

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

**Consolidated financial statements**  
**for the period ended June 30 , 2010**

**&**

**Review report**

<b>Contents</b>	<b>Page</b>
Review report	
Consolidated balance sheet	1
Consolidated income statement	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Notes to the consolidated financial statements	5 – 39



## Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11  
Telefax : (202) 35 36 23 01 - 35 36 23 05  
E-mail : egypt@kpmg.com.eg  
Postal Code : 12556 Al Ahram

### Review report

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

##### *Introduction*

We have performed a limited review for the accompanying consolidated balance sheet of Citadel Capital Company (Egyptian Joint Stock Company) and its subsidiaries as at June 30, 2010 and the related consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the six 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 consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2010 and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo, August 19, 2010

Hassan Basyoni  
KPMG Hazem Hassan  
KPMG Hazem Hassan  
Public Accountants and Consultants  
①

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Consolidated balance sheet**  
**as at June 30, 2010**

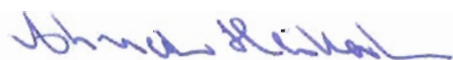
	note no.	30/6/2010 LE	31/12/2009 LE
<b>Assets</b>			
Fixed assets (net)	(5)	80 573 183	101 254 466
Intangible assets (net)	(6)	1 151	2 083 377
Investments in subsidiaries and associates	(7)	2 070 473 751	1 792 714 352
Other investments	(8)	1 871 849 306	1 886 936 960
Deferred tax assets	(15)	1 035 679	284 589
<b>Total non-current assets</b>		<b>4 023 933 070</b>	<b>3 783 273 744</b>
Inventories		-	978 990
Other investments	(8)	3 920 160	4 854 256
Trade and other receivables	(9)	736 848 447	863 738 199
Cash and cash equivalents	(10)	158 848 094	268 589 879
<b>Total current assets</b>		<b>899 616 701</b>	<b>1 138 161 324</b>
<b>Total assets</b>		<b>4 923 549 771</b>	<b>4 921 435 068</b>
<b>Equity</b>			
Share capital	(11)	3 308 125 000	3 308 125 000
Reserves	(12)	73 300 395	33 787 567
Retained earnings		299 155 051	93 302 536
Net (loss) profit for the period / year		( 126 088 222)	159 110 191
<b>Total equity attributable to equity holders of the company</b>		<b>3 554 492 224</b>	<b>3 594 325 294</b>
<b>Non - controlling interests</b>		<b>11 017 449</b>	<b>31 911 579</b>
<b>Total equity</b>		<b>3 565 509 673</b>	<b>3 626 236 873</b>
<b>Liabilities</b>			
Loans and borrowings	(13)	800 948 563	808 031 729
Long term liabilities	(14)	49 108 857	58 531 470
<b>Total non-current liabilities</b>		<b>850 057 420</b>	<b>866 563 199</b>
Banks overdraft		-	2 333 910
Loans and borrowings	(13)	-	48 138
Trade and other payables	(16)	493 670 453	406 757 928
Expected claims provision	(17)	14 312 225	19 495 020
<b>Total current liabilities</b>		<b>507 982 678</b>	<b>428 634 996</b>
<b>Total liabilities</b>		<b>1 358 040 098</b>	<b>1 295 198 195</b>
<b>Total equity and liabilities</b>		<b>4 923 549 771</b>	<b>4 921 435 068</b>

The notes on pages 5 to 39 are integral part of these consolidated financial statements and to be read therewith .

Chairman  
Ahmed Heikal

Managing Director  
Hisham Hussein El Khazendar

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



**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Consolidated Income statement**  
**for the period ended June 30, 2010**

	note no.	For the period		For the period	
		from 1/4/2010	from 1/1/2010	from 1/4/2009	from 1/1/2009
		to 30/6/2010	to 30/6/2010	to 30/6/2009	to 30/6/2009
		LE	LE	LE	LE
Advisory fee	(26-1)	22 590 902	45 520 256	19 538 831	39 543 112
Gains on sale of investments	(18)	-	12 916 250	65 287 115	68 093 478
Share of (loss) profit of equity accounted investees	(19)	( 34 598 758)	( 41 246 422)	10 862 736	16 895 139
Other income		( 164 397)	342	3 239 707	3 239 707
<b>Total operating (loss) income</b>		<b>( 12 172 253)</b>	<b>17 190 426</b>	<b>98 928 389</b>	<b>127 771 436</b>
General and administrative expenses	(30)	( 88 146 755)	( 158 783 815)	( 40 608 861)	( 74 091 756)
Other expenses	(20)	( 1 179 470)	( 934 096)	( 6 559 710)	( 4 660 328)
<b>Net operating (loss) profit</b>		<b>( 101 498 478)</b>	<b>( 142 527 485)</b>	<b>51 759 818</b>	<b>49 019 352</b>
Net financing income (expense)	(21)	6 587 514	18 560 347	( 3 774 404)	( 20 567 471)
<b>Net (loss) profit before income tax</b>		<b>( 94 910 964)</b>	<b>( 123 967 138)</b>	<b>47 985 414</b>	<b>28 451 881</b>
Income tax	(23)	( 121 729)	348 090	( 2 213 391)	( 1 398 034)
<b>Net (loss) profit from continued operations (after tax)</b>		<b>( 95 032 693)</b>	<b>( 123 619 048)</b>	<b>45 772 023</b>	<b>27 053 847</b>
Net loss from discontinued operations (after tax)	(24,4-6)	-	( 5 093 933)	( 33 889 949)	( 21 355 678)
<b>Net (loss) profit for the period</b>		<b>( 95 032 693)</b>	<b>( 128 712 981)</b>	<b>11 882 074</b>	<b>5 698 169</b>
<b>Attributable to:</b>					
Equity holders of the Company		( 94 748 852)	( 126 088 222)	22 881 194	3 134 267
Non - controlling interests		( 283 841)	( 2 624 759)	( 10 999 120)	2 563 902
		<b>( 95 032 693)</b>	<b>( 128 712 981)</b>	<b>11 882 074</b>	<b>5 698 169</b>
<b>Earnings per share</b>	(25)	<b>(0.14)</b>	<b>(0.19)</b>	<b>0.04</b>	<b>0.01</b>

The notes on pages 5 to 39 are integral part of these consolidated financial statements and to be read therewith .

