



## **Auditor's report**

**To : The shareholders of Citadel Capital Company (S.A.E.)**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Citadel Capital Company (S.A.E.) and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the consolidated financial statements**

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management's 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 consolidated financial statements based on our audit. Except for the matter described in the Basis for qualified opinion paragraph, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated 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 consolidated financial statements.



## **The shareholders of Citadel Capital Company (S.A.E.)**

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#### **Basis for qualified opinion**

As described in note (30) to the accompanying consolidated financial statements, the Group's management assessed that it had lost control over Africa Railways Limited and its subsidiaries (the "ARL Group") as at 31 December 2018 in light of the issuance of a court order during 2018 to liquidate the ARL Group. As a result, it deconsolidated the ARL Group as at 31 December 2018 and consequently recognised a gain in the consolidated statement of profit or loss of EGP 3.9 billion for the year then ended.

In view of the ambiguity surrounding the timing of the loss of control over the ARL Group, attributed to the commencement of its liquidation, we were unable to obtain sufficient appropriate audit evidence or perform any alternative procedures to determine whether the Group did indeed cease to have control over the ARL Group during the year ended 31 December 2018 or whether the control was actually lost during the year ended 31 December 2019.

Further, Group management was not able to obtain any recent financial information in respect of the underlying subsidiaries of the ARL Group. Accordingly, the Group's management based the deconsolidation during 2018, referred to above, on the latest information available to it as amended by its own assumptions and estimates of transactions it believed to have occurred after the date of that information. Consequently, we were unable to obtain sufficient, appropriate audit evidence to determine the reliability of the financial information of ARL Group used in the deconsolidation process and which led to the recognition of the gain of EGP 3.9 billion recorded in the consolidated statement of profit or loss during the year ended 31 December 2018.

We were therefore, unable to determine whether adjustments might be required to these amounts that could have an impact on the consolidated statement of financial position of the Group as at 31 December 2019 or its consolidated financial performance and consolidated cash flows for the year then ended.

#### **Qualified opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matters referred to in the *Basis for qualified opinion* paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citadel Capital Company and its subsidiaries as at 31 December 2019 and of its financial performance and its cash flows for the fiscal year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.