

Citadel Capital Company
(Egyptian Joint Stock Company)

Separate financial statements
for the period ended June 30, 2011
&
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 separate statement of financial position of Citadel Capital Company (Egyptian Joint Stock Company) as at June 30, 2011 and the related separate statements of income, changes in equity and cash flows 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 interim separate financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2011 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo August 28 , 2011

Hassan Bas
KPMG Hazem Hassan




Citadel Capital Company
(Egyptian Joint Stock Company)
Separate statement of financial position
as at June 30, 2011

	note no.	30/6/2011 LE	31/12/2010 LE
Current assets			
Cash and cash equivalents	(4)	156 428 728	148 664 361
Due from related parties (net)	(5)	353 977 090	419 990 782
Other debit balances	(6)	8 944 900	9 858 234
Total current assets		<u>519 350 718</u>	<u>578 513 377</u>
Current liabilities			
Due to related parties	(7)	825 946 064	705 947 717
Current portion of long-term loans	(17)	226 972 835	96 194 363
Other credit balances	(8)	44 937 171	38 423 716
Expected claims provision	(9)	178 531 703	187 868 554
Total current liabilities		<u>1 276 387 773</u>	<u>1 028 434 350</u>
Excess of current liabilities over current assets		<u>(757 037 055)</u>	<u>(449 920 973)</u>
Non - current assets			
Available-for-sale investments	(10)	26 391 801	26 391 801
Investments in subsidiaries and associates	(11)	2 698 128 505	2 698 128 505
Payments for investments (net)	(12)	1 673 868 074	1 495 461 469
Fixed assets (net)	(13)	29 658 946	31 686 691
Other investments	(14)	392 260 430	384 588 746
Deferred tax	(15)	1 775 402	1 718 309
Total non - current assets		<u>4 822 083 158</u>	<u>4 637 975 521</u>
Total investment		<u>4 065 046 103</u>	<u>4 188 054 548</u>
Financed through:			
Equity			
Share capital	(16)	3 308 125 000	3 308 125 000
Legal reserve	(3.10)	89 578 478	89 578 478
Retained (loss) earnings		<u>(75 398 197)</u>	<u>222 926 816</u>
Net loss for the period / year		<u>3 322 305 281</u>	<u>3 620 630 294</u>
Net equity		<u>(51 664 103)</u>	<u>(298 325 013)</u>
		<u>3 270 641 178</u>	<u>3 322 305 281</u>
Non - current liabilities			
Long term loans	(17)	794 404 925	865 749 267
Total non - current liabilities		<u>794 404 925</u>	<u>865 749 267</u>
Total equity and non - current liabilities		<u>4 065 046 103</u>	<u>4 188 054 548</u>

The accompanying notes from page 5 to 28 are an integral part of these financial statements and are to be read therewith.

Review report attached"


Chairman
Hisham Hussein El Khazindar


CFO / Board Member
Ahmed El Shamy

Citadel Capital Company

(Egyptian Joint Stock Company)

Separate statement of changes in equity
for the period ended June 30, 2011

note no.	Share capital	Legal reserve	Hedging reserve	Retained earnings (loss)	Net profit (loss) for the year / period	Total
	3 308 125 000	79 011 015	(16 882 076)	22 145 027	211 349 252	3 603 748 218
(3.10)	-	10 567 463	-	200 781 789	(211 349 252)	-
(17)	-	-	(8 319 093)	-	-	(8 319 093)
	-	-	-	-	1 802 191	1 802 191
	3 308 125 000	89 578 478	(25 201 169)	222 926 816	1 802 191	3 597 231 316
	3 308 125 000	89 578 478	-	222 926 816	(298 325 013)	3 322 305 281
	-	-	-	(298 325 013)	298 325 013	-
	-	-	-	-	(51 664 103)	(51 664 103)
	3 308 125 000	89 578 478	-	(75 398 197)	(51 664 103)	3 270 641 178

The accompanying notes from page 5 to 28 are an integral part of these financial statements and are to be read therewith.