Citadel Capital Company  
 (Excluded Joint Stock Company)  
 Consolidated statement of changes in equity  
 for the period ended June 30, 2010

note no.	Share capital	Legal reserve		Fair value reserve - AFS		F.C. translation reserve		Hedging reserve		Company's share of items recognized in associate equity		Retained earnings	Net (loss) profit for the year / period	Total	Non-controlling interests	Total equity
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE					
	2 750 000 000	77 845 487	( 3 10 883)	( 14 682 979)	( 3 554 169)	-	-	185 519 412	( 50 753 146)	2 944 053 722	2 968 653 214	5 912 716 936				
(3-19)	-	1 165 528	-	-	-	-	-	( 58 779 956)	50 753 146	( 6 861 322)	-	( 6 861 322)				
(3-4)	-	-	-	-	( 5 834 060)	-	-	-	-	( 5 834 060)	-	( 5 834 060)				
(3-2)	-	-	-	( 10 257 085)	-	-	-	-	-	( 10 257 085)	( 16 312 752)	( 26 569 837)				
(3-7-1)	-	-	312 011	-	-	-	-	-	-	312 011	( 906 721)	( 594 710)				
	-	-	-	-	-	-	-	-	-	-	16 739 837	16 739 837				
(11)	275 500 000	-	-	-	-	-	-	-	-	275 500 000	-	275 500 000				
	-	-	-	-	-	-	-	-	3 134 267	3 134 267	2 563 902	5 698 169				
	3 025 500 000	79 011 015	1 128	( 24 940 064)	( 9 388 229)	-	-	126 739 416	3 134 267	3 200 057 533	2 970 737 480	6 170 795 013				
	3 308 125 000	79 011 015	826 797	35 420 639	( 16 882 076)	( 64 588 808)	-	93 302 536	159 110 191	3 594 325 294	31 911 579	3 626 236 873				
(3-19)	-	10 567 463	-	-	-	-	-	142 001 343	( 159 110 191)	( 6 541 385)	( 1 574 439)	( 8 115 824)				
(3-4)	-	-	-	-	( 8 319 093)	-	-	-	-	( 8 319 093)	-	( 8 319 093)				
(3-2)	-	-	-	37 102 639	-	-	-	-	-	37 102 639	143 552	37 246 191				
(3-7-1)	-	-	( 950 490)	-	-	-	-	-	-	( 950 490)	-	( 950 490)				
	-	-	-	-	-	-	-	-	-	-	( 16 838 484)	( 16 838 484)				
	-	-	-	-	-	1 112 309	-	63 851 172	-	64 963 481	-	64 963 481				
	-	-	-	-	-	-	-	( 126 088 222)	( 126 088 222)	( 126 088 222)	( 2 624 759)	( 128 712 981)				
	3 308 125 000	89 578 478	( 123 693)	72 523 278	( 25 201 169)	( 63 476 499)	-	299 155 051	( 126 088 222)	3 554 492 224	11 017 449	3 565 509 673				

The notes on pages 5 to 39 are integral part of these consolidated financial statements and to be read therewith.

**Citadel Capital Company**  
**(Egyptian Joint Stock Company)**  
**Consolidated cash flows statement**  
**for the period ended June 30, 2010**

	For the period ended	
	30/6/2010	30/6/2009
	LE	LE
<b>Cash flows from operating activities</b>		
Net (loss) profit before income tax	(123 967 138)	28 451 881
<b>Adjustments to reconcile net (loss) profit to net cash used in operating activities :</b>		
Net profit from discontinued operations (before tax)	(5 093 933)	(1 426 256)
Depreciation and amortizations	4 930 429	74 871 037
Provisions formed	994 881	32 595 612
Share of loss (profit) of equity accounted investees	55 873 046	(44 984 824)
Net change in the fair value of investments at fair value through profit and loss	934 096	( 656 770)
Foreign exchange differences	33 650 550	10 324 826
Gains on sale of investments in subsidiaries and associates	(10 513 764)	(63 741 327)
Gains on sale of available - for - sale investments	(2 402 486)	-
Provisions used	-	(26 965 530)
Reversal of provisions	-	(21 986 184)
Impairment loss on trade and other receivables	-	5 485 971
Loss on sale of fixed assets	-	11 846
Operating loss before changes in working capital	(45 594 319)	(8 019 718)
Change in trade and other receivables	(186 183 561)	(457 106 882)
Change in inventories	-	76 129 092
Change in investments at fair value through profit and loss	-	31 966 611
Change in trade and other payables	143 891 689	14 075 762
Net cash used in operating activities	(87 886 191)	(342 955 135)
<b>Cash flows from investing activities</b>		
Payments for purchase of fixed assets	( 4 491 752)	( 553 561 312)
Proceeds from sale of fixed assets	-	14 700 674
Payments for purchasing / proceeds from other investments	(153 519 076)	42 997 385
Proceeds from sale of investments in subsidiaries & associates	29 434 477	48 639 616
Payments for purchase of investments in subsidiaries and associates	(13 118 953)	-
Proceeds from sale of available - for - sale investments	6 696 628	-
Proceeds from loans to associates	162 321 870	-
Proceeds from dividends	1 762 902	4 543 594
Payment for acquisition of intangible assets	-	( 599 543)
Net cash provided from (used in) investing activities	29 086 096	( 443 279 586)
<b>Cash flows from financing activities</b>		
Proceeds from issuing of share capital	-	275 500 000
Proceeds from capital related to non - controlling interests	3 203 520	178 789 022
Dividends related to non - controlling interests	(1 574 439)	(30 931 657)
Payments for borrowings	(35 523 927)	(80 742 478)
Hedging reserve	(6 317 853)	(4 166 481)
Dividends payout	-	(4 443 757)
Proceeds from banks overdraft	-	102 269 127
Net cash (used in) provided from financing activities	(40 212 699)	436 273 776
Net changes in cash and cash equivalents during the period	(99 012 794)	(349 960 945)
Cash and cash equivalents at the beginning of the period	268 589 879	1 158 070 019
Cash related to deconsolidation of subsidiaries	(10 728 991)	(2 542 360)
Cash and cash equivalents at the end of the period	158 848 094	805 566 714

The notes on pages 5 to 39 are integral part of these consolidated financial statements and to be read therewith .

## **1. Reporting entity**

Citadel Capital Company (the "Company") is an Egyptian Joint Stock Company domiciled in the Arab Republic of Egypt. The address of the Company's registered office is 3 El Yemen St., Dokki - Giza.

The Company is a private equity firm operating in the Middle East and North Africa (MENA) region, with completed and committed transactions. The Company focuses primarily on the emerging economies of the MENA region, particularly Egypt, Algeria, Libya and Syria.

The Company also invest selectively in other areas that are a natural outgrowth of the primary market, including sub-Saharan Africa.

The consolidated financial statements of the Company for the period ended June 30, 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

## **2. Basis of preparation**

### **2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and applicable laws and regulations.

The financial statements were approved by the Board of Directors.

### **2.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except assets and liabilities which are measured at fair value as follows:

- Financial instruments at fair value through the profit and loss.
- Available-for-sale financial assets.
- Derivative financial instruments.

The methods used to measure the fair value are discussed in note 4.

