2018	2017
Current accounts – local currency	344	25,512
Current accounts – foreign currency	4,592	52,799
Cash on hand	2,033	1,131
	6,969	79,442

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

14. Paid-up capital

The Company's authorized capital was EGP 10 Billion and the issued and paid-in capital is EGP 9,100,000 K represents 1,820,000,000 shares distributed over 1,418,261,351 ordinary shares and 401,738,649 preferred shares

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 12 May 2008 and also paragraph No. (3) of article No.(18) of the Company's article of associations. Those preferred shares are owned by Citadel Capital Partners Ltd. the principle shareholder of the Company. The shareholders' structure - is represented in the following:

Shareholder's name	Percentage %	No. of Shares	Amount in EGP
Citadel Capital Partners Ltd.	24.36	443,295,671	2,216,478
Emirates International Investments Company	7.62	138,767,960	693,840
Other shareholders	68.02	1,237,936,369	6,189,682
	100	1,820,000,000	9,100,000

15. Reserves

	Legal Reserve*	Investment available for sale revaluation reserve	Total
Balance at 1 January 2017	89,578	-	89,578
Balance at 31 December 2017	89,578	-	89,578
Investment available for sale revaluation Surplus (Net after Tax)	-	1,632	1,632
Balance at 31 December 2018	89,578	1,632	91,210

* Legal Reserve

In accordance with the companies' law number 159 for year 1981, 5 % of the net profit for the period is transferred to the legal reserve account. Based on a proposal by the board and the approval of the General Assembly of the company, this transfer may be partially discontinued if the legal reserve reaches 50% of the issued capital. This reserve is not available for distribution to shareholders.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

16. Deferred tax (liabilities) / assets

	2018		2017	
	Asset	Liability	Asset	Liability
Fixed asset	51	-	125	-
Investment available for sale	-	(474)	-	-
Net deferred tax asset	51	(474)	125	-
		(423)	125	

The movement of deferred tax assets / (liabilities) was as follows:

	2018	2017
Balance at 1 January	125	732
Charged to the separate statement of profit or loss	(74)	(607)
Charged to the separate statement of comprehensive income	(474)	-
Balance at 31 December	(423)	125

17. Provisions

	Claims Provisions	Legal provisions	Other provisions	Total
Balance at 1 January 2017	22,362	30,446	1,052	53,860
Provision utilized	(400)	-	-	(400)
Balance at 31 December 2017	21,962	30,446	1,052	53,460
Provision formed	41,737	-	-	41,737
No longer required	-	(20,992)	(517)	(21,509)
Foreign currency translation differences	(349)	-	-	(349)
Balance at 31 December 2018	63,350	9,454	535	73,339

Other provisions are related to expected claims from external parties in relation to the Company's activities. Information usually published on the provisions made according to accounting standards 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 yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

18. Creditors and other credit balances

	2018	2017
Accrued Interest	850,553	562,217
Shareholder credit balances	200,933	94,715
Tax authority.	194,648	162,719
Accrued Expenses	173,774	197,028
Trade and notes payable	136,696	145,486
Dividends	2,895	2,894
Social insurance authority	1,018	321
	1,560,517	1,165,380

* Shareholder credit balance are resulted from acquisitions as well as financing in certain subsidiaries and management expects these balances to be repaid within twelve months from the date of preparation of the separate financial statements.

19. Loans

On 1 February 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) 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.

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)

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Loans (continued)

The total loans balance has been reclassified to current liabilities at 31 December 2018 were as the Company has breached the debt covenants associated with the loan until finalising the negotiations with banks

	2018	2017
First Class	2,287,577	2,272,207
Second Class	2,020,414	2,006,837
Balance	4,307,991	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 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

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Loans (continued)

Financial terms and covenants

The debt covenants for these loans are as follows:

- The Company must ensure that Consolidated Tangible Net Worth is not at any time less than U.S.\$400,000
- The Company must ensure that Unconsolidated Tangible Net Worth is not at any time less than U.S.\$500,000.
- The Company must ensure that the ratio of Cash Available for Debt Service to Net Finance Costs is not, for any Measurement Period, less than 1.35:1
- The Company must ensure that its aggregate interests (directly or indirectly) in its largest two investments (as identified in the most recently delivered Valuation) shall not represent more than 85% of the Value of the interests held by the Company.
- The ratio of its Current Assets to Current Liabilities is not less than 1.2:1