Citadel Capital Company
(Egyptian Joint Stock Company)
Separate statement of cash flows
for the period ended June 30, 2011

	For the period ended	
	30/6/2011	30/6/2010
	LE	LE
Cash flows from operating activities		
Net (loss) profit before tax	(51 721 196)	1 456 955
Adjustments to reconcile net (loss) profit to net cash provided from operating activities :		
Fixed assets depreciation	2 324 969	4 339 472
Unrealized foreign currency differences	18 793 883	27 093 698
Credit interest	(20 883 100)	(17 231 165)
Gains on sale of investments in subsidiaries and associates	-	(9 575 740)
Gains on sale of available-for-sale investments	-	(2 402 486)
Provisions used	(9 336 851)	-
Operating (loss) profit before changes in working capital	(60 822 295)	3 680 734
Decrease (increase) in assets		
Due from related parties	67 542 572	178 761 496
Other debit balances	913 334	(5 675 161)
Increase (decrease) in liabilities		
Due to related parties	119 998 347	86 723 973
Other credit balances	6 513 455	(21 766 350)
Net cash provided from operating activities	134 145 413	241 724 692
Cash flows from investing activities		
Payments to purchase fixed assets	(297 224)	(260 833)
Payments for investments	(155 340 007)	(495 982 974)
Proceeds from sale of investments in subsidiaries and associates	-	29 434 477
Proceeds from sale of available-for-sale investments	-	6 696 628
Payments for / proceeds from other investments	(2 072 400)	162 321 870
Net cash used in investing activities	(157 709 631)	(297 790 832)
Cash flows from financing activities		
Proceeds from / payments for loans	31 328 585	(35 539 283)
Payments for hedging reserve	-	(6 317 853)
Net cash provided from (used in) financing activities	31 328 585	(41 857 136)
Net change in cash and cash equivalents during the period	7 764 367	(97 923 276)
Cash and cash equivalents at the beginning of the period	148 664 361	248 428 433
Cash and cash equivalents at the end of the period	156 428 728	150 505 157

The accompanying notes from page 5 to 28 are an integral part of these financial statements and are to be read therewith.

Citadel Capital Company
(Egyptian Joint Stock Company)

Notes to the separate financial statements
for the period ended June 30, 2011

1. Company background

Citadel Capital Company - an Egyptian Joint Stock Company - was founded in accordance with the applicable Egyptian laws and in pursuance to law no.(159) of 1981 and its executive regulations. The Company has been registered in the commercial register at Giza under number 11121 on April 11, 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 law 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 at fair value

- Financial instruments at fair value through income statement.
- 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 year 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 no. (11) – measurement of the recoverable amount of investments in subsidiaries and associates.
- Note no. (15) – recognition of deferred tax.
- Note no. (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) of 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. The foreign currency exchange differences arising on the translation at the balance sheet date 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 no. (3.6), and are depreciated using the straight line method and recognized in income statement over the estimated productive life for each type of asset. The following are the estimated productive lives, for each class of assets, for depreciation calculation purposes:

Assets depreciation	Estimated useful life
- Buildings & Constructions	20 years
- Computers	2-3 years
- Furniture & Fixtures & Electric Equipment & Tools	4 years
- Vehicles	4 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 and losses from disposal of fixed assets

Gains and losses from disposal of fixed assets are determined by comparing net disposal proceeds of assets to its net book value, resulted gain and losses 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 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 cannot be measured reliably, are stated at cost less impairment loss.

3.5.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less impairment note no. (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

Cash and cash equivalent includes the balances, which maturity not exceeding three months from the date of acquisition and the balances represented in 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

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

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

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 Dividends income

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

3.14.3 Management fee

Management fee is recognized upon rendering the service.

3.14.4 Advisory fee

Advisory fee is calculated based on agreed percentage in accordance with contract term with companies.

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 period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.
- Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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.