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

These consolidated financial statements are presented in Egyptian Pound, which is the Company's functional currency.

### **2.4 Use of estimate and judgements**

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 recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note (6) measurements of the recoverable amounts of intangible assets and goodwill.
- Note (8-1) valuation of financial instruments.
- Note (17) provisions.

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current period presentation note no. (4-6).

#### **3.1 Basis of consolidation**

##### **3.1.1 Subsidiaries**

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS 24 Income

Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

- Non - controlling interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non - controlling interests in the profit or loss of the group shall also be separately disclosed.
- A parent loses control when it loses the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

### **3.1.2 Loss exceeding minority interest**

Losses that exceed the minority interest in the equity of a subsidiary may create a debit balance on minority interest only if the minority has a binding obligation to fund the losses and is able to contribute an additional investment to cover the losses .If this is not the case then the losses are attributable to the parent's interest . If the subsidiary subsequently reports profits, then these profits are allocated to parent until the share of losses absorbed previously by the parent has been recovered.

### **3.1.3 Acquisitions from minorities and entities under common control**

Business combinations arising from transfers of interests from minorities or in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated when practical. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entity or attributable to the minorities are added to the same components within the Group equity except that any share capital of the acquired entities is recognised as notional capital contribution. Any cash paid for the acquisition recognised directly in equity.

### **3.1.4 Associates**

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment..

### **3.2 Foreign currency translation**

The Company maintains its accounts in Egyptian pounds. Transactions denominated in foreign currencies are translated at foreign exchange rate ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rates ruling at that date.

Foreign currency differences arising on the retranslation are recognized in the income statement.

### **3.3 Foreign operations**

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the reporting date, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rate prevailing during the period of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as translation reserves adjustments.

### **3.4 Financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### **Cash flow hedges**

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 or is 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.

#### **Fair value hedges**

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

### **3.5 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.

### **3.6 Cash and cash equivalents**

For the purpose of preparing the Cash Flow Statement, cash and cash equivalents are represented in the cash, banks current accounts ,deposits and cheques under collection.

### **3.7 Investments**

#### **3.7.1 Available-for-sale financial investments**

Available-for-sale financial investments 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 can not be measured reliably, are stated at cost less impairment loss.

### 3.7.2 Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

### 3.7.3 Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

## 3.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## 3.9 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (note 3.13). 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.

### **3.10 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.

### **3.11 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 statement.

### **3.12 Intangible assets**

#### **3.12.1 Goodwill**

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

#### **3.12.2 Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

#### **3.12.3 Subsequent expenditures**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

#### **3.12.4 Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for intangible assets range between 3:20 years.

### **3.13 Impairment**

#### **3.13.1 Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 amortised 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 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 recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

#### **3.13.2 Non-financial assets**

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

### **3.14 Trade and other receivables**

Non-interest bearing short-term trade and other receivables are stated at cost less impairment losses. An impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss relating to trade receivables is recognised in the income

statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

### **3.15 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are based on the weighted average or first-in first-out principles depending on the nature of the inventory, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **3.16 Trade and other payables**

Short-term trade and other payables are stated at cost.

### **3.17 Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event and it is 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.

### **3.18 Interest bearing borrowings**

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

**3.19 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 ceased 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.

**3.20 Dividends**

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

**3.21 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 substantially 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.

**3.22 Earnings per share**

The Group presents basic and diluted 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### **3.23 Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### **3.24 Employees benefits**

#### **3.24.1 Pensions**

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

#### **3.24.2 Other short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **3.25 Revenue**

#### **3.25.1 Gain (loss) on sale of investments**

Gain (loss) 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.

#### **3.25.2 Services**

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

#### **3.25.3 Commissions**

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

Other intangible assets that have finite useful lives are measured at cost less accumulated impairment loss.

#### **4.2 Inventories**

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### **4.3 Investment in equity and debt securities**

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

#### **4.4 Trade and other receivables**

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### **4.5 Non-derivatives financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### **4.6 Comparative figures**

The comparative figures include the value of assets, liabilities, of the following subsidiaries:

- Eco-Logic Ltd.
- Citadel Capital for projects.
- ENTAG.

During the period, the company transferred these investments from subsidiaries to associates through restructuring the board of directors so, the value of assets and liabilities related to these subsidiaries are deconsolidated.

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**5. Fixed assets**

	Land		Buildings		Lease hold improvements		Furniture & fixtures		Machines & equipment		Computer equipment & software		Transportation Means		Assets under construction*		Total	
	LE		LE		LE		LE		LE		LE		LE		LE		LE	
Cost as at 1/1/2010	24 675 000		38 740 236		3 862 787		24 220 081		2 234 634		9 777 720		2 072 805		22 934 529		128 517 792	
Additions	--	--	--	--	3 091 458		629 294		--		724 755		46 245		--		4 491 752	
Foreign currency translation differences	--	--	--	--	(3 820)		(1 525)		--		(1 663)		(2 908)		--		(9 916)	
Deconsolidation of subsidiaries **	(675 000)		(4 997 868)		(6 742 086)		(2 275 521)		(2 234 634)		(3 116 464)		(1 462 105)		(2 422 146)		(23 925 824)	
Cost as at 30/6/2010	24 000 000		33 742 368		208 339		22 572 329		--		7 384 348		654 037		20 512 383		109 073 804	
Accumulated depreciation as at 1/1/2010	--		5 346 741		479 167		14 180 148		618 992		5 494 068		1 144 210		--		27 263 326	
Depreciation	--	--	843 559		255 465		2 873 625		--		865 990		90 233		--		4 928 872	
Foreign currency translation differences	--	--	--		(899)		(628)		--		(893)		(960)		--		(3 380)	
Deconsolidation of subsidiaries **	--	--	(285 386)		(650 331)		(328 969)		(618 992)		(946 177)		(858 342)		--		(3 688 197)	
Accumulated depreciation as at 30/6/2010	--		5 904 914		83 402		16 724 176		--		5 412 988		375 141		--		28 500 621	
<b>Carrying amounts</b>																		
At 30/6/2010	24 000 000		27 837 454		124 937		5 848 153		--		1 971 360		278 896		20 512 383		80 573 183	
At 31/12/2009	24 675 000		33 393 495		3 383 620		10 039 933		1 615 642		4 283 652		928 595		22 934 529		101 254 466	

\* Assets under construction are represented in fixtures and constructions of a new headquarters.

\*\* Note no. (4-6).

