



Hazem Hassan  
Public Accountants & Consultants

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

**Unconsolidated financial statements**  
**for the period ended March 31, 2010**

**&**

**Review report**

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### Review report

#### To the Board of Directors of Citadel Capital Company

##### ***Introduction***

We have performed a limited review for the accompanying unconsolidated balance sheet of Citadel Capital Company (Egyptian Joint Stock Company) as at March 31, 2010 and the related unconsolidated statements of income, cash flows and changes in equity 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 interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

##### ***Scope of limited review***

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

##### ***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2010, and of its unconsolidated financial performance and its unconsolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Cairo May 13, 2010

  
KPMG Hazem Hassan







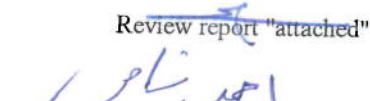
**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated balance sheet**  
**as at March 31, 2010**

	Note no.	31/3/2010 LE	31/12/2009 LE
<b>Current assets</b>			
Cash and cash equivalents	(4)	138 463 630	248 428 433
Due from related parties (net)	(5)	556 297 798	611 466 323
Other debit balances	(6)	15 933 862	17 194 821
Total current assets		<u>710 695 290</u>	<u>877 089 577</u>
<b>Current liabilities</b>			
Due to related parties	(7)	332 333 704	305 128 943
Other credit balances	(8)	28 017 015	39 923 273
Expected claims provision	(9)	14 312 225	14 312 225
Total current liabilities		<u>374 662 944</u>	<u>359 364 441</u>
Working capital		336 032 346	517 725 136
<b>Non - current assets</b>			
Available-for-sale investments	(10)	26 391 801	30 685 943
Investments in subsidiaries and associates (net)	(11)	2 331 817 291	2 351 676 028
Payments for investments (net)	(12)	1 285 915 837	1 026 582 003
Fixed assets (net)	(13)	81 860 562	83 901 410
Convertible loans to associates	(14)	338 116 391	400 349 686
Deferred tax assets	(15)	1 210 604	687 237
Total non - current assets		<u>4 065 312 486</u>	<u>3 893 882 307</u>
Total investment		<u>4 401 344 832</u>	<u>4 411 607 443</u>
<b>Financed through:</b>			
<b>Equity</b>			
Share capital	(16)	3 308 125 000	3 308 125 000
Legal reserve	(3.10)	89 578 478	79 011 015
Hedging reserve	(17)	( 21 015 089)	( 16 882 076)
Retained earnings		<u>222 926 816</u>	<u>22 145 027</u>
Net profit for the period / year		3 599 615 205	3 392 398 966
Total equity		<u>1 514 190</u>	<u>211 349 252</u>
		<u>3 601 129 395</u>	<u>3 603 748 218</u>
<b>Non - current liabilities</b>			
Long term loans	(17)	800 215 437	807 859 225
Total non - current liabilities		<u>800 215 437</u>	<u>807 859 225</u>
Total equity and non - current liabilities		<u>4 401 344 832</u>	<u>4 411 607 443</u>

The accompanying notes from page 5 to page 24 are an integral part of these financial statements and are to be read therewith .

  
Chairman  
Ahmed Heikal

  
Managing Director  
Hisham Hussein El Khazindar

Review report "attached"  
  
Board Member / CFO  
Ahmed El Shamy

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated income statement**  
**for the period ended March 31, 2010**

		<b>For the period ended</b>	
	<b>Note</b>	<b>31/3/2010</b>	<b>31/3/2009</b>
	<b>no.</b>	<b>LE</b>	<b>LE</b>
Advisory fee	(21.1)	24 781 646	24 954 479
Gains on sale of investments	(18)	11 978 226	-
Other operating income	(21.3)	5 491 300	-
Total operating income		42 251 172	24 954 479
General and administrative expenses	(23)	( 51 792 325)	( 29 484 889)
Net operating loss		( 9 541 153)	( 4 530 410)
Net finance income (expenses)	(19)	10 531 976	( 16 618 874)
Net profit (loss) before income tax		990 823	( 21 149 284)
Deferred tax	(15)	523 367	815 357
Net profit (loss) for the period		1 514 190	( 20 333 927)
Earnings per share	(20)	0.002	( 0.04 )

The accompanying notes from page 5 to page 24 are an integral part of these financial statements and are to be read therewith .

