Citadel Capital Company
(Egyptian Joint Stock Company)

Separate interim financial statements
for the period ended March 31, 2017
&
Limited review report

Contents

KPMG

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Report on Limited Review of Separate Interim Financial Statements

To: Board of Directors of Citadel Capital Company

Introduction

We have performed a limited review for the accompanying separate statement of financial position of Citadel Capital Company (Egyptian Joint Stock Company) as at March 31, 2017 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the three months then ended and a summary of significant accounting policies and other explanatory notes. The Company's management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these separate interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate financial position of the Company as at March 31, 2017 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan
Public Accountants and Consultants
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KPMG Hazem Hassan

Cairo, July 6 , 2017

Citadel Capital Company
(Egyptian Joint Stock Company)
Separate statement of financial position
as at March 31, 2017

(All amounts in EGP)	Note	31/3/2017	31/12/2016
Assets			
Available-for-sale investments	(9)	17 743 251	17 743 251
Investments in subsidiaries	(10)	5 035 343 476	5 035 343 476
Payments for investments	(11)	3 696 591 454	3 694 591 454
Fixed assets	(12)	16 815 750	17 326 329
Projects under construction	(13)	14 728 000	11 085 708
Loans to subsidiaries	(14-2/14-3)	264 764 005	257 786 420
Deferred tax assets	(15)	767 368	733 388
Non - current assets		**9 046 753 304**	**9 034 610 026**
Cash and cash equivalents	(3)	8 179 109	5 566 792
Due from related parties	(4)	1 903 099 117	1 548 403 611
Loans to subsidiaries	(14-1)	1 384 703 671	1 350 557 205
Other debit balances	(5)	19 706 887	14 524 023
Current assets		**3 315 688 784**	**2 919 051 631**
Total assets		**12 362 442 088**	**11 953 661 657**
Equity			
Share capital	(16)	9 100 000 000	9 100 000 000
Reserves	(27-10)	89 578 478	89 578 478
Retained loss		(2 805 044 603)	(2 760 294 107)
Total equity		**6 384 533 875**	**6 429 284 371**
Liabilities			
Loans and borrowings	(17)	1 003 888 969	1 003 333 414
Non -current liabilities		**1 003 888 969**	**1 003 333 414**
Due to related parties	(6)	737 387 584	401 380 662
Loans and borrowings	(17)	3 354 754 373	3 357 137 984
Due to Tax Authority		144 523 481	138 613 518
Other credit balances	(7)	683 893 631	570 051 533
Expected claims provision	(8)	53 460 175	53 860 175
Current liabilities		**4 974 019 244**	**4 521 043 872**
Total liabilities		**5 977 908 213**	**5 524 377 286**
Total equity and liabilities		**12 362 442 088**	**11 953 661 657**

The accompanying notes from page 6 to 39 are an integral part of these separate interim financial statements and are to be read therewith.

Limited review report "attached"

Chairman	Managing Director	Chief Financial Officer
Ahmed Heikal	Hisham Hussein El Khazindar	Moataz Farouk

Ahmed Heikal

Citadel Capital Company
(Egyptian Joint Stock Company)
Separate income statement
for the period ended March 31, 2017

(All amounts in EGP)	**Note**	**For the period ended**	
		31/3/2017	**31/3/2016**
Advisory fees	(19-1)	26 634 072	16 534 286
Administrative and general expenses	(20)	(60 205 252)	(69 997 886)
Fixed assets depreciation		(510 579)	(517 285)
Reversal of impairment loss		-	4 982 035
Other income		10 000	1 736 379
Net operating loss		(34 071 759)	(47 262 471)
Finance income (cost) - net	(18)	(10 712 717)	14 677 752
Loss before tax		(44 784 476)	(32 584 719)
Deferred tax	(15)	33 980	(197 316)
Loss for the period		**(44 750 496)**	**(32 782 035)**
Earnings per share	(23)	**(0.02)**	**(0.02)**

The accompanying notes from page 6 to 39 are an integral part of these separate interim financial statements and are to be read therewith.

Citadel Capital Company

(Egyptian Joint Stock Company)

Separate statement of comprehensive income

for the period ended March 31, 2017

(All amounts in EGP)

	For the period ended	
	31/3/2017	**31/3/2016**
Loss for the period	(44 750 496)	(32 782 035)
Total comprehensive income for the period	**(44 750 496)**	**(32 782 035)**

The accompanying notes from page 6 to 39 are an integral part of these separate interim financial statements and are to be read therewith.

Citadel Capital Company

(Egyptian Joint Stock Company)

Separate statement of changes in equity

for the period ended March 31, 2017

(All amounts in EGP)	Share capital	Legal reserve	Retained loss	Shareholders' credit balances	Total
Balance as at January 1, 2017	9 100 000 000	89 578 478	(2 760 294 107)	-	6 429 284 371
Comprehensive income					
Loss for the period ended March 31, 2017	-	-	(44 750 496)	-	(44 750 496)
Total comprehensive income	**-**	**-**	**(44 750 496)**	**-**	**(44 750 496)**
Balance as at March 31, 2017	**9 100 000 000**	**89 578 478**	**(2 805 044 603)**	**-**	**6 384 533 875**
Balance as at January 1, 2016	9 100 000 000	89 578 478	(807 717 020)	1 464 311	8 383 325 769
Comprehensive income					
Loss for the period ended March 31, 2016	-	-	(32 782 035)	-	(32 782 035)
Total comprehensive income	**-**	**-**	**(32 782 035)**	**-**	**(32 782 035)**
Transactions with owners of the Company					
Reclassification of shareholders' credit balances	-	-	-	(1 464 311)	(1 464 311)
Total transactions with owners of the Company	**-**	**-**	**-**	**(1 464 311)**	**(1 464 311)**
Balance as at March 31, 2016	**9 100 000 000**	**89 578 478**	**(840 499 055)**	**-**	**8 349 079 423**

The accompanying notes from page 6 to 39 are an integral part of these separate interim financial statements and are to be read therewith.