## 6. Intangible assets

	Goodwill	Others	Total
	LE	LE	LE
<b>Cost</b>			
Balance as at January 1, 2010	2 080 598	7 486	2 088 084
Foreign currency translation differences	--	(185)	(185)
Deconsolidation of subsidiaries *	(2 080 598)	--	(2 080 598)
Balance as at June 30, 2010	--	7 301	7 301
<b>Amortisation and impairment loss</b>			
Balance as at January 1, 2009	--	1 254 830	1 254 830
Amortisation	--	1 346 923	1 346 923
Deconsolidation of subsidiaries	--	(2 597 046)	(2 597 046)
Balance as at December 31, 2009	--	4 707	4 707
Balance as at January 1, 2010	--	4 707	4 707
Amortisation	--	1 557	1 557
Foreign currency translation differences	--	(114)	(114)
Balance as at June 30, 2010	--	6 150	6 150
<b>Carrying amounts</b>			
At June 30, 2010	--	1 151	1 151
At December 31, 2009	2 080 598	2 779	2 083 377

6.1 Goodwill is related to the acquisition of the following subsidiaries:

	30/6/2010	31/12/2009
	LE	LE
ENTAG	--	2 080 598

6.2 Other intangible assets are represented in:

	30/6/2010	31/12/2009
	LE	LE
Licenses trade mark	1 151	2 779

Amortisation and impairment loss are recognised in other expenses caption in the income statement.

\* Note no. (4-6).

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**7. Investments in subsidiaries & associates**

The Group investments in subsidiaries and associates are represented in:

	Percentage		Carrying amount	
	2010	2009	30/6/2010	31/12/2009
	%	%	LE	LE
El Kateb for Marketing & Distribution Co.	48.88	48.88	2 386 849	1 880 330
Pharos Holding Co. *	53.00	53.00	97 107 441	90 723 155
Elsharq Book Stores Co.	40.00	40.00	16 560 115	17 330 491
ASEC Company for Mining (ASCOM)	39.22	44.64	144 443 538	155 844 937
Silverstone Capital Investments Ltd.	40.11	38.81	310 367 834	290 283 211
Dar El-Sherouk Ltd. *	58.51	58.51	170 882 164	173 536 657
Crondall Holdings Ltd.	47.67	47.67	80 232 205	77 569 693
National Development & Trading Company	47.65	49.50	627 289 950	630 505 743
United Foundries and Heat Treatment Company	49.29	49.29	121 221 317	132 488 961
Mena Home Furnishings Malls	32.13	26.26	129 911 375	88 657 562
Regional Investments Holdings Ltd.	40.63	28.21	185 054 440	101 893 612
Eco-Logic Ltd.**	99.99	--	48 118 190	--
Mena Glass Ltd. ***	21.03	--	136 681 205	--
Tanmeyah Company S.A.E ****	51.00	--	217 128	--
ECARU	--	34.80	--	32 000 000
			<u>2 070 473 751</u>	<u>1 792 714 352</u>

\* The Company does not consolidate these subsidiaries as the control is not existed as the Company has no power to govern the financial and operation policies of these subsidiaries.

\*\* Investments in these companies were reclassified from investments in subsidiaries to investments in associates as the Companies' Board of Directors were restructured and the Company's voting right was reduced to less than the half (from 67% to 33%) according to these companies Board of Directors' meeting held as at January 1,2010.

\*\*\* Note no. (8-1)

\*\*\*\* Note no. (24)

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**Summary of financial statements of associates company**

2010	Current assets		Non-current assets		Total assets		Current liabilities		Non-current liabilities		Total liabilities		Revenues		Expenses		
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	
El Kateb for Marketing & Distribution Co.	3 733 597	1 220 123	4 953 720	1 346 528	54 527	1 401 055	4 817 479	3 781 228									
Pharos Holding Co.	202 901 658	183 627 764	386 529 422	235 564 432	628 221	236 192 653	48 828 383	36 782 562									
Elsharq Book Stores Co.	11 505 368	10 055 871	21 561 239	5 399 930	525 897	5 925 827	10 095 192	12 021 131									
ASEC Company for Mining (ASCOM)	319 346 997	568 117 725	887 464 722	262 157 512	117 503 184	379 660 696	285 945 059	269 724 299									
Silverstone Capital Investments Ltd.	1 025 093 562	858 089 768	1 883 183 330	646 848 268	276 492 086	923 340 354	476 054 488	433 072 564									
Dar El-Sherouk Ltd.	185 693 708	91 317 875	277 011 583	40 004 098	1 528 174	41 532 272	26 668 686	29 581 081									
Crondall Holdings Ltd.	25 333 402	789 305 466	814 638 868	384 475 930	--	384 475 930	38 370 068	31 722 467									
National Development & Trading Co.	1 978 796 699	4 603 951 259	6 582 747 958	1 948 434 698	1 313 142 133	3 261 576 831	997 291 544	1 120 835 254									
United Foundries and Heat Treatment Co.	188 471 177	424 201 329	612 672 506	283 528 320	83 209 276	366 737 596	168 951 483	175 555 522									
Mena Home Furnishings Mall	56 028 410	660 039 256	716 067 666	90 155 797	228 020 359	318 176 156	9 804 638	38 328 873									
Regional Investments Holding Ltd.	185 393 377	616 265 940	801 659 317	120 517 550	121 090 387	241 607 937	29 105 743	63 134 567									
Eco-Logic Ltd.	106 318 444	52 401 029	158 719 473	45 277 050	21 039 153	66 316 203	41 063 059	32 184 366									
Mena Glass Ltd.	121 156 518	1 414 511 488	1 535 668 006	39 482 436	630 709 223	670 191 659	25 320 926	19 244 091									
Tanneyah Company S.A.E	6 743 018	16 660 141	23 403 159	8 938 338	177 708	9 116 046	6 070 487	10 403 676									

\* Note no. (19).

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**8. Other investments**

		30/6/2010	31/12/2009
	Note		
	no.	LE	LE
<b>Non-current investments</b>			
Available-for-sale investments	8.1	806 002 450	787 605 694
Payments for investments	8.2	790 187 069	698 981 580
Convertible loans to associates	8.3	275 659 787	400 349 686
		<u>1 871 849 306</u>	<u>1 886 936 960</u>
<b>Current investments</b>			
Investments at fair value through profit and loss	8.4	3 920 160	4 854 256
		<u>1 875 769 466</u>	<u>1 891 791 216</u>

8.1 The amount represents the Group investments in a number of unlisted companies. The details of these available-for-sale investments are as follows:

	30/6/2010	31/12/2009
	LE	LE
Horus Private Equity Fund II & III	26 330 926	30 625 068
Modern Company for Isolating Materials	43 396	43 396
Medcom National Company	1 000	1 000
Mena Glass Ltd. *	--	110 483 303
Orient Investment Properties Ltd.	152 317 651	41 349 226
Logria Holding Ltd.	369 063 500	355 998 500
Golden Crescent Investment Ltd.	258 211 019	249 070 243
Arab Swiss Engineering Company. (ASEC)	34 958	34 958
	<u>806 002 450</u>	<u>787 605 694</u>

\* This investment was reclassified from available -for- sale investment to investment in associate according to acquisition of extra shares in the mentioned company accordingly the percentage increased from 20% to 21.03% which resulted in a significant influence over the financial and operational policies of the mentioned company.