- 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

	30/6/2011	31/12/2010
	LE	LE
Cash on hand	63 993	189 084
Banks – current accounts	<u>156 364 735</u>	<u>148 475 277</u>
Balance	<u>156 428 728</u>	<u>148 664 361</u>

Non cash transactions

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

- LE 24 595 478 from proceeds from other investments and due from related parties (represents the transfer from other investments to one of the related parties).
- LE 23 066 598 from payments for investments and due from related parties (represents the transfer from related parties' current account to payments under investments).

Citadel Capital Company

Notes to the separate financial statements
for the period ended 30/6/2011

5. Due from related parties

	Nature of transaction		30/6/2011	31/12/2010
	Advisory	Finance		
	fee		LE	LE
Mena Home Furnishings Mall	7 590 498	--	7 590 498	4 867 303
Falcon Agriculture Investments Ltd.	7 252 576	--	7 252 576	13 620 957
Golden Crescent Investments Ltd.	15 766 595	--	15 766 595	13 695 108
Orient Investments Properties Ltd.	45 395 954	--	45 395 954	39 716 159
Citadel Capital Transportation Opportunities I Ltd.	5 865 439	--	5 865 439	5 088 275
Logria Holding Ltd.	32 691 521	--	32 691 521	31 881 898
Mena Glass Ltd.	2 248 176	--	2 248 176	4 315 533
Silverstone Capital Investment Ltd.	4 213 225	--	4 213 225	3 066 099
Sabina for Integrated Solutions	6 533 670	--	6 533 670	6 371 860
Sphinx Glass Ltd.	2 375 880	--	2 375 880	4 634 080
ASEC Cement Company	7 363 601	--	7 363 601	14 626 894
Citadel Capital Financing Corp.	38 992 444	--	38 992 444	38 026 774
Valencia Trading Holding Ltd.	8 909 550	--	8 909 550	8 688 900
Citadel Capital Transportation Opportunities II Ltd.	3 393 095	--	3 393 095	741 725
Citadel Capital Holding for Financial Investments-				
Free Zone	--	118 612 386	118 612 386	189 556 177
ASEC for Mining (ASCOM)	--	8 462 398	8 462 398	9 246 768
Citadel Capital for International Investments Ltd.	--	56 577 136	56 577 136	66 921 097
National Company for Touristic and Property				
Investments	--	36 000 000	36 000 000	36 000 000
United Foundries Company	--	13 700 517	13 700 517	--
National Development and Trading Company	--	--	--	11 585 199
Total			421 944 661	502 650 806
Impairment			(67 967 571)	(82 660 024)
Net			353 977 090	419 990 782

Citadel Capital Company
Notes to the separate financial statements
for the period ended 30/6/2011

6. Other debit balances

	30/6/2011	31/12/2010
	LE	LE
Deposits with others	219 652	1 419 652
Imprest	396 663	252 777
Advances to suppliers	178 709	234 047
Prepaid expenses	146 932	146 940
Letters of guarantee's margin	593 970	579 260
Sundry debit balances	7 408 974	7 225 558
Balance	<u>8 944 900</u>	<u>9 858 234</u>

7. Due to related parties

	30/6/2011	31/12/2010
	LE	LE
Citadel Capital Partners Ltd. *	825 946 064	705 947 717

* The principal shareholder of the Company – 33.12%.

8. Other credit balances

	30/6/2011	31/12/2010
	LE	LE
Tax Authority	1 679 824	2 518 440
Accrued expenses	32 079 353	26 280 601
Accrued interest	6 331 668	3 274 852
Suppliers	1 729 353	3 307 561
Prior years dividends payable	2 893 919	2 893 919
National Authority for Social Insurance	180 811	106 100
Sundry credit balances	<u>42 243</u>	<u>42 243</u>
Balance	<u>44 937 171</u>	<u>38 423 716</u>

Citadel Capital Company
Notes to the separate financial statements
for the period ended 30/6/2011

9. Expected claims provision

	30/6/2011	31/12/2010
	LE	LE
Balance at the beginning of the period / year	187 868 554	14 312 225
Formed during the period / year	--	173 556 329
Provisions used	<u>(9 336 851)</u>	--
Balance	<u>178 531 703</u>	<u>187 868 554</u>

This provision represents contingent claims from one of the parties regarding the Company's activities. The usual information related to provisions according to the Accounting Standards has not been disclosed because management believes that disclosing could seriously affect the outcome of negotiations with this party, and the management periodically reviews this provision and adjusts the provision amount according to the latest discussions with this party.