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated statement of changes in equity**  
**for the period ended March 31, 2010**

	Note no.	Share capital LE	Legal reserve LE	Hedging reserve LE	Retained earnings LE	Net profit for the year / period LE	Total LE
Balance as at December 31,2008		2 750 000 000	77 845 487	( 3 554 169)	-	23 310 555	2 847 601 873
Profit appropriation for the year 2008	(3.10)	-	1 165 528	-	22 145 027	( 23 310 555)	-
Payment of capital	(16)	275 500 000	-	-	-	-	275 500 000
Changes in fair value of cash flow hedges	(17)	-	-	( 2 563 123)	-	-	( 2 563 123)
Net loss for the period ended March 31,2009		-	-	-	-	( 20 333 927)	( 20 333 927)
Balance as at March 31,2009		3 025 500 000	79 011 015	( 6 117 292)	22 145 027	( 20 333 927)	3 100 204 823
Balance as at December 31, 2009		3 308 125 000	79 011 015	( 16 882 076)	22 145 027	211 349 252	3 603 748 218
Profit appropriation for the year 2009 *	(3.10)	-	10 567 463	-	200 781 789	( 211 349 252)	-
Changes in fair value of cash flow hedges	(17)	-	-	( 4 133 013)	-	-	( 4 133 013)
Net profit for the period ended March 31,2010		-	-	-	-	1 514 190	1 514 190
Balance as at March 31,2010		3 308 125 000	89 578 478	( 21 015 089)	222 926 816	1 514 190	3 601 129 395

\* The company's general assembly meeting has been held on April 4,2010 to approve the financial statements for the year ended December 31,2009.

The accompanying notes from page 5 to page 24 are an integral part of these financial statements and are to be read therewith .



**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Unconsolidated cash flows statement**  
**for the period ended March 31, 2010**

	For the period ended	
	31/3/2010	31/3/2009
	LE	LE
<b>Cash flows from operating activities</b>		
Net profit (loss) before tax	990 823	( 21 149 284)
<b>Adjustments to reconcile net profit (loss) to net cash provided from (used in) operating activities :</b>		
Fixed assets depreciation	2 173 208	2 008 780
Unrealized foreign currency differences	1 176 350	18 529 600
Gains on sale of investments in subsidiaries	( 9 575 740)	-
Gains on sale of available-for-sale investments	( 2 402 486)	-
Operating loss before changes in working capital	<u>( 7 637 845)</u>	<u>( 610 904)</u>
<b>Decrease (increase) in assets</b>		
Due from related parties	46 287 387	( 67 324 189)
Other debit balances	1 260 959	( 4 203 720)
<b>Increase (decrease) in liabilities</b>		
Due to related parties	27 204 761	( 102 430 682)
Creditors and other credit balances	( 13 863 896)	( 9 313 409)
Net cash provided from (used in) operating activities	<u>53 251 366</u>	<u>( 183 882 904)</u>
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets	( 132 360)	( 1 974 938)
Payments for investments	( 250 452 696)	( 57 552 009)
Proceeds from sale of investments in subsidiaries and associates	29 434 477	-
Proceeds from sale of available-for-sale investments	6 696 628	-
Proceeds from loans to associates	63 119 264	-
Net cash used in investing activities	<u>( 151 334 687)</u>	<u>( 59 526 947)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuing of share capital	-	275 500 000
Dividends paid	-	( 69 498)
Payments for loans	( 9 706 107)	-
Hedging reserve	( 2 175 375)	( 1 091 568)
Net cash (used in) provided from financing activities	<u>( 11 881 482)</u>	<u>274 338 934</u>
Net change in cash and cash equivalent during the period	( 109 964 803)	30 929 083
Cash and cash equivalent at the beginning of the period	248 428 433	125 693 812
Cash and cash equivalent at the end of the period	<u>138 463 630</u>	<u>156 622 895</u>

The accompanying notes from page 5 to page 24 are an integral part of these financial statements and are to be read therewith .