8.2 The payments for investments are as follows:

	30/6/2010	31/12/2009
	LE	LE
Grandview Investment Holding	70 292 647	67 804 258
Golden Crescent Investment Ltd.	101 583 309	97 987 218
Orient Investment Properties Ltd.	11 355 800	105 576 301
Falcon Agriculture Investments Ltd.	192 792 862	185 967 915
Glass Rock for Isolation	5 211 925	5 211 925

**Citadel Capital Company****Notes to the consolidated financial statements for the period ended June 30, 2010**

	30/6/2010	31/12/2009
	LE	LE
Fund Project	23 454 153	19 414 025
Pharos Holding Co.	18 621 911	18 621 911
Nile Valley Petroleum Ltd.	34 470 531	102 691 874
Forestry Project	2 400 624	2 400 624
Centum Investment Company Ltd.	24 111 231	7 456 657
Babcock & Brown Investment Holdings (Pty) Ltd.	7 645 037	6 333 619
Sheltam Rail Company (Pty) Ltd.	101 685 301	60 856 531
Primefuels Rail Investments Ltd.	11 455 061	3 202 004
Mirambo Rail Investments Ltd.	6 560 557	856 718
Mammoth Project	6 214 957	--
Citadel Capital Transportation Opportunities II Ltd.	17 034	--
Trans – Century Limited	19 020 966	--
United Foundries and Heat Treatment Co.	2 843 278	--
National Development & Trading Co.	103 623 378	--
Cobalt Mendoza	5 678	--
ASEC Company for Mining (ASCOM)	39 222 500	--
Tanmeyah Company S.A.E	7 597 080	--
Valencia Assets Holding Ltd.	1 249	--
ASCOM Algeria *	--	3 285 594
ECARU	--	14 600 000
	<u>790 187 069</u>	<u>702 267 174</u>
Impairment *	--	(3 285 594)
	<u>790 187 069</u>	<u>698 981 580</u>

**8.3 Convertible loans to associates**

The Company has granted a subordinated loan to National Company for Development and Trading – (one of the associate companies - 47.65%) as at December 28, 2009 with an amount of US.\$ 73 097 863 (equivalent to LE 400 349 686 as at December 31, 2009). The Company transferred an amount of US.\$ 32 129 233 (equivalent to LE 176 443 876) from the loan to Financial Holding International (Shareholder of National Development & Trading Company) then the loan balance become US.\$ 40 968 630 (equivalent to LE 232 615 784 as at June 30, 2010). The period of loan is 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 loan and its interest to capital increase in the 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 subsidiaries:

**Citadel Capital Company**

**Notes to the consolidated financial statements for the period ended June 30, 2010**

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

The Company has granted subordinated loan to United Foundries and Heat Treatment Co. (one of the associates – 49.29%) as at June 2, 2010 with an amount of US.\$ 7 580 972 (equivalent to an amount of LE 43 044 003) as at June 30,2010 the period of the loan is three years ,the principle and the interest has to be paid at the end of the loan period ,with 11.5% annual cumulative interest According to loan contract the company has the right to convert the loan and its interest to capital increase in United Foundries and Heat Treatment Co. with par value, The guarantees are represented in lien on part of United Foundries and Heat Treatment Co. in Amreyah For Metal (one of its subsidiaries - 99.72%)

**8.4 Investments at fair value through profit and loss:**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Modern Shorouk for Printing Co.	2 160 011	3 045 658
Al Arafa Investment and Consulting	1 760 149	1 808 598
	<u>3 920 160</u>	<u>4 854 256</u>

The financial assets designated at fair value through profit and loss are equity securities quoted in stock exchange.

**9. Trade and other receivables**

		<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>Note</b>	<b>LE</b>	<b>LE</b>
	<b>no.</b>	<b>LE</b>	<b>LE</b>
Due from related parties	9.1	655 867 598	797 908 883
Trade receivables		--	7 151 405
Other receivables	9.2	80 980 849	58 677 911
		<u>736 848 447</u>	<u>863 738 199</u>

**9.1 Due from related parties**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Golden Crescent Investment Ltd.	10 128 448	6 591 082
Falcon Agriculture Investments Ltd.	7 196 925	13 965 608
Grandview Investment Holding	46 889 756	35 712 932
Orient Investment Properties Ltd.	35 150 389	27 177 005
Logria Holding Ltd.	21 078 693	35 978 211
Mena Home Furnishings Mall	7 329 385	88 683 367
Regional Investments Holdings Ltd.	79 569 653	123 506 955

**Citadel Capital Company**

**Notes to the consolidated financial statements for the period ended June 30, 2010**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
National Development & Trading Co.	19 865 814	59 232 051
ASEC for Mining (ASCOM)	255 506	31 207 600
ASEC Cement Company	7 042 425	13 604 022
Golden Crescent Finco Ltd.	139 361 767	144 589 289
Sabina for Integrated Solutions	6 245 690	30 080 697
Emerald Financial Services Ltd.	85 760 864	96 772 058
Sphinx Glass Ltd.	2 271 160	4 381 520
Silverstone Capital Investments Ltd.	4 396 455	1 228 523
Mena Glass Ltd.	2 067 380	4 501 725
Valencia Assets Holding Ltd.	83 124 978	18 568 399
Eco-Logic Ltd.	10 461 792	--
Nile Valley Petroleum Ltd.	87 670 518	--
Citadel Capital for Scholarship *	--	2 301 113
ECARU	--	20 557 458
United Foundries and Heat Treatment Company	--	36 097 048
Others	--	5 473 333
	<u>655 867 598</u>	<u>800 209 996</u>
Impairment *	--	(2 301 113)
	<u>655 867 598</u>	<u>797 908 883</u>

9.2 Other receivables are represented in:

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Prepaid expenses	2 855 456	1 146 934
Deposits with others	1 430 902	1 623 863
Advances to suppliers	316 031	2 556 248
Letters of guarantee margin	567 790	1 435 897
Imprest	585 908	931 237
Accrued revenue	2 337 559	3 203 555
Tax Authority	363 789	846 110
Loans to others	17 525 168	5 913 343
Letters of credit margin	--	5 916 734
Sundry debit balances	54 998 246	35 103 990
	<u>80 980 849</u>	<u>58 677 911</u>

**10. Cash and cash equivalents**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Cash	632 457	290 875
Cheques under collection	--	463 093
Banks - current accounts	156 165 438	258 578 185
Banks - time deposits	2 050 199	9 257 726
Cash and cash equivalents	<u>158 848 094</u>	<u>268 589 879</u>

**Non cash transactions**

- For the purpose of preparing statement of cash flows statement, The following transactions have been eliminated:-
- LE 2 001 240 from changes in other credit balances and changes in fair value of cash flow hedges reserve (represents the unpaid amount of June according to the bank claim).
- LE 187 966 322 from payments for purchase of investments in subsidiaries and due from related parties (represents the transfer from related parties' current accounts to payments for investments).
- LE 16 341 291 from payments for purchase of investments in subsidiaries and associates and due to related parties (represents the unpaid amount from purchase of investments).
- LE 36 097 048 from payments for loans to associates and due from related parties (represents the transfer from related parties' current accounts to loans for associates).