Citadel Capital Company

(Egyptian Joint Stock Company)

Separate statement of cash flows

for the period ended March 31, 2017

(All amounts in EGP)	Note	For the period ended	
		31/3/2017	**31/3/2016**
Cash flows from operating activities			
Loss before tax		(44 784 476)	(32 584 719)
Adjustments for:			
Depreciation		510 579	517 285
Unrealized foreign currency differences		11 236 906	(37 000 601)
Interest income		(40 878 496)	(2 705 531)
Reversal of impairment loss		-	(4 982 035)
Operating loss before changes in current assets and current liabilities		**(73 915 487)**	**(76 755 601)**
Changes in:			
Due from related parties		(10 778 754)	(78 900 258)
Other debit balances		(5 182 864)	(12 121 298)
Due to related parties		(7 909 830)	50 602 396
Tax Authority		5 909 963	477 627
Other credit balances		113 842 098	24 334 347
Provisions used		(400 000)	(1 000 000)
Net cash provided from (used in) operating activities		**21 565 126**	**(93 362 787)**
Cash flows from investing activities			
Payments for investments		(2 000 000)	(15 000 003)
Payments for projects under construction		(3 642 292)	(2 455 371)
Net cash used in investing activities		**(5 642 292)**	**(17 455 374)**
Cash flows from financing activities			
Payments for loans and borrowings		-	(50 154 128)
Net cash used in financing activities		**-**	**(50 154 128)**
Net decrease in cash and cash equivalents		15 922 834	(160 972 289)
Cash and cash equivalents as at 1 January	(3)	(7 743 725)	429 075 194
Cash and cash equivalents as at 31 March	(3)	**8 179 109**	**268 102 905**

Non-cash transactions, note (3).

The accompanying notes from page 6 to 39 are an integral part of these separate interim financial statements and are to be read therewith.

1. Company background

1.1 Legal status and activity

Citadel Capital Company - an Egyptian Joint Stock Company - was founded in accordance with the applicable Egyptian laws and in pursuance to law no. (159) of 1981 and its executive regulations. The Company has been registered in the commercial register at Giza under number 11121 on April 13, 2004.

1.2 Purposes of the company

- The Company's basic activity is represented as follows:
  - Providing consultancy in financial and financing fields for different companies and preparing and presenting the feasibility studies in the economical, technological, engineering, marketing, financing, management, borrowing contracts arrangements fields and financing studies in addition to preparing and presenting studies and consultancy regarding projects' promotion and offering the necessary technical support in different fields except legal consultancy.
  - Working as an agent in contracting and negotiation in different fields and steps especially negotiation in the management contracts, participation and technical support.
  - Managing, executing and restructuring of projects.
- On October 20, 2013 the extra-ordinary general assembly has agreed on amending the statute of the Company in accordance with the Capital Market Law and its executive regulations on the basis that the Company is involved in establishing other companies and participating in the capital increases of other companies pursuant to the provision of article No. (27) of the Capital Market Law and article No.(122) of its executive regulations, provided that required legal procedures for amending the statute of the company will take place after completing the required legal procedures for the aforementioned capital increase.
- The company will be known as "Qalaa Holdings" in the English language. Qalaa has been the firm's Arabic name since it was founded in 2004.

Subsequently to the successful completion of the capital increase, the company has transformed its business model from being a private equity company to an investment company with a focus on business segments of energy, cement, agrifoods, transportation & logistics, and mining. The required procedures to amend the Company's commercial register are taking place.

1.3 Registered headquarters

The Company performs its activities from its head quarter located on 1089 Nile Corniche, Four Season Nile Plaza – Garden City, Cairo.

2. Basis of preparation

2.1 Statement of compliance

These separate interim financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian law and regulations. They were authorized to issue by the company's board of directors on 6 July 2017.

Details of the company's accounting policies are included in (Note 27).

2.2 Functional and presentation currency

These separate interim financial statements presented in Egyptian pounds (EGP), which is the Company's functional currency. All financial information presented in Egyptian pounds.

2.3 Use of estimates and judgments

The preparation of separate interim financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions based on historical experience and various other factors that believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions reviewed on an ongoing basis. Revisions to accounting estimates recognized in the period in which the estimate revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements described in the following notes:

- Note (8) – provisions.
- Note (10) – measurement of the recoverable amount of investments in subsidiaries and associates.
- Note (15) – recognition of deferred tax.

2.4 Fair value measurement

- The fair value of financial instruments are determined based on the market value of the financial instrument or similar financial instruments at the date of the financial statements without deducting any estimated future selling costs.
- The value of financial assets are determined by the values of the current purchase prices for those assets, while the value of financial liabilities is determined by the current prices that can be settled by those liabilities.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the prices of the transactions occurred recently, and guided by the current fair value of other similar tools substantially - discounted cash flow method - or any other evaluation method to get resulting values that can rely on.
- When using the discounted cash flow method as a way to evaluate, the future cash flows are estimated based on the best estimates of management. And the discount rate used is determined in the light of the prevailing market price at the date of the financial statements that are similar in nature and conditions.

(In the notes all amounts are shown in EGP unless otherwise stated)

2.5 Consolidated financial statements

The Company has subsidiaries and according to the Egyptian Accounting Standard No. 42 "Consolidated Financial Statements" and the article No. (188) of the executive regulation of law no. (159) of 1981, the Company is required to prepare consolidated financial statements which present fairly the balance sheet, the result of operations and cash flows for the group as a whole.