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Notes to the unconsolidated financial statements**  
**for the period ended March 31, 2010**

**1. Company background**

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

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

**2. Basis of preparation**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

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

- Financial instruments at fair value through income statement.
- Available-for-sale investments.
- Derivative financial instruments (hedging reserve).



### **2.3 Functional and presentation currency**

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

### **2.4 Use of estimates and judgments**

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

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

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

- Note (11) – measurement of the recoverable amount of investments in subsidiaries and associates.
- Note (15) – recognition of deferred tax.
- Note (9) – provisions.

### **2.5 Consolidated financial statements**

The company has subsidiaries and according to the Egyptian Accounting Standard No. 17 "Consolidated Financial Statements" and the article No. 188 of the executive regulation of law No. 159/1981, the Company is required to prepare consolidated financial statements which present fairly the financial position, the result of operations and cash flows for the group as a whole.

### 3. Significant accounting policies applied

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

#### 3.1 Foreign currency translation

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

#### 3.2 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (note 3.5). Depreciation is charged to the income statement over the estimated useful life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

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

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

### **3.3 Projects under construction**

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

### **3.4 Gains & losses form disposal of fixed assets**

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

### **3.5 Investments**

#### **3.5.1 Investments at fair value through income statement**

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

#### **3.5.2 Available-for-sale investments**

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



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

Investments in subsidiaries and associates are stated at cost less impairment (note 3.6). At each balance sheet date, management assesses the investments' recoverable amount and in case that the recoverable amount is less than the carrying amount then an impairment loss is recognized in the income statement.

## **3.6 Impairment of assets**

### **3.6.1 Financial assets**

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.  
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.
- Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to income statement.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

### **3.6.2 Non-financial assets**

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

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

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

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

### **3.7 Cash and cash equivalents**

For the purpose of preparing the Cash Flows Statement, cash and cash equivalents are represented in the cash on hand and banks current accounts.

### **3.8 Interest-bearing borrowings**

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

### **3.9 Provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a



pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

### **3.10 Legal reserve**

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

### **3.11 Issued capital**

#### **3.11.1 Repurchase of share capital**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable cost, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

#### **3.11.2 Dividends**

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

### **3.12 Derivative financial instruments**

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financial and investment activities. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in income statement when incurred.

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires, sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity



remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

### **3.13 Lending**

The lending is stated at cost deducting from it any impairment loss in its value and the Company evaluate the loans at the balance sheet date, in case of impairment in the redeemable value of the loan less than its book value the loan is impaired by the value of impairment loss and recognized in income statement.

### **3.14 Revenues**

#### **3.14.1 Gains (losses) on sale of investments**

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

#### **3.14.2 Dividend income**

Dividend income is recorded when declared.

#### **3.14.3 Management fee**

Management fees are recognized upon rendering the service according to accrual basis.

#### **3.14.4 Advisory fee**

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

#### **3.14.5 Interest income**

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

### **3.15 Expenses**

#### **3.15.1 Interest expense**

Interest expense on interest - bearing borrowing is recognized in the income statement using the effective interest rate method.

### **3.15.2 Employees pension**

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

### **3.15.3 Income tax**

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

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.16 Earnings per share**

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

### 3.17 Profit sharing to employees

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

### 4. Cash and cash equivalents

	31/3/2010	31/12/2009
	LE	LE
Cash on hand	11 731	68 565
Banks – current accounts	138 451 899	248 359 868
Balance	<u>138 463 630</u>	<u>248 428 433</u>
Non cash transactions		

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

- An amount of LE 1 957 638 from changes in other credit balances and changes in fair value of cash flow hedges reserve (represents the accrued amount of March according to the bank claim).
- An amount of LE 8 881 138 from payments to purchase investments in subsidiaries and change in due from related parties (represents the transfer from related parties' current account to payments for investments).