**11. Share capital**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
On issue at the beginning of the period / year	3 308 125 000	2 750 000 000
Issued for cash during the period / year	<u>--</u>	<u>558 125 000</u>
On issue at end of the period / year	<u>3 308 125 000</u>	<u>3 308 125 000</u>

- 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.

**Citadel Capital Company****Notes to the consolidated financial statements for the period ended June 30, 2010**

- 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 during July. The commercial register was updated on July 26, 2009.

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

<b>Shareholder's name</b>	<b>Percentage</b>	<b>No. of shares</b>	<b>Value in LE</b>
	<b>%</b>		
Citadel Capital Partners Ltd.	40.13	265 438 567	1 327 192 835
Emirates International Investments Company	8.75	57 911 132	289 555 660
Others	51.12	338 275 301	1 691 376 505
	<u>100</u>	<u>661 625 000</u>	<u>3 308 125 000</u>

**12. Reserves****12.1 Legal reserve**

As per the Company's statutes, 5% of net profit for the year is set aside to form a legal reserve. Transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued share capital. However, if the reserve balance falls below 50% of the Company's issued share capital transfers to the legal reserve are required to be resumed. The legal reserve is non-distributable but can be used to offset losses or to increase the issued share capital.

**12.2 Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

**13. Loans and borrowings**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
<b>Non-current liabilities:</b>		
Secured	800 948 563	807 859 225
Unsecured *	--	172 504
	<u>800 948 563</u>	<u>808 031 729</u>
<b>Current liabilities:</b>		
Unsecured *	--	48 138
	<u>--</u>	<u>48 138</u>

\* Note no. (24)

A- Secured loans are as follows:

The parent 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 & Stanley Bank and City Bank London "syndication manager") 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 instalments:
- 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 withdraw an amount of US.\$ 141 064 225 ( equivalent to the amount of LE 800 948 563 as at June 30, 2010 ) against an amount 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 of shares of National Company for 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.
  - Mena Home Furnishings Mall.
  - Valencia Trading Holding Ltd.
  - Andalusia Trading Investments.
  - Regional Investments Holding.
  - Lotus Alliance Limited.
  - Citadel Capital Financing Corp.

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**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 fixing the libor interest rate on loan at 4.195 % interest rate on the amount of US.\$ 74 millions that represents 50 % of the withdrawn amount of the loan according to its conditions.

**14. Long term liabilities**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Creditors-purchase of investments	<u>49 108 857</u>	<u>58 531 470</u>

This balance represents the amount due on Tanweer for Marketing and Distribution Company (Tanweer) for purchasing investment in Dar El-Sherouk Ltd. for interest of the previous company's shareholders.

**15. Deferred tax assets**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Fixed assets depreciation	<u>1 035 679</u>	<u>284 589</u>

**16. Trade and other payables**

		<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>Note</b>	<b>LE</b>	<b>LE</b>
	<b>no.</b>	<b>LE</b>	<b>LE</b>
Due to related parties	16.1	460 476 278	311 632 689
Other credit balances	16.2	<u>33 194 175</u>	<u>95 125 239</u>
		<u>493 670 453</u>	<u>406 757 928</u>

**16.1 Due to related parties**

	<b>30/6/2010</b>	<b>31/12/2009</b>
	<b>LE</b>	<b>LE</b>
Citadel Capital Partners Ltd *	391 852 916	305 128 943
Crondall Holdings Ltd.	1 736 819	3 012 295
ASEC for Manufacturing and industrial Projects (ARESCO)	19 872 651	--
Financial Holding International	16 341 291	--
Cobalt Mendoza	30 672 601	--
Pharos Holding Co.	--	13 155
Kimoniks	--	3 478 296
	<u>460 476 278</u>	<u>311 632 689</u>

\* The main shareholder of the Company – 40.13%.

**Citadel Capital Company****Notes to the consolidated financial statements for the period ended June 30, 2010**

## 16.2 Other credit balances

	30/6/2010	31/12/2009
	LE	LE
Tax Authority	7 496 370	1 965 125
Social Insurance Authority	62 201	16 849
Accrued expenses	11 746 922	39 340 011
Dividends payable	2 913 919	2 924 873
Accrued interest	3 122 845	2 665 113
Suppliers	2 229 567	3 281 190
Advances from customers	--	934 331
Deposits from others	--	80 028
Notes payables	--	40 000 000
Sundry credit balances	5 622 351	3 917 719
	<u>33 194 175</u>	<u>95 125 239</u>

## 17. Expected claims provisions

	30/6/2010	31/12/2009
	LE	LE
Balance at the beginning of the period / year	19 495 020	197 630 021
Foreign currency differences	--	(790 670)
Acquisition of subsidiaries	--	4 468 000
Provisions used during the period / year	--	(31 221 750)
Reversal of provisions	--	(24 008 390)
Provisions formed during the period / year	994 881	42 510 453
Deconsolidation of subsidiaries *	(6 177 676)	(169 092 644)
Balance	<u>14 312 225</u>	<u>19 495 020</u>

Expected claims provision related to expected claims were made by external party in connection with the Company's operations. The information usually required by Accounting Standards is not disclosed because the management believes that it would seriously prejudice the outcome of the negotiation with that external party. The management are reviewing the provision every year and the amount provided is adjusted based on latest development, discussions and agreements with the external party.

\* Note no. (4-6).