10. Available-for-sale investments

	30/6/2011	31/12/2010
	LE	LE
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	10 360 126
Horus Private Equity Fund III	<u>15 970 800</u>	<u>15 970 800</u>
Balance	<u>26 391 801</u>	<u>26 391 801</u>

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

11. Investments in subsidiaries and associates

	Percentage	30/6/2011	Percentage	31/12/2010
	%	LE	%	LE
National Development and Trading Company	44.47	668 170 587	44.47	668 170 587
ASEC for Mining (ASCOM)	39.22	183 051 762	39.22	183 051 762
Citadel Capital Holding for Financial Investments- Free Zone	99.99	1 345 352 547	99.99	1 345 352 547
United Foundries Company	29.29	103 699 040	29.29	103 699 040
Citadel Capital for International Investments Ltd.	100	<u>397 854 569</u>	100	<u>397 854 569</u>
Balance		<u>2 698 128 505</u>		<u>2 698 128 505</u>

Citadel Capital Company

Notes to the separate financial statements
for the period ended 30/6/2011

- 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 154 575 839 as at June 30, 2011 versus LE 173 794 860 as at December 31, 2010.

12. Payments for investments

	30/6/2011	31/12/2010
	LE	LE
Citadel Capital Holding for Financial Investments- Free Zone	1 326 126 499	1 243 021 253
Citadel Capital for International Investments Ltd.	341 871 222	250 208 876
Fund Project	5 870 353	25 188 018
Forestry Project	--	2 400 624
Mammoth Project	--	7 658 206
Total	1 673 868 074	1 528 476 977
Impairment	--	(33 015 508)
Net	1 673 868 074	1 495 461 469

13. Fixed assets

	Building and Computers		Furniture, Vehicles		Total
	constructions		fixture and equipments		
	LE	LE	LE	LE	LE
Cost as at 1/1/2011	33 742 368	7 511 251	22 396 002	539 800	64 189 421
Additions during the period	--	297 224	--	--	297 224
Total cost as at 30/6/2011	33 742 368	7 808 475	22 396 002	539 800	64 486 645
Accumulated depreciation as at 1/1/2011	6 748 473	6 036 592	19 324 061	393 604	32 502 730
Depreciation during the period	843 560	690 700	723 235	67 474	2 324 969
Accumulated depreciation as at 30/6/2011	7 592 033	6 727 292	20 047 296	461 078	34 827 699
Net cost as at 30/6/2011	26 150 335	1 081 183	2 348 706	78 722	29 658 946
Net cost as at 31/12/2010	26 993 895	1 474 659	3 071 941	146 196	31 686 691

14. Other investments

Other investments are represented in loans granted to subsidiaries and associates as follows:

	30/6/2011	31/12/2010
	LE	LE
National Development and Trading Company *	--	313 082 482
Sequoia Willow Investments Ltd. *	339 241 748	--
United Foundries Company **	<u>53 018 682</u>	<u>71 506 264</u>
Balance	<u>392 260 430</u>	<u>384 588 746</u>

* The Company has granted two subordinating loans to National Development and Trading Company – (one of the associate companies - 44.47%) dated December 28, 2009 and September 21, 2010 with amounts of US.\$ 40 968 630 and US.\$ 8 064 887 respectively. The loans contracts period is five years, the principle of the two loans have to be paid with interest at the end of loans period, with 11.5% annual cumulative interest, according to loans contracts the Company has the right to convert the value of loans in addition to its interest due into capital increase in the capital of National Development and Trading Company with par value at the end of loans period.

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

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

The Company has transferred the total value of the two loans due from National Development and Trading Company in addition to the accrued interest to one of the subsidiaries - 100% Sequoia Willow Investments Ltd. as at January 10, 2011 according to the original contacts terms granted to National Development and Trading Company.