### 5. Due from related parties

	Nature of transaction		31/3/2010	31/12/2009
	Advisory fee	Finance		
	LE	LE	LE	LE
Mena Home Furnishings Mall	4 468 694	--	4 468 694	3 450 513
Falcon Agriculture Investments Ltd.	3 167 656	--	3 167 656	13 903 434
Golden Crescent Investments	8 201 849	--	8 201 849	6 591 082
Orient Investments Properties Ltd.	30 644 891	--	30 644 891	27 177 005
Regional Investments Holding	7 999 545	--	7 999 545	6 817 887
Logria Holding	43 031 562	--	43 031 562	34 335 141
Mena Glass Ltd.	999 700	--	999 700	3 817 404
Silverstone Capital Investment Ltd.	1 643 572	--	1 643 572	1 228 523
Sabina for Integrated Solutions	6 040 320	--	6 040 320	38 338 300
Sphinx Glass Ltd.	1 098 240	--	1 098 240	4 381 520



Citadel Capital Company

Notes to the unconsolidated financial statements  
for the period ended 31/3/2010

	Nature of transaction		31/3/2010	31/12/2009
	Advisory fee	Finance		
	LE	LE	LE	LE
ASEC Cement Holding	3 405 428	--	3 405 428	13 604 02
National Development and Trading Company	--	70 373 616	70 373 616	59 232 05
CC Holding for Financial Investments-Free Zone	--	248 585 099	248 585 099	213 616 28
United Foundries	--	35 051 592	35 051 592	36 097 04
ASEC for Mining (ASCOM)	--	39 487 680	39 487 680	31 207 60
Citadel Capital for International Investments Ltd.	--	41 607 054	41 607 054	117 668 50
ASEC for Manufacturing and Industries Project Company (ARESCO)	--	5 000 000	5 000 000	--
Eco-Logic Ltd.	5 491 300	--	5 491 300	--
Citadel Capital for Scholarship	--	--	--	2 301 113
Total			556 297 798	613 767 436
Impairment			--	(2 301 113)
Net			556 297 798	611 466 323

6. Other debit balances

	31/3/2010	31/12/2009
	LE	LE
Deposits with others	1 419 652	1 419 652
Imprest	525 547	826 627
Advances to suppliers	709 638	1 785 883
Prepaid expenses	221 417	475 440
Letters of guarantee's margin	549 130	547 690
Tax withheld by others	350 947	--
Sundry debit balances	12 157 531	12 139 529
Balance	15 933 862	17 194 821

7. Due to related parties

	31/3/2010	31/12/2009
	LE	LE
Citadel Capital Partners Ltd.*	332 333 704	305 128 943

\* The main shareholder of the Company - 42%.

**8. Other credit balances**

	<b>31/3/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Tax Authority	3 328 709	284 538
Accrued expenses	11 691 480	31 914 294
Accrued interest	2 506 230	2 665 113
Suppliers	7 487 967	2 091 727
Prior years dividends payable	2 893 919	2 893 919
Social Insurance Association	47 773	12 745
Sundry credit balances	60 937	60 937
Balance	<u>28 017 015</u>	<u>39 923 273</u>

**9. Expected claims provision**

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

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

**10. Available-for-sale investments**

	<b>31/3/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Arab Swiss Engineering Company (ASEC)	17 479	17 479
Modern Company for Isolating Materials	43 396	43 396
Horus Private Equity Fund II	10 360 126	14 654 268
Horus Private Equity Fund III	15 970 800	15 970 800
Balance	<u>26 391 801</u>	<u>30 685 943</u>

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

# 11. Investments in subsidiaries and associates

	Percentage	31/3/2010	Percentage	31/12/2009
	%	LE	%	LE
National Development and Trading Company	49.50	668 170 587	49.50	668 170 587
ASEC for Mining (ASCOM)	39.22	143 829 262	44.64	163 687 999
Citadel Capital Holding for Financial Investments-				
Free Zone	99.99	1 345 352 547	99.99	1 345 352 547
United Foundries	49.29	174 459 040	49.29	174 459 040
Citadel Capital for International Investment Ltd.	100	5 855	100	5 855
Citadel Capital – Algeria	--	--	99.99	6 194 250
Total		2 331 817 291		2 357 870 278
Impairment		--		(6 194 250)
Net		2 331 817 291		2 351 676 028

- Investments in subsidiaries and associates are represented in unlisted securities in the Stock Exchange except ASEC for Mining (ASCOM) which has market value of LE 167 480 024 as at March 31, 2010 versus LE 236 023 425 as at December 31, 2009.