20. Advisory Revenue

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

	2018	2017
Falcon Agriculture Investments Ltd	45,053	43,781
Citadel Capital Transportation Opportunities II Ltd	19,534	18,982
Silverstone Capital Investment Ltd	17,137	16,652
ASEC for Cement	13,640	11,252
Mena Joint Investment Fund GP	4,571	4,444
Africa JIF HOLD CO III	3,557	3,458
Africa JIF HOLD CO I	1,255	1,220
Mena JIF HOLD CO I	1,255	1,220
Mena Home Furnishings Mall	-	15,197
	106,002	116,206

21. General and administrative expenses

	2018	2017
Wages, salaries and similar items	164,650	167,266
Professional fees and consultancy	34,366	23,819
Travel and accommodation	9,138	5,885
Other expenses	9,014	9,722
Marketing, advertising and public relations	7,204	9,351
Fixed assets depreciation (Note 5)	2,319	2,169
Telecom	2,103	2,952
Electricity	1,273	1,259
Donations	754	5,525
Rent	631	937
Total	231,452	228,885

CITADEL CAPITAL COMPANY (S.A.E)**Notes to the separate financial statements - For the year ended 31 December 2018**

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

22. Provisions formed

	2018	Restated 2017
Provision for payments for investments impairment	3,000	148,637
Provision for loans due from subsidiaries impairment	40,767	-
Provision for investments in subsidiaries impairment	-	518,171
Provision for due from related parties impairment	-	93,040
Provision for impairment of debtors and other debit balances	7,571	200
Provisions for claim	41,737	-
Net	93,075	760,048

23. Provisions no longer required

	2018	2017
Provision for loans due from subsidiaries impairment	-	353,200
Provision no longer required	21,509	-
Net	21,509	353,200

24. 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 58,330K 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 106,922K presented as other operating income in Citadel Capital's Profit or losses due to reduction of the debt offered by Alex Bank.

	2018	2017
Other operating income	106,922	10
Net	106,922	10

CITADEL CAPITAL COMPANY (S.A.E)**Notes to the separate financial statements - For the year ended 31 December 2018**

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

25. Finance costs - net

	2018	2017
Credit interest	(273,606)	(265,993)
Interest expenses	425,733	329,192
Foreign currency translation differences	(22,331)	17,646
Net	129,796	80,845

Interest represents the accrued interest income according to the signed contracts with related parties as follows:

	2018	2017
National Development and Trading Company	158,825	147,938
United Foundries Company	22,236	34,571
Citadel Capital Holding for Financial Investments-Free Zone	58,222	72,682
ASEC Company for Mining (ASCOM)	9,292	9,033
National Multimodal Transportation	23,306	-
Other	1,725	1,769
Total	273,606	264,223

26. Income tax

	2018	2017
Deferred tax	(74)	(607)
	(74)	(607)
	2018	2017
Net loss before tax	(219,468)	(600,362)
Tax calculated at enacted tax rate	(49,381)	(135,081)
Non-deductible expenses for tax purposes	60,085	142,163
Income not subject to tax	(129,846)	(80,188)
Unrecognized tax losses	119,068	72,497
Income tax expense	(74)	(609)

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

27. 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.

	2018	Restated 2017
Net loss for the year	(219,542)	(600,969)
Weighted average number of ordinary shares	1,820,000	1,820,000
Loss per share - EGP	(0.12)	(0.33)

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.

28. Employees Stock Option Plan

The Company's extraordinary general assembly meeting held on 20 February 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 18 October 2018, Citadel BOD announces to stock market, the intention to renew the expired ESOP plan for eight years starting from the approval of FRA on the plan. On 10 December 2018, Citadel extraordinary general assembly meeting approved the new plan. The renewed ESOP promises employees, managers and executive board of directors' members to acquire shares/ designate share

- Total designated ESOP is the same number of shares approved through the old plan with minor increase to reach 120 million shares. Entitlement mechanism will be as follows:
 - 30% of the designated shares will be issued at 5.25 pounds per share from ESOP starting date till 30 April 2023.
 - 70% of the designated shares will be issued at 6 pounds per share from ESOP starting date till 30 April 2026.
- Exercise on shares have to be either through:
 - Paying the 5.25 pounds or the 6 pounds per share to the company and obtain the ownership of the shares., or
 - Requesting the oversight committee to pay him/her the remaining amount of the designated shares selling proceeds after deducting the agreed share price of 5.25 pounds or the 6 pounds per share.

The Company has not yet obtained the approvals from the Financial Regulatory Authority on the employees stock option plan until the preparation of these separate financial statements. Accordingly, it is not yet activated.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

29. Non cash transactions

The non-cash transaction represent as follow:

- 1) Reduction of investment in subsidiaries in ASEC Cement Company amounted to EGP 700 eliminated from due to related parties and
- 2) Project under construction addition amounted to EGP 810 was eliminated from change in creditors and other credit balances.