3. Cash and cash equivalents

	31/3/2017	31/12/2016
Cash on hand	23 445	416 131
Banks – current accounts	8 155 664	5 150 661
Cash and cash equivalents as previously presented in the statement of financial position	8 179 109	5 566 792
Effect of exchange rate changes	--	(13 310 517)
Cash and cash equivalents adjusted as per cash flows statement	8 179 109	(7 743 725)

Non-cash transaction:

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

- An amount of EGP 984 375 has been eliminated from the change in due to related parties and other expenses (represents the transferred from due to related parties – National Development and Trading Company to other expenses).
- An amount of EGP 216 840 000 has been eliminated from the change in due from related parties and due to related parties (represents the amount reversed from due from related parties - Citadel Capital Holding for Financial Investments-Free Zone to due to - related parties National Development and Trading Company).
- An amount of EGP 127 076 752 has been eliminated from the change in due from related parties and due to related parties (represents the amount reversed from due from related parties - Citadel Capital for International Investments Ltd. to due to - related parties National Development and Trading Company).
- An amount of EGP 8 131 247 has been eliminated from the change in due to related parties and interest expenses (represents the difference reversed from due to - related parties National Development and Trading Company and due from related parties –" Citadel Capital Holding for Financial Investments-Free Zone and Citadel Capital for International Investments Ltd "to interest expenses).

(In the notes all amounts are shown in EGP unless otherwise stated)

4. Due from related parties

	Nature of transaction		31/3/2017	31/12/2016
	Advisory fee	Finance		
Mena Home Furnishings Mall	83 283 672	--	83 283 672	79 267 398
Falcon Agriculture Investments Ltd.	236 188 904	--	236 188 904	224 620 745
Golden Crescent Investments Ltd.*	68 941 568	--	68 941 568	68 903 415
Citadel Capital Transportation Opportunities Ltd.*	21 014 777	--	21 014 777	21 003 147
Logria Holding Ltd. *	99 455 491	--	99 455 491	99 400 452
Mena Glass Ltd*.	62 088 520	--	62 088 520	62 054 160
Silverstone Capital Investment Ltd.	21 764 411	--	21 764 411	17 401 894
Sabina for Integrated Solutions *	--	19 877 000	19 877 000	19 866 000
Citadel Capital Financing Corp. *	118 624 418	--	118 624 418	118 558 771
Citadel Capital Transportation Opportunities II Ltd.	84 350 380	--	84 350 380	79 344 659
Citadel Capital Holding for Financial Investments-Free Zone*	--	1 499 536 828	1 499 536 828	1 277 871 417
ASEC Company for Mining (ASCOM)	--	75 557 375	75 557 375	74 008 425
United Foundries Company	--	145 719 136	145 719 136	148 738 576
Citadel Capital for International Investments Ltd.*	--	853 027 078	853 027 078	748 691 683
Africa Railways Limited*	21 748 185	--	21 748 185	21 736 149
Mena Joint Investment Fund GP	59 802 175	--	59 802 175	58 624 550
Citadel Capital Joint Investment Fund Management Ltd.	3 825 699	--	3 825 699	3 823 583
Africa JIF HOLD CO I	3 515 644	--	3 515 644	3 199 559
Africa JIF HOLD CO III	7 600 086	--	7 600 086	6 705 250
Mena JIF HOLD CO I	5 172 290	--	5 172 290	4 855 289
Crondall Holdings Ltd*.	31 927 215	--	31 927 215	31 909 546
International Company for Mining Consultation	--	146 000	146 000	146 000
ESACO Manufacturing, Engineering & Contracting *	--	10 000 000	10 000 000	10 000 000
ASEC Cement Company	8 253 719	13 450 265	21 703 984	18 536 102
Total			3 554 870 836	3 199 266 770
Accumulated impairment loss *			(1 651 771 719)	(1 650 863 159)
Net			1 903 099 117	1 548 403 611

(In the notes all amounts are shown in EGP unless otherwise stated)

* Accumulated impairment loss on due from related parties comprised the following:

	Balance as at 1/1/2017	Foreign currency translation differences	Balance as at 31/3/2017
Logria Holding Ltd.	99 400 452	55 039	99 455 491
Citadel Capital Financing Corp.	118 558 771	65 647	118 624 418
Golden Crescent Investments Ltd.	68 903 415	38 153	68 941 568
Sabina for Integrated Solutions	19 866 000	11 000	19 877 000
ESACO Manufacturing, Engineering & Contracting	10 000 000	--	10 000 000
Citadel Capital Transportation Opportunities Ltd.	21 003 147	11 630	21 014 777
Mena Glass Ltd.	62 054 160	34 360	62 088 520
Africa Railways Limited	21 736 149	12 036	21 748 185
Crondall Holdings Ltd.	31 909 546	17 669	31 927 215
Citadel Capital Holding for Financial Investments-Free Zone	874 482 834	484 206	874 967 040
Citadel Capital for International Investments Ltd.	322 948 685	178 820	323 127 505
Balance	1 650 863 159	908 560	1 651 771 719

5. Other debit balances

	31/3/2017	31/12/2016
Deposits with others	57 500	207 500
Imprests	3 759 228	2 909 183
Letters of guarantee's margin	1 807 000	1 806 000
Taxes deducted by others	867 268	867 268
Prepaid expenses	1 132 695	39 000
Sundry debit balances	12 083 196	8 695 072
Balance	19 706 887	14 524 023

(In the notes all amounts are shown in EGP unless otherwise stated)

6. Due to related parties

	31/3/2017	31/12/2016
National Development and Trading Company	735 887 584	399 880 662
ASEC for Manufacturing and Industrial Projects (ARESCO)	1 500 000	1 500 000
Balance	737 387 584	401 380 662