The value of the two loans is US.\$ 57 114 290 (equivalent to LE 339 241 748 as at June 30, 2011) against US.\$ 54 048 697 (equivalent to LE 313 082 482 as at

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December 31, 2010) including accrued interest from the beginning of loans period amounted to US.\$ 8 080 773 (equivalent to LE 47 997 308 as at June 30, 2011) against US.\$ 5 015 180 (equivalent to LE 29 050 932 as at December 31, 2010).

** The Company has concluded a subordinating loan contract with United Foundries Company (one of the associate companies - 29.29%) on June 2, 2010 with an amount of US.\$ 11 563 187 for a period of three 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 into capital increase in the capital of United Foundries Company with par value at the end of loan period.

The guarantees are represented in a first degree lien of United Foundries Company shares in Ameryah Metal Company one of its subsidiaries with a percentage of 99.72%. The Company has transferred an amount of US.\$ 3 995 518 (equivalent to LE 23 254 510) from the loan's principle during the period in addition to an interest amounted to US.\$ 230 407 (equivalent to LE 1 340 968) to Financial Holding International Company (one of United Foundries Company's shareholders) in addition to settle an amount of US.\$ 357 406 (equivalent to LE 2 072 400) as additional contribution in this loan to become with an amount of US.\$ 8 926 155 (equivalent to LE 53 018 682 as at June 30, 2011) against US.\$ 12 344 416 (equivalent to LE 71 506 264 as at December 31, 2010) including accrued interest from the beginning of loan period amounted to US.\$ 1 001 080 (equivalent to LE 5 946 115 as at June 30, 2011) against US.\$ 781 229 (equivalent to LE 4 525 347 as at December 31, 2010).

15. Deferred tax

	30/6/2011	31/12/2010
	LE	LE
Fixed assets (depreciation)	<u>1 775 402</u>	<u>1 718 309</u>

16. Share capital

- The Company's authorized capital is LE 6 Billion and the issued and paid-in capital is LE 3 308 125 000 represents 661 625 000 shares distributed to 496 218 750 ordinary shares and 165 406 250 preferred shares with par value LE 5 per share.

The shareholders' structure is represented as follows:

Shareholders' name	Percentage %	No. of shares	Value in LE
Citadel Capital Partners Ltd.	33.12	219 151 801	1 095 759 005
Emirates International Investments Company	8.37	55 362 835	276 814 175
Others	58.51	387 110 364	1 935 551 820
		<u>661 625 000</u>	<u>3 308 125 000</u>

- The Company's extraordinary general assembly meeting held on August 3, 2011 decided to increase the issued capital from LE 3 308 125 000 to be LE 4 358 125 000 with an increase of LE 1 050 000 000 by issuing new 210 000 000 shares with par value LE 5 each and the procedures for this matter are taking place.

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 "syndication manager") with an amount of US.\$ 200 millions for a period of five years (US.\$150 millions committed and US.\$ 50 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.\$ 191 064 225 as at March 31, 2011 and the company paid the first stage installment on May 15, 2011 amounted to US.\$ 19 106 422 , accordingly the balance of loan is US.\$ 171 957 803 (equivalent to LE 1 021 377 760 as at June 30, 2011) against an amount of US.\$ 166 064 225 (equivalent to LE 961 943 630 as at December 31, 2010), and the second stage installment due on May 15, 2012 is amounted to US.\$ 38 212 845 (equivalent to LE

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226 972 835) against an amount of US.\$ 16 606 423 (equivalent to LE 96 194 363 as at December 31, 2010).