30. 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 31 December 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 years from 2009 till 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 years from 2013 till 2018

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 2004

- The public tax authority estimated the amount of the period mentioned above and the company rejected this estimation and the disputes have been transferred to the appeal committee which decided to decrease the tax to be EGP 150,000.
- The Company has filed a law suit and the session has not yet determine.
- The Company has requested an appeal for review from the tax disputes committee for the disputes to be resolved and the date has not yet determined.

The years from 2005 till 2009

Necessary documents have been presented for tax inspection and the Company has not yet received the official notification with the inspection results.

The years from 2010 till 2018

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

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Tax position (continued)

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 Company has been notified with the estimated tax amount from Tax Authority – Dokki.
- The Company has filed a Law suit under No. 25/2014, and it is still under the review of the Egyptian Council of State..
- The Company has paid monthly payments under the due tax, until a final decision to be issued.
- The Company has requested an appeal for review to the Tax disputes committee, to settle the dispute between the Company and the Tax Authority and the session has not yet determined.

The years from 2010 till 2013

- The Company has been notified with the estimated tax amount from Tax Authority – Dokki.
- The Company has filed a Law suit under No. 25/2014, and it is still under the review of the Egyptian Council of State..
- The Company has requested an appeal for review to the Tax disputes committee, to settle the dispute between the Company and the Tax Authority.

The years from 2014 till 2018

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

D) Withholding tax

The company applies withholding taxes according to the income tax law.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

31. Going Concern

The company's operation incurred losses of EGP 220 million for the year ended 31 December 2018 (31 December 2017: EGP 601 million) and the company's current liabilities exceeded its current assets by EGP 3 billion (31 December 2017: EGP 3.1 billion). In addition, the company is also in breach of its existing debt covenants. The loan amount of EGP 4.3 billion where defaults have occurred have been classified as current liabilities as at 31 December 2018. These circumstances indicate significant doubt about as to whether the group will be able to meet its debt obligations.

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

Management have performed a comprehensive forecasted cash flow for the next 5 years. To improve the cash position of the company, included in such forecasts are the following actions which will be implemented or are in progress:

- Cash flows from revenue activities are expected to be increased due to the anticipated dividends amounting to EGP 67 from its subsidiaries.
- Implementing a restructuring and reorganisation plan for non-core assets which will include the disposal investment in associate (Zahana) which is expected to contribute about EGP 500 million as a cash proceed from the disposal.
- Loans of approximately EGP 4 billion reflected under current liabilities is anticipated to be restructured and negotiations are underway in this regard with the lenders. The interest on the borrowings is expected to be serviced through the net cash savings noted above.

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 group are therefore prepared on a going concern basis.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

32. Prior year adjustment

During the year ended 31 December 2018, the Company'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" as follows:

Payment under investment

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 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 separate statement of financial position in its separate 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 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 statement of financial position			
Payments under investments	3,736,341	(148,637)	3,587,705
Accumulated losses	(3,300,159)	(148,637)	(3,448,796)

The financial figures as at 1 January 2017 have not been disclosed since there are no effects for the prior year adjustment.

CITADEL CAPITAL COMPANY (S.A.E)

Notes to the separate financial statements - For the year ended 31 December 2018

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

Prior year adjustment (continued)

	31 December 2017 As issued	Impact of restatement	31 December 2017 Restated
Separate statement of financial position			
Provision formed	(611.411)	(148,637)	(760.048)

The impact on the separate 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 separate financial statements. As such there is no adjustment of this error in the comparatives of the current separate 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 2017 As issued	Impact of restatement	31 December 2017 Restated
Basic loss per share	(0.25)	(0.082)	(0.332)
Diluted loss per share	(0.25)	(0.082)	(0.332)

33. Financial instruments by category

	Loans & receivables	
	2018	2017
Assets as per statement of financial position		
Available for sale investments	13,574	11,468
Loans to subsidiaries	1,864,357	2,022,532
Other debit balances*	32,922	22,604
Cash and cash equivalents	6,969	79,442
Due from related parties	2,326,900	1,692,967
Total	4,244,722	3,829,013
	Financial liabilities	
	2018	2017
Liabilities as per statement of financial position		
Creditors and other credit balances	1,560,517	1,165,380
Due to related parties	925,479	736,513
Loans	4,307,991	4,279,044
Total	6,793,987	6,180,937

* Other debit balances presented above excludes prepaid expenses and advances to suppliers.