7. Other credit balances

	31/3/2017	31/12/2016
Accrued expenses	169 458 440	157 668 572
Accrued interest	302 630 251	223 979 661
Suppliers	159 331 188	140 420 658
Prior years dividends payable	2 893 919	2 893 919
National Authority for Social Insurance	564 797	822 212
Shareholders' credit balances	1 464 311	1 464 311
Sundry credit balances	47 550 725	42 802 200
Balance	683 893 631	570 051 533

8. Expected claims provision

	31/3/2017	31/12/2016
Balance at the beginning of the period	53 860 175	231 190 676
Provisions formed during the period	--	1 500 000
Provisions used during the period	(400 000)	(178 830 501)
Balance	53 460 175	53 860 175

This provision represents contingent claims from some of the parties regarding the Company's activities. The usual information related to provisions according to the Egyptian Accounting Standard no. 28 "Provisions and Contingent Assets and Liabilities" has not been disclosed because management believes that disclosing as such could seriously affect the outcome of negotiations with the other parties, and the management periodically reviews this provision and adjusts the provision amount according to the latest discussions with these parties.

(In the notes all amounts are shown in EGP unless otherwise stated)

9. Available-for-sale investments

	31/3/2017	31/12/2016
Arab Swiss Engineering Company – ASEC*	17 479	17 479
Modern Company for Isolating Materials *	43 396	43 396
EFG Capital Partners Fund II *	7 734 489	7 734 489
EFG Capital Partners Fund III	15 970 800	15 970 800
Balance	23 766 164	23 766 164
Accumulated impairment loss *	(6 022 913)	(6 022 913)
Net	17 743 251	17 743 251

* Accumulated impairment loss on investments comprised the following:

	31/3/2017	31/12/2016
Arab Swiss Engineering Company – ASEC	17 479	17 479
Modern Company for Isolating Materials	43 396	43 396
EFG Capital Partners Fund II	5 962 038	5 962 038
Balance	6 022 913	6 022 913

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

10. Investments in subsidiaries

	Percentage %	31/3/2017	Percentage %	31/12/2016
Citadel Capital Holding for Financial Investments-Free Zone	99.99	1 345 352 547	99.99	1 345 352 547
Citadel Capital for International Investments Ltd.	100	2 826 096 099	100	2 826 096 099
National Development and Trading Company */**	47.65	668 170 587	47.65	668 170 587
United Foundries Company */**	29.29	103 699 040	29.29	103 699 040
International Company for Mining Consultation	99.99	62 500	99.99	62 500
ASEC Cement Company *	1.8	42 611 872	1.8	42 611 872
ASEC Company for Mining (ASCOM)	54.74	303 049 871	54.74	303 049 871
Balance		5 289 042 516		5 289 042 516
Accumulated impairment loss **		(253 699 040)		(253 699 040)
Net		5 035 343 476		5 035 343 476

(In the notes all amounts are shown in EGP unless otherwise stated)

* The Company has the control on these companies through direct and indirect equity interest, which enable the Company to consider these companies as subsidiaries.

** Accumulated impairment loss on investments comprised the following:

	31/3/2017	31/12/2016
National Development and Trading Company	150 000 000	150 000 000
United Foundries Company	103 699 040	103 699 040
Balance	253 699 040	253 699 040

- Investments in subsidiaries are represented in unlisted equity shares in the Stock Exchange except ASEC Company for Mining (ASCOM) with market value of EGP 205 821 464 which represents 25 727 683 share with a market price EGP 8 per share as at March 31, 2017 versus EGP 136 357 340 as at December 31, 2016.

11. Payments for investments

	31/3/2017	31/12/2016
Citadel Capital Holding for Financial Investments-Free Zone	2 604 784 586	2 604 784 586
Citadel Capital for International Investments Ltd.	982 920 068	982 920 068
Other*	108 886 800	106 886 800
Balance	3 696 591 454	3 694 591 454

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

(In the notes all amounts are shown in EGP unless otherwise stated)

12. Fixed assets

For the period ended March 31, 2017

	Building & constructions*	Computers	Furniture, fixture and equipment	Vehicles	Total
Cost as at 1/1/2017	33 742 368	8 791 813	23 036 843	539 800	66 110 824
Total cost as at 31/3/2017	33 742 368	8 791 813	23 036 843	539 800	66 110 824
Accumulated depreciation as at 1/1/2017	16 871 183	8 470 917	22 902 595	539 800	48 784 495
Depreciation for the period	421 780	73 443	15 356	--	510 579
Accumulated depreciation as at 31/3/2017	17 292 963	8 544 360	22 917 951	539 800	49 295 074
Carrying amounts at 31/3/2017	16 449 405	247 453	118 892	--	16 815 750
Carrying amounts at 31/12/2016	16 871 185	320 896	134 248	--	17 326 329

For the period ended 31 March 2016

	Building & constructions*	Computers	Furniture, fixture and equipment	Vehicles	Total
Cost as at 1/1/2016	33 742 368	8 791 813	23 036 843	539 800	66 110 824
Total cost as at 31/3/2016	33 742 368	8 791 813	23 036 843	539 800	66 110 824
Accumulated depreciation as at 1/1/2016	15 184 065	8 156 337	22 841 170	539 800	46 721 372
Depreciation for the period	421 779	80 146	15 360	--	517 285
Accumulated depreciation as at 31/3/2016	15 605 844	8 236 483	22 856 530	539 800	47 238 657
Carrying amounts at 31/3/2016	18 136 524	555 330	180 313	--	18 872 167

* Building and constructions represent the cost of the head quarter of the company.