**18. Gains on sale of investments**

	For the period		For the period	
	from 1/4/2010	from 1/1/2010	from 1/4/2009	from 1/1/2009
	to 30/6/2010	to 30/6/2010	to 30/6/2009	to 30/6/2009
	LE	LE	LE	LE
Gains on sale of investments in associates*	--	10 513 764	63 741 327	63 741 327
Gains on sale of available-for-sale investment	--	2 402 486	--	--
Gains on sale of investments at fair value through profit and loss	--	--	1 545 788	4 352 151
	<u>--</u>	<u>12 916 250</u>	<u>65 287 115</u>	<u>68 093 478</u>

\* Gains on sale of investments from sale of shares in ASEC for Mining (ASCOM) (one of the associates owned by the Company with a percentage of 44.64%) and then to be 39.22% after sale:

	Selling price	Cost of investments	Total
	LE	LE	LE
ASEC for Mining (ASCOM)	29 434 477	(18 920 713)	10 513 764

**19. Share of (loss) profit of equity accounted investees:**

	For the period		For the period	
	from 1/4/2010	from 1/1/2010	from 1/4/2009	from 1/1/2009
	to 30/6/2010	to 30/6/2010	to 30/6/2009	to 30/6/2009
	LE	LE	LE	LE
El Kateb for Marketing & Distribution Co.	266 985	506 519	(30 173)	(285 105)
Pharos Holding Co.	4 818 715	6 384 285	(153 488)	(3 128 455)
Elsharq Book Stores Co.	(435 598)	(770 376)	(253 984)	(369 468)
ASEC Company for Mining (ASCOM)	3 677 515	6 362 106	851 876	6 283 809
Silverstone Capital Investments Ltd.	7 319 828	17 240 036	8 875 612	12 241 306
Dar El-Sherouk Ltd.	(894 973)	(1 704 042)	(1 961 277)	(2 184 943)
Cron dall Holdings Ltd.	2 189 715	3 169 152	3 534 170	4 337 995
National Development & Trading Company	(35 884 467)	(58 868 578)	--	--
United Foundries and Heat Treatment Company	(1 681 576)	(2 598 644)	--	--

**Citadel Capital Company**

**Notes to the consolidated financial statements for the period ended June 30, 2010**

	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Mena Glass Ltd.	1 936 210	1 936 210	--	--
Valencia assets Holding Ltd.	3 696 361	--	--	--
Eco-Logic Ltd.	(4 215 258)	8 878 390	--	--
Tanmeyah Company S.A.E	(2 207 054)	(2 207 054)	--	--
Mena Home Furnishings Mall	(6 301 457)	(8 049 424)	--	--
Regional Investments Holding Ltd.	(6 883 704)	(11 525 002)	--	--
	<u>(34 598 758)</u>	<u>(41 246 422)</u>	<u>10 862 736</u>	<u>16 895 139</u>

**20. Other expenses**

	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Net change in the fair value of investments at fair value through profit and loss	1 179 470	934 096	1 242 612	(656 770)
Impairment loss in trade and other receivables	--	--	5 317 098	5 317 098
	<u>1 179 470</u>	<u>934 096</u>	<u>6 559 710</u>	<u>4 660 328</u>

**21. Finance income (expense)**

	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Interest income Note no. (26-2)	15 272 280	36 858 087	1 944 231	2 355 058
Interest expenses	(6 345 024)	(12 481 411)	(8 191 500)	(16 919 165)
Foreign currency translation differences	(2 339 742)	(5 816 329)	2 472 865	(6 003 364)
	<u>6 587 514</u>	<u>18 560 347</u>	<u>(3 774 404)</u>	<u>(20 567 471)</u>

**Citadel Capital Company**

**Notes to the consolidated financial statements for the period ended June 30, 2010**

**22. Finance income (expenses) recognised in equity**

	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Foreign currency translation differences of foreign operations	92 658 540	100 508 532	(33 273 888)	(34 769 844)
Net change in the fair value of available-for-sale investment	<u>(774 010)</u>	<u>(123 693)</u>	<u>1 965 257</u>	<u>2 095</u>
Total finance income (expense) recognised in equity (net of tax)	<u>91 884 530</u>	<u>100 384 839</u>	<u>(31 308 631)</u>	<u>(34 767 749)</u>
Attributable to:				
Equity holders of the Company	63 737 793	72 399 584	(38 699 291)	(24 938 936)
Non - controlling interest	<u>28 146 737</u>	<u>27 985 255</u>	<u>7 390 660</u>	<u>(9 828 813)</u>
	<u>91 884 530</u>	<u>100 384 839</u>	<u>(31 308 631)</u>	<u>(34 767 749)</u>

**23. Income tax**

	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Current income tax	51 450	--	(2 367 146)	(2 367 146)
Deferred tax	<u>(173 179)</u>	<u>348 090</u>	<u>153 755</u>	<u>969 112</u>
Total income tax	<u>(121 729)</u>	<u>348 090</u>	<u>(2 213 391)</u>	<u>(1 398 034)</u>

**24. Net results from discontinued operations**

Results of discontinued operations for the period ended June 30, 2010 are represented in the operating results of the Tanmeyah Company S.A.E as Financial Unlimited Company (one of the subsidiaries) during April 2010 has entered a contract in which it granted third party the option to purchase 4% of Tanmeyah Company S.A.E shares owned by Financial Unlimited Company for Financial Consulting that can be exercised any time with fair value at the exercise date which cause a reduction in voting power of the company from 51% to 47% after the exercise of the call option and accordingly it is reclassified from investments in subsidiaries into investments in associates and its operating results from the beginning of the period till the date of conversion to associates as results from discontinued operations.

**Citadel Capital Company****Notes to the consolidated financial statements for the period ended June 30, 2010**

Results from discontinued operations for the period ended June 30, 2009 are represented in the operating results of the following:

- National Development & Trading Company-( direct subsidiary) and United Foundries and Heat Treatment Company-( indirect subsidiary) were transferred from investments in subsidiaries to investments in associates as the Company lost control over these companies through the sale of 11 820 000 shares and 2 122 800 shares respectively. This transaction led to decreasing in the Company's share in these companies (from 55.31% to 49.50%), and (from 55.31% to 49.29%) respectively and the board of directors has been restructured to reflect this contribution.
- Total shares of Sphinx Egypt were sold to Pharos Holding—one of the associates.
- Mena Home Furnishings Mall, Regional Investments Holding Ltd. were reclassified from investments in subsidiaries to investments in associates as the Companies Board of Directors have been restructured and reduced the Company's voting rights to less than half (from 57.11% to 42.80%) according to these companies Board of Directors' decisions as at December 25, 2009.