# 12. Payments for investments

	31/3/2010	31/12/2009
	LE	LE
Glass Rock	5 211 925	5 211 925
Citadel Capital Holding for Financial Investments		
-Free Zone	716 919 636	651 176 519
Fund Project	21 018 001	19 414 025
Citadel Capital for International Investments Ltd.	535 409 998	348 378 910
Forestry Project	2 400 624	2 400 624
Mammoth Project	4 955 653	--
ASCOM Algeria	--	3 285 594
Citadel Capital – Algeria	--	9 413 070
Total	1 285 915 837	1 039 280 667
Impairment	--	(12 698 664)
Net	1 285 915 837	1 026 582 003



### 13. Fixed Assets

	Land	Building and constructions	Computer and software	Furniture and fixture	Vehicles	Assets under* construction	Total
	LE	LE	LE	LE	LE	LE	LE
Post as at 1/1/2010	24 000 000	33 742 368	7 048 249	22 368 302	539 800	20 084 048	107 782 767
Additions during the period	--	--	104 660	27 700	--	--	132 360
Total cost as at 31/3/2010	24 000 000	33 742 368	7 152 909	22 396 002	539 800	20 084 048	107 915 127
Accumulated depreciation as at 1/1/2010	--	5 061 355	4 660 792	13 900 556	258 654	--	23 881 357
Depreciation during the period	--	421 780	347 403	1 370 288	33 737	--	2 173 208
Accumulated depreciation as at 31/3/2010	--	5 483 135	5 008 195	15 270 844	292 391	--	26 054 565
Net cost as at 31/3/2010	24 000 000	28 259 233	2 144 714	7 125 158	247 409	20 084 048	81 860 562
Net cost as at 31/12/2009	24 000 000	28 681 013	2 387 457	8 467 746	281 146	20 084 048	83 901 410

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

### 14. Convertible loans to associates

The Company has granted a subordinating loan to National Company for Development and Trading – (one of the associate companies - 49.5%) as at December 28, 2009 with an amount of US.\$ 73 097 863 (equivalent to LE 400 349 686 as at December 31,2009) and the Company has transferred an amount of US \$ 11 524 758 (equivalent to LE 63 119 264) from the loan principle for Financial Holding International (one of National Development & Trading Company's shareholders) to be US \$ 61 573 105 (equivalent to LE 338 116 391 as at March 31,2010) for a period of five years, the principle of the loan has to be paid with interest at the end of the loan period, with 11.5% annual cumulative interest , according to the loan contract the company has the right to convert the value of the loan in addition to its interest due to capital increase in the capital of National Company for Development and Trading with par value.

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

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

#### 15. Deferred tax assets

	31/3/2010	31/12/2009
	LE	LE
Fixed assets (depreciation)	<u>1 210 604</u>	<u>687 237</u>

#### 16. Share capital

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

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

Shareholders' name	Percentage %	No. of shares	Value in LE
Citadel Capital Partners Ltd.	42.00	277 894 450	1 389 472 250
Emirates International Investments Company	8.75	57 891 132	289 455 660
Others	49.25	325 839 418	1 629 197 090
	<u>100</u>	<u>661 625 000</u>	<u>3 308 125 000</u>



#### 17. Long term loans

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

Loan is to be paid on three installments:

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

The Company has withdrawn an amount of US.\$ 145 724 225 (equivalent to the amount of LE 800 215 437 as at March 31, 2010) versus of US.\$ 147 503 008 (equivalent to the amount of LE 807 859 225 as at December 31, 2009).

The loan guarantees are as follows:

- 1- First rank lien contract for shares of National Development and Trading.
- 2- First rank lien contract of 9 805 622 shares of ASEC for mining (ASCOM).
- 3- First rank lien contract for shares of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
- 4- First rank lien contract for Investments of Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone) in the following companies:
  - Orient Properties Ltd.
  - Logria Holding Ltd.
  - Golden Crescent Investment Ltd.
  - Falcon Agriculture Investment Ltd.
  - Silverstone Capital Investment Ltd.
  - Mena Glass Inc. Company.
  - Al Chark Book Stores.
  - El Kateb for Marketing and Distribution.
  - Pharos Holding Company.