(In the notes all amounts are shown in EGP unless otherwise stated)

13. Projects under construction

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

	31/3/2017	31/12/2016
Cost at the beginning of the period	11 085 708	7 070 294
Additions	3 642 292	6 135 669
Disposals	--	(2 120 255)
Balance	14 728 000	11 085 708

14. Loans to subsidiaries

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

	Note	31/3/2017	31/12/2016
Current			
National Development and Trading Company	14.1	1 384 703 671	1 350 557 205
Non – current			
United Foundries Company *	14.2	468 819 884	461 729 373
ASEC Company for Mining (ASCOM)	14.3	157 344 121	157 257 047
		626 164 005	618 986 420
Accumulated impairment loss *		(361 400 000)	(361 200 000)
Net		264 764 005	257 786 420
Balance		1 649 467 676	1 608 343 625

14.1 The Company granted two subordinating loans to National Development and Trading Company –subsidiary, dated December 28, 2009 and September 21, 2010 with amounts of US.$ 40 968 630 and US.$ 8 064 887 respectively. The loans contracts period is five years, the principle of the two loans have to be paid with interest at the end of loans' period, with 11.5% annual 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.

(In the notes all amounts are shown in EGP unless otherwise stated)

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

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

- During 2014, the company has signed two waiver contracts to Al Olayan Saudi investment Ltd by a portion from the two loans with a total amount of US.$ 23 million represented in US.$ 14 813 172 (principle amount) and US.$ 8 186 828 (accrued interest amount).
- The balance of the two loans after the Assignment Agreement became: US.$ 76 629 976 (equivalent to EGP 1 384 703 671) as at March 31, 2017 versus US.$ 74 781 684 (equivalent to EGP 1 350 557 205) at December 31, 2016 including accrued interest during the period amounted to US.$ 1 828 894 (equivalent to EGP 33 048 110) as at March 31, 2017 versus US.$ 7 603 371 (equivalent to EGP 137 316 880 as at December 31, 2016).

14.2 The Company granted a subordinating convertible loan to United Foundries Company – one of its subsidiaries – on June 2, 2010 with an amount of US.$ 11 563 187 for three years, the principle of the loan has to be paid with interest at the end of the loan period, with 11.5% annual compound interest , according to the loan contract the Company has the right to convert the value of the loan in addition to its interest due into capital increase in the capital of United Foundries Company with par value at the end of loan period.

The guarantees are represented in a first degree lien of United Foundries Company shares in Ameryah Metal Company a subsidiary of 99.72%.

- On January 9, 2012 the board of directors of United Foundries Company decided to convert the convertible loan contract to a subordinating loan that will be settled on 10 years with annual interest rate of 6% against commission with an amount of US.$ 1 421 320 (equivalent to EGP 8 641 626) at the transaction date. The subordinating loan for United Foundries Company is US.$ 25 944 653 (equivalent to EGP 468 819 884) as at March 31, 2017 versus US.$ 25 566 410 (equivalent to EGP 461 729 373) as at December 31, 2016 including accrued interest during the period amounted to US.$ 378 243 (equivalent to EGP 5 957 324) as at March 31, 2017 versus US.$ 1 447 452 (equivalent to EGP 26 140 983 as at December 31, 2016).

(In the notes all amounts are shown in EGP unless otherwise stated)

14.3 The Company granted a loan to ASEC company for mining (ASCOM) – one of its subsidiaries – on September 7, 2014 with an amount of US.$ 17 700 000. The loan contract period is seven years with annual interest rate of 6% and default rate of 8%. The principle of the loan has to be re-paid at the end of the loan agreement period. The principle of the loan should be used solely to support ASCOM and its related subsidiaries. The borrower should pay to Citadel Capital S.A.E (The lender) a fee up to 3% of the aggregate amount of the loan to cover the fees, costs and expenses incurred in connection with the loan. During the period, the borrower has re-paid an amount of US.$ 8.9 million from the due loan amount. The balance of the loan became with an amount of US.$ 8 707 478 (equivalent to EGP 157 334 121) as at March 31, 2017, versus US.$ 8 707 478 (equivalent to EGP 157 257 047) as at December 31, 2016. Accrued interest during the period amounted to US.$ 128 823 (equivalent to EGP 2 028 962) as at March 31, 2017 has been recorded on the current account - (note 4) versus 827 327 (equivalent to EGP 14 941 537) as at December 31, 2016.

15. Deferred tax assets

	31/3/2017	31/12/2016
Fixed assets – depreciation	767 368	733 388

The Company has carried-forward tax losses from previous years with an amount of EGP 431 347 270 at March 31, 2017 and the related deferred tax assets amounted EGP 97 053 135 which will not be recognized due to the lack of reasonable assurance of future of benefit from these assets.

16. Share capital

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

- The Company's extra-ordinary general assembly meeting held on October 20, 2013 approved the increase of the authorized capital from EGP 6 billion to EGP 9 billion and the increase of the issued capital from EGP 4 358 125 000 to EGP 8 billion, with an increase of EGP 3 641 875 000 by issuing 728 375 000 new shares at par value of EGP 5 per share, distributed over 182 093 750 preferred shares and 546 281 250 ordinary shares, without issuance costs. The purpose of this capital increase is to finance the acquisition of additional shares in its related companies, financing the Company's share contribution in the capital increases of some of its related companies and entering into new investments and settlement of some of Company's liabilities.

The Board of Directors approved in its meeting held on February 13, 2014 to cover the subscription of the unsubscribed Company's shares in the capital increase through offsetting the shareholders' credit balances that are payable by the Company (note 7) against the subscription price of the shares. The commercial register has been updated with the increase on April 16, 2014.