	<b>For the period</b>	
	<b>30/6/2010</b>	<b>30/6/2009</b>
	<b>LE</b>	<b>LE</b>
Sales	--	961 643 627
Cost of sales	--	(814 710 918)
Gross profit	--	146 932 709
Other profit	4 278 174	72 542 684
General and administrative expenses	(7 905 992)	(153 171 083)
Other expenses	(1 433 598)	(8 376 432)
Net operating (loss) profit	(5 061 416)	57 927 878
Company's share in associates profit	--	28 089 685
Finance income	--	5 020 046
Finance expense	(32 517)	(92 463 865)
Net finance expense	(32 517)	(59 354 134)
Net loss before income tax	(5 093 933)	(1 426 256)
Income tax	--	(19 929 422)
Net profit from discontinued operations (after tax)	(5 093 933)	(21 355 678)

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**25. Earnings per share**

	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
(Loss) profit for the period	<u>(95 032 752)</u>	<u>(128 713 981)</u>	<u>11 882 074</u>	<u>5 698 169</u>
(Loss) profit for equity holders of the parent Company	<u>(94 748 852)</u>	<u>(126 088 222)</u>	<u>22 881 194</u>	<u>3 134 267</u>
Weighted average number of shares:				
Issued at January 1	661 625 000	661 625 000	550 000 000	550 000 000
Issued during the period	<u>--</u>	<u>--</u>	<u>55 100 000</u>	<u>36 121 111</u>
Weighted average number of shares as at June 30	<u>661 625 000</u>	<u>661 625 000</u>	<u>605 100 000</u>	<u>586 121 111</u>
Earnings per share	<u>(0.14)</u>	<u>(0.19)</u>	<u>0.04</u>	<u>0.01</u>

**26. Related party transactions**

26.1 Advisory fee item presented in the income statement is represented in the advisory services provided to related parties according to signed contracts as follows:

Company's name	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE	LE	LE
Mena Glass Ltd.	587 357	1 584 217	994 396	1 913 112
Falcone Agriculture Investments Ltd.	3 230 161	6 388 761	3 245 882	6 472 480
Logria Holding Ltd.	8 688 279	17 269 984	8 819 308	17 585 637
Golden Crescent Investment Ltd.	1 608 764	3 197 794	1 633 751	3 495 380
Orient Investment Properties Ltd.	3 381 652	6 768 929	3 720 054	7 832 383
Sphinx Glass Ltd.	872 352	1 967 472	1 125 440	2 244 120
Mena Home Furnishings Mall	813 582	1 506 266	--	--
Regional Investments Holding Ltd.	675 654	1 486 198	--	--
Silverstone Capital Investments Ltd.	255 038	500 988	--	--
ASEC Company for Cement Manufacturing	<u>2 478 063</u>	<u>4 849 647</u>	<u>--</u>	<u>--</u>
Total	<u>22 590 902</u>	<u>45 520 256</u>	<u>19 538 831</u>	<u>39 543 112</u>

**Citadel Capital Company**

**Notes to the consolidated financial statements for the period ended June 30, 2010**

26.2 Interest income (note no. 21) includes an amount of LE 36 255 782 represents accrued interest income according to signed contracts from other related parties as follows:

Company's name	For the period		For the period	
	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010	from 1/4/2009 to 30/6/2009	from 1/1/2009 to 30/6/2009
	LE	LE		
National Company for Trading and Development	2 758 890	8 323 272	--	--
United Foundries and Heat Treatment	358 409	675 400	--	--
Golden Crescent Finco Ltd.	6 361 094	14 545 378	209 777	209 777
Emerald Financial services Ltd.	3 941 915	8 433 042	--	--
Mena Home Furnishings Mall	37 682	849 883	--	--
Regional Investments Holdings Ltd.	617 651	1 875 972	--	--
Grandview Investment Holding	960 096	1 552 835	527 101	527 101
Mena Glass Ltd.	--	--	681 992	681 992
Falcone Agriculture Investments Ltd.	--	--	48 315	48 315
<b>Total</b>	<b>15 035 737</b>	<b>36 255 782</b>	<b>1 467 185</b>	<b>1 467 185</b>

**27. Tax status**

27.1 Corporate tax

The Company's books have not been inspected yet.

The Company submitted its tax returns on regular basis for the years from 2005 till 2009 according to tax law no. 91/2005.

27.2 Salaries tax

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

27.3 Stamp tax

The Company was inspected till July 31, 2006 and paid all the due amounts as per the Internal Committee decision and for the period from 1/8/2006 to 31/12/2009 haven't been inspected yet.

27.4 Withholding tax

The Company applies the withholding tax provisions on its transactions according to tax law no. 91/2005 and haven't been inspected yet.

**Citadel Capital Company**  
**Notes to the consolidated financial statements for the period ended June 30, 2010**

**28. Group entities**

	Country of incorporation	Ownership interest	
		Direct %	Indirect %
Citadel Capital Holding for Financial Investments–Free Zone	Arab Republic of Egypt–Free Zone	99.99	--
Citadel Capital for International Investments Ltd.	British Virgin Island	100.00	--
Arab Company for Financial Investments Tanweer Co.	Arab Republic of Egypt	--	94.00
Financial Unlimited Co.	Arab Republic of Egypt	--	99.88
Citadel Company for Investment Promotion National Company for Touristic and Property Investment	Arab Republic of Egypt	--	99.90
Tanmeyah Company S.A.E	Arab Republic of Egypt	--	99.88
Citadel Capital Algeria	Republic of Algeria	--	51.00
Citadel Capital Ltd.	British Virgin Island	--	99.99
Valencia Trading Holding Ltd.	British Virgin Island	--	100.00
Andalusia Trading Investments	British Virgin Island	--	100.00
Lotus Alliance Limited	British Virgin Island	--	85.70
Citadel Capital for Financing Corp.	British Virgin Island	--	100.00
Ambience Ventures Ltd.	British Virgin Island	--	100.00
Africa Railways Limited	British Virgin Island	--	100.00
Mena Enterprises Ltd.	British Virgin Island	--	100.00

**29. Management contract**

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 – 40.13 %) which states that Citadel Capital Partners Ltd. provides management duties for fees based on 10% of the net annual profit available for distribution amounted to LE 200 243 as at June 30, 2010 against LE 1 398 625 for the period ended June 30, 2009.

**30. 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 does not start to apply it yet.

### **31. Financial instruments and management of related risks**

The Group's financial instruments are represented in the financial assets and liabilities. Financial assets include cash and cash equivalents, other investments, and trade and other receivables while financial liabilities include; overdraft, loans and borrowing and trade and other payables. Note (no. 3) include significant accounting policies for the recognition and measurement of the important financial instruments and related revenues and expenses.

#### **31.1 Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest rate risk on its loans and borrowings and time deposit; however, time deposits are short-term in nature.

#### **31.2 Exchange rate risk**

The exchange rate risk is represented in the fluctuations in exchange rates, which could affect the Group's cash inflows and outflows as well as the value of monetary assets and liabilities denominated in foreign currencies.

#### **31.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge his obligation and cause the other party to incur financial loss. The Group's financial assets include trade receivables representing amounts due from customers, time deposits and investment balances; none of these assets has significant concentration of risk. Trade receivables are widely spread among customers' segmentation. Strict credit control is maintained and further appropriate level of impairment loss is made. The Group manages credit risk on investment by ensuring that investments are made only after careful credit evaluation for these investments.

### **32. Comparative figures**

Certain comparative figures have been reclassified to conform to the current period presentation.