#### - Hedging contract for risk of interest rate swap

On May 15, 2008 the Company signed a hedging contract with Citi Bank – London that results in stabilizing the labor interest on loan by 4.195 % interest rate on the amount of US. \$ 74 millions that equal 50 % of the withdrawal amount of the loan according to its conditions.



**18. Gains on sale of investments**

	For the period ended	
	31/3/2010	31/3/2009
	LE	LE
Gains on sale of investments in associates *	9 575 740	--
Gains on sale of available-for-sale investment	2 402 486	--
Total	<u>11 978 226</u>	<u>--</u>

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

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

**19. Finance income (expenses)**

	For the period ended	
	31/3/2010	31/3/2009
	LE	LE
Credit interest *	20 131 649	410 112
Debit interest	(6 136 388)	(8 727 665)
Foreign currency differences	(3 463 285)	(8 301 321)
Net	<u>10 531 976</u>	<u>(16 618 874)</u>

\* Note no. (21.2)

**20. Earnings per share**

	For the period ended	
	31/3/2010	31/3/2009
	LE	LE
Net profit (loss) for the period	1 514 190	(20 333 927)
The weighted average number of shares	661 625 000	566 715 730
Earnings per share	<u>0.002</u>	<u>(0.04)</u>

**21. Related party transactions**

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

Company's name	For the period ended	
	31/3/2010	31/3/2009
	LE	LE
Mena Glass Ltd.	996 860	918 716
Mena Home Furnishings Mall	1 006 224	818 745
Regional Investments Holding	1 160 406	1 038 655
Falcone Agriculture Investment Ltd.	3 158 600	3 226 598
Logria Holding	8 581 705	8 766 329
Golden Crescent Investment Ltd.	1 589 030	1 861 629
Orient Investment Ltd.	3 387 277	4 112 329
Sphinx Glass Ltd.	1 095 120	1 118 680
ASEC Cement Company	3 395 754	3 092 798
Silverstone Capital Investment Ltd.	410 670	--
Total	<u>24 781 646</u>	<u>24 954 479</u>

- 21.2 Credit interest – finance cost (note no. 19) includes an amount of LE 19 964 612 which represent the accrued interest income according to signed contracts with related parties as follows:

Company's name	For the period ended	
	31/3/2010	31/3/2009
	LE	LE
Citadel Capital for International Investments Ltd.	1 772 578	--
Citadel Capital Holding for Financial Investments- Free Zone	6 548 350	--
National Development and Trading Company	11 018 579	--
United Foundries	625 105	--
Total	<u>19 964 612</u>	<u>--</u>

- 21.3 Other operating income includes an amount of LE 5 491 300 (equivalent to US. \$ 1 million) represents the amount due from Eco-Logic Ltd. (one of the associates) for bearing all the direct and indirect pre-operation fees.

## **22. Tax Status**

### **Corporate tax**

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

### **Salaries tax**

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

### **Stamp tax**

The Company was inspected till July 31, 2006 and paid all the accrued amounts according to the Internal Committee decision and no tax inspection for the period from 1/8/2006 to 31/12/2008 has been taken place yet.

### **Withholding tax**

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

## **23. Management fees**

The Company's extraordinary general assembly meeting held on May 12, 2008 approved the management contract with Citadel Capital Partners Ltd. (the principal shareholder of - 42 %) which states that Citadel Capital Partners Ltd. provides management duties for fees based on 10% of the net annual profit available for distribution. The management fees is LE 168 243 for the period ended March 31, 2010.

## **24. Employees Stock Option Plan**

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



**25. Financial instruments and management of related risks:**

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks and debtors while financial liabilities include banks over draft and creditors. Note (no. 3) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the Company to minimize the consequences of such risks.

**25.1 Liquidity risk**

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

**25.2 Foreign currencies risk**

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As disclosed in note (3.1) the Company has used the prevailing exchange rates to revalue monetary assets and liabilities at the balance sheet date.

**25.3 Financial instruments' fair values**

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