- The Company's extra-ordinary general assembly meeting held on March 25, 2015 approved the increase of the authorized capital from EGP 9 billion to EGP 10 billion and the increase of the issued capital from EGP 8 billion to EGP 9.7 billion, with an increase of EGP 1.7 billion in cash allowing the use of credit balances payable to existing shareholders by issuing 340 million new shares at par value of EGP 5 per share, consisting of 85 million preferred shares and 255 million ordinary shares, without issuance costs.
- The capital increase subscription started on June 2, 2015 and closed on the end of the working day September 9, 2015. The subscription had been covered by 64.71% represented in 220 million share of which 1 738 649 preferred share with an amount of EGP 8 693 245 and 218 261 351 ordinary share with an amount of EGP 1 091 306 755, with a total amount of EGP 1.1 billion and thus the company's issued share capital after increase amounted EGP 9.1 billion, represents 1 820 000 000 shares comprising of 1 418 261 351 ordinary share and 401 738 649 preferred share at par value of EGP 5 per share. The commercial register has been updated with the increase on September 29, 2015.
- The preferred share has the advantage of triple voting right comparing with ordinary share on the decisions of the Company's extraordinary and ordinary general assembly meetings according to the decision of the Company's extraordinary general assembly meeting held on May 12, 2008 and also paragraph no.(3) of article no.(18) of the Company's article of associations. Those preferred shares are owned by Citadel Capital Partners Ltd. the principle shareholder of the Company.

(In the notes all amounts are shown in EGP unless otherwise stated)

The shareholders' structure is representing in the following:

Shareholder's name	Percentage %	No. of Shares	Value in EGP
Citadel Capital Partners Ltd.	24.36	443 295 671	2 216 478 355
Emirates International Investments Company	7.62	138 767 960	693 839 800
Others	68.02	1 237 936 369	6 189 681 845
	100	1 820 000 000	9 100 000 000

17. Loans and borrowings

On February 1, 2012 the Company has signed a long-term loan 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 December 31, 2011 (which represented in the loan granted to the Company on May 15, 2008 with an amount of US.$ 200 million for a period of five years from a group of banks represented in Arab African International Bank, Suez Canal Bank, Misr bank , Piraeus Bank, Morgan Stanely Bank and Citi Bank London "syndication manager"); loan is to be paid on three installments during the contract period begins from the third year to the end of contract on May 15, 2013. The loan balance is US.$ 171 957 803 (equivalent to EGP 1 032 984 912) as at December 31, 2011 until the date of the new contract)

The new loan amount is divided into three classes:-

- First tranche: 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 tranche: Irrevocable amount of US.$ 125 million bearing fixed interest rate (3.9 %+Libor rate on the date of withdrawal) for 10 years begins from the date of the contract and payable on nine equal annual installments with one-year grace period.
- Third tranche: Irrevocable amount of US.$ 25 million bearing fixed interest rate (3.9 %+Libor rate on the date of withdrawal) and the Company has the right to use it within three years begins from the date of the contract and payable on nine equal annual installments begins from the date of withdrawal with one year grace period.

(In the notes all amounts are shown in EGP unless otherwise stated)

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

The Company has used an amount of US.$ 300 million from funding granted to it till December 31, 2013. The Company has paid an amount of US.$ 58 791 182 so the balance of the loan will be US.$ 241 208 818 as at March 31, 2017 (equivalent to EGP 4 358 643 341) .

- The current installments are amounted to US.$ 185 653 258 (equivalent to EGP 3 354 754 373 as at March 31, 2017) versus US.$ 185 888 034 (equivalent to EGP 3 357 137 984 as at December 31, 2016). Current installments are as following:-

	First tranche		Second tranche		Total
	Maturity date	US.$	Maturity date	US.$	US.$
First installment	December 20, 2012	35 000 000	December 20, 2012	Grace period one year	35 000 000
Second installment	December 20, 2013	35 000 000	December 20, 2013	13 888 888	48 888 888
Third installment	December 20, 2014	35 000 000	December 20, 2014	13 888 888	48 888 888
Fourth installment	December 20, 2015	35 000 000	December 20, 2015	13 888 888	48 888 888
Fifth installment	December 20, 2016	35 000 000	December 20, 2016	13 888 888	48 888 888
sixth installment			December 20, 2017	13 888 888	13 888 888
Total					244 444 440
Paid amount					(58 791 182)
Balance					185 653 258

- The non-current installments are amounted to US.$ 55 555 560 (equivalent to EGP 1 003 888 969 as at March 31, 2017) versus US.$ 55 555 560 (equivalent to EGP 1 003 333 414 as at December 31, 2016).
- The interest on loan charged to the income statement during the period is EGP 63 767 143 (note 18)
- The Company is currently in final negotiations with its senior lenders to reschedule its senior secured debt facility.

  The 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 Holding 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.
  - Underscore International Holdings Ltd.
  - Brennan Solutions
  - Citadel Capital Transportation Opportunities II Ltd.
  - Citadel Capital for Promotion Company

(In the notes all amounts are shown in EGP unless otherwise stated)

18. Finance income (cost) - net

	For the period ended	
	31/3/2017	31/3/2016
Interest income - note (19.2)	67 001 030	13 872 446
Interest expense – note (17)	(63 767 143)	(36 195 295)
Other finance costs	(1 871 176)	--
Foreign currency differences	(12 075 428)	37 000 601
Net	(10 712 717)	14 677 752

19. Related party transactions

19.1 Advisory fees

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

	For the period ended	
Company's name	31/3/2017	31/3/2016
Mena Home Furnishings Mall	3 462 370	1 721 292
Citadel Capital Transportation Opportunities Ltd.	--	474 060
Falcon Agriculture Investments Ltd.	9 974 522	4 958 762
ASEC Cement Company	2 755 652	1 820 464
Silverstone Capital Investment Ltd.	3 794 018	1 886 169
Citadel Capital Transportation Opportunities II Ltd.	4 324 754	2 150 016
Africa Railways Limited	--	2 355 953
Mena Joint Investment Fund GP	273 958	501 731
Africa JIF HOLD CO I	273 958	137 706
Africa JIF HOLD CO III	776 703	390 427
Mena JIF HOLD CO I	998 137	137 706
Total	26 634 072	16 534 286

- The Company did not recognize advisory fee related to Golden Crescent , Logria holding LTD., Africa Railways Limited and Citadel Capital Transportation Opportunities Ltd. according to the signed contracts due to non fulfilling the conditions of recognition and collection. The unrecognized advisory fees at March 31, 2017 comprised the following:

(In the notes all amounts are shown in EGP unless otherwise stated)

	For the period ended	
	31/3/2017	31/3/2016
Company's name		
Golden Crescent	27 679 431	13 901 632
Logria holding LTD.	5 125 258	2 574 101
Africa Railways Limited	4 738 986	--
Citadel Capital Transportation Opportunities Ltd.	953 568	--
Total	38 497 243	16 475 733

19.2 Interest income

Interest income presented in finance income – (note 18) included an amount of EGP 58 842 632 which represent the accrued interest income according to the signed contracts with some related parties as follows:

	For the period ended	
	31/3/2017	31/3/2016
Company's name		
National Development and Trading Company - note (14.1)	33 048 110	--
United Foundries Company - note (19.2.1)	7 830 386	3 725 592
Citadel Capital Holding for Financial Investments-Free Zone	15 935 174	8 432 510
ASEC Company for Mining (ASCOM)	2 028 962	1 019 887
Total	58 842 632	13 177 989

19.2.1 Interest income related to United Foundries Company is represented as follows:

	For the period ended	
	31/3/2017	31/3/2016
Subordinating loan interest – Note (14.2)	5 957 324	2 705 531
Current account interest	1 873 062	1 020 061
Total	7 830 386	3 725 592

(In the notes all amounts are shown in EGP unless otherwise stated)

20. Administrative and general expenses

	For the period ended	
	31/3/2017	31/3/2016
Wages and salaries	39 813 329	33 809 540
Consultancy fee	6 897 699	21 986 174
Advertising and public relations	2 721 083	4 286 335
Travel , accommodation and transportations	2 503 824	1 970 844
Donations	1 375 000	3 132 100
Other expenses	6 894 317	4 812 893
Total	60 205 252	69 997 886

21. Management fee

The Company's extraordinary general assembly meeting held on May 12, 2008 approved the management contract with Citadel Capital Partners Ltd. (the principal shareholder of – 24.36%) which states that Citadel Capital Partners Ltd. provides management duties for fee based on 10% of the net annual profit available for distribution. This agreement shall remain in effect as long as Citadel Capital Partners owns 15% or more preferred shares.

22. Tax status

Corporate tax

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

Salaries tax

The Company deducts the salaries tax according to tax law no. 91/2005 and the Company's books inspected for the period from launch till the date of 31/12/2009 but the authority did not inform the Company with results yet. The years from 2010/2016 have not been inspected yet.

(In the notes all amounts are shown in EGP unless otherwise stated)

Stamp tax

The Company was inspected till July 31, 2006 and paid all the accrued amounts according to the Internal Committee decision and for the period from August 1, 2006 to December 31, 2014 has been inspected and the dispute has transferred to Internal Committee in the Authority and the years from 2015/2016 have not been inspected yet.

Withholding tax

The Company applies the withholding tax provisions on its transactions with private sector according to tax law No. 91/2005 and no tax inspection for withholding tax has taken place yet.

23. Earnings per share

	For the period ended	
	31/3/2017	**31/3/2016**
Loss for the period	(44 750 496)	(32 782 035)
Weighted average number of shares including the preferred shares with same distribution rights as ordinary shares	1 820 000 000	1 820 000 000
Basic earnings per share	(0.02)	(0.02)

24. Employees Stock Option Plan

- The Company's extraordinary meeting held on February 20, 2008 approved to add a new article to the Company Article of Association to adopt a plan or more to motivate employees, managers and executive board of directors – Employees Stock Option Plan (ESOP) in accordance with decision no. (282) for year 2005 which modified executive regulation for the law No. 159 / 1981.
- On June 22, 2008 the Capital Market Authority approved the ESOP plan and the Company did not start to apply it.

25. Commitment and liabilities

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

(In the notes all amounts are shown in EGP unless otherwise stated)

26. Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances and debtors while financial liabilities include creditors. (Note 27) of notes to the separate financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses. The following are the significant risks related to those financial instruments and the policies and procedures followed by the company to reduce the effect of these risks:

26.1 Credit risk

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

26.2 Liquidity risk

Liquidity risk is represented in the factors, which may affect the Company's ability to pay part of or full amount of its liabilities. According to the Company's policy, sufficient cash balances are retained to meet the Company's current liabilities which minimize the liquidity risk.

26.3 Market risk

A- Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies. Assets and liabilities that have foreign currency position at the financial position date equivalent to EGP 300 976 497 and EGP 271 198 819 respectively and net foreign currencies balances at the financial position date are as follows:

Foreign currencies	Surplus (deficit)
US.$	54 730 669
Euro	(24 261 448)
GBP	(691 543)

- As disclosed in (note 27.1), the Company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the financial position date.

B- Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. As the market dictates, the Company sometimes borrows at variable rates leaving certain exposure to changes in interest rate risk.

C- Price risk

The Company is exposed to market price risk on equity instrument and according to the Company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

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

26.4 Capital risk management

The Company's objectives when managing capital are to safeguard the management's ability to continue as a going concern in order to provide returns to the benefits to the Company's shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, management may adjust the amount of distribution paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management 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 current portion of long term loans, trade payable and due to related parties plus long term loans as shown on the statement of financial position less cash and cash equivalents.

The gearing ratios at March 31, 2017 and December 31, 2016 were as follows:

(In the notes all amounts are shown in EGP unless otherwise stated)

	31/3/2017	31/12/2016
Liabilities		
Due to related parties	737 387 584	401 380 662
Current portion of long term loans	3 354 754 373	3 357 137 984
Due to Tax Authority	144 523 480	138 613 518
Other credit balances	683 893 631	570 051 533
Expected claims provision	53 460 175	53 860 175
Long term loans	1 003 888 969	1 003 333 414
Total	5 977 908 212	5 524 377 286
Less: Cash and cash equivalents	(8 179 109)	(5 566 792)
Net debt	5 969 729 103	5 518 810 494
Total equity	6 384 533 876	6 429 284 371
Gearing ratio	94%	85%

27. Significant accounting policies applied

The following accounting policies have been consistently applied by the Company to all periods presented in these separate interim financial statements.

27.1 Foreign currency transactions

The Company maintains its accounts in Egyptian pounds. Transactions dominated in foreign currencies are translated at foreign exchange rate ruling at the date of transactions. Monetary assets and liabilities dominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. The foreign currency exchange differences arising on the translation at the balance sheet date are recognized in the separate income statement.

27.2 Fixed assets depreciation

27-2-1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

27-2-2 Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

27-2-3 Depreciation

- Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

27.3 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bring the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

27.4 Gains and losses from disposal of fixed assets

Gains and losses from disposal of fixed assets are determined by comparing net disposal proceeds of assets to its net book value, resulted gain and losses recorded in the separate income statements.

27.5 Investments

27.5.1 Investments at fair value through income statement

An investment classified as at fair value through income statement if it held for trading or designated as such upon initial recognition. Financial investments designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs recognized in income statement when incurred. Financial instruments at fair value through income statement measured at fair value, and changes therein recognized in income statement.

27.5.2 Available-for-sale investments

Available-for-sale investments are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses (Note 27.6) which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available-for-sale identifies, based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value cannot be measured reliably are valued by an accepted valuation techniques including the use of new objective techniques or discounted cash flow analysis or option pricing models or other valuation techniques – if the company cannot estimate the fair value, it can be stated at cost less impairment loss.

27.5.3 Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
Investments in subsidiaries stated at cost less impairment (Note 27.6). At each balance sheet date, management assesses the investments' recoverable amount and in case that the recoverable amount is less than the carrying amount then an impairment loss is recognized in the income statement.

27.6 Impairment of assets

27.6.1 Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset calculated by reference to its current fair value.

- Individually significant financial assets tested for impairment on an individual basis. The remaining financial assets assessed collectively in groups that share similar credit risk characteristics.

  All impairment losses recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity transferred to income statement.

- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal recognized directly in equity.

27.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

27.7 Cash and cash equivalents

Cash and cash equivalent includes the balances, which maturity not exceeding three months from the date of acquisition. At the balance sheet date the balances are represented in cash on hand and banks-current accounts. The separate statement of cash flow has been prepared by the indirect method.

27.8 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, Interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

27.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

27.10 Legal reserve

The Company's Statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be stopped when the total reserve reaches an amount equal to half of the Company's issued capital and when the reserve falls below this limit, it shall be necessary to resume the deduction.

27.11 Issued capital

27.11.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS 24.

27.11.2 Preference shares

The Group'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 variable number of the Group's equity instruments. Discretionary dividends there on are recognized as equity distributions on approval by the company's shareholders.

27.11.3 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable cost, is recognized as a change in equity.
Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

27.11.4 Dividends

Dividends are recognized as a liability in the period in which they are declared.

27.12 Share-based payments

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.
The entity shall settle the grant of equity instruments during the vesting period with the amount that would otherwise have been recognized for services received. The entity accounted for any settlements as a deduction from equity based on the final share price when the options are exercised.

27.13 Financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financial and investment activities. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in income statement when incurred and at the balance sheet date, the changes in fair value include as follows:-

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

27.14 Lending

Loans are stated at cost less any impairment losses in its value and the Company revaluates the loans at each balance sheet date, in case of impairment in the redeemable value of the loan less than its book value the loan is impaired by the value of impairment loss and recognized in income statement.

27.15 Revenues

Revenues comprise the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities. Revenue is shown net of sales tax, rebates, and discounts.

The Company recognises revenues when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction, and the specifics of each arrangement.

27.15.1 Gains (losses) on sale of investments

Gains (losses) resulted from sale of financial investments & investments property are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses.

27.15.2 Dividend income

Dividend income is recognized in the income statement at the date that the Company has rights to receive dividends from investments and occurred after the acquisition date.

27.15.3 Management fee

Management fee is calculated based on agreed percentage in accordance with contract term with a managed companies using accrual basis of accounting.

27.15.4 Advisory fees

Advisory fees is calculated based on agreed percentage in accordance with contract term with a managed companies using accrual basis of accounting.

27.15.5 Interest income

Interest income is recognized on time proportion basis to take into account effective yield on the asset.

27.16 Expenses

27.16.1 Interest expense

Interest expense on interest - bearing borrowing is recognized in the income statement during the period the company was charged these expenses using the effective interest rate method.

27.16.2 Employees pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution only. Contributions are charged to income statement using the accrual basis of accounting.

27.16.3 Income tax

- Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

  Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.
- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

27.17 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

27.18 Profit sharing to employees

The Company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.