The loan guarantees are as follows:

- 1- First degree lien contract of the shares owned by the Company in National Development and Trading Company.
- 2- First degree lien contract of 13 727 872 shares of ASEC for mining (ASCOM).
- 3- First degree lien contract of the shares owned by the Company in Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone).
- 4- First degree lien contract of the investments owned by Citadel Capital Ltd. (One of the subsidiaries of Citadel Capital Holding for Financial Investments-Free Zone) in the following companies:
 - Orient Investments Properties Ltd.
 - Logria Holding Ltd.
 - Golden Crescent Investments Ltd.
 - Falcon Agriculture Investments Ltd.
 - Silverstone Capital Investment Ltd.
 - Mena Glass Ltd.
 - Mena Home Furnishings Mall.
 - Valencia Trading Holding Ltd.
 - Andalusia Trading Investments Ltd.
 - Citadel Capital Transportation Opportunities I Ltd.
 - Lotus Alliance Limited.
 - Citadel Capital Financing Corp.
- 5- First degree lien pledge of the investments of Citadel Capital for International Investments Ltd. – (one of the subsidiaries – 100%) – in the Egyptian Sudanese Bank (Sudanese Joint Stock Company).

- The bank interest on loan recorded in the income statement during the period is amounted to LE 28 267 341 - note no. (19).

Hedging contract for risk of interest rate swap

On May 15, 2008 the Company signed a hedging contract with Citi Bank – London where by fixing the libor rate on the loan at an interest rate of 4.195 % on the value that equals 50 % of the amount used from the irrevocable portion the loan value in accordance with the terms of the loan granted.

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18. Gains on sale of investments

	For the period		For the period	
	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010
	LE	LE	LE	LE
Gains on sale of investments in subsidiaries	--	--	--	9 575 740
Gains on sale of available-for-sale investments	--	--	--	2 402 486
Total	<u>--</u>	<u>--</u>	<u>--</u>	<u>11 978 226</u>

19. Financing (costs) income

	For the period		For the period	
	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010
	LE	LE	LE	LE
Credit interest *	13 682 923	26 984 778	12 789 250	32 920 899
Debit interest **	(12 953 966)	(28 267 341)	(6 345 023)	(12 481 411)
Foreign currency differences	488 713	(5 217 356)	(2 227 029)	(5 690 314)
Net	<u>1 217 670</u>	<u>(6 499 919)</u>	<u>4 217 198</u>	<u>14 749 174</u>

* Note no. (21.2)

** Note no (17).

20. Earnings per share

	For the period		For the period	
	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010
	LE	LE	LE	LE
Net (loss) profit for the period	(25 022 854)	(51 664 103)	288 001	1 802 191
The weighted average number of shares	661 625 000	661 625 000	661 625 000	661 625 000
Earnings per share	<u>(0.04)</u>	<u>(0.08)</u>	<u>--</u>	<u>--</u>

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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	Accrued advisory fee according to contracts		Advisory fee Recognized		Advisory fee recognized according contracts	
	For the period		For the period		For the period	
	Ended 30/6/2011	from 1/4/2011 to 30/6/2011	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011	from 1/4/2010 to 30/6/2010	from 1/1/2010 to 30/6/2010
Mena Glass Ltd.	2 235 515	1 122 820	2 235 515	1 009 240	2 006 100	
Mena Home Furnishings Mall	2 584 953	1 298 330	2 584 953	1 213 117	2 219 341	
Citadel Capital Transportation						
Opportunities I Ltd.	644 301	323 610	644 301	1 342 876	2 503 282	
Falcone Agriculture Investment Ltd.	7 211 907	3 641 551	7 211 907	3 230 161	6 388 761	
Logria Holding *	18 618 144	--	--	8 688 279	17 269 984	
Golden Crescent Investment Ltd. *	3 428 000	860 885	1 714 000	1 608 764	3 197 794	
Orient Investment properties Ltd.	4 644 554	2 292 689	4 644 554	3 381 651	6 768 929	
Sphinx Glass Ltd.	2 362 500	1 186 600	2 362 500	1 108 720	2 203 840	
ASEC Cement Holding	7 118 943	3 697 968	7 118 943	3 437 925	6 833 678	
Silverstone Capital Investment Ltd.	1 063 243	534 029	1 063 243	425 843	836 513	
Citadel Capital Transportation						
Opportunities II Ltd.	2 617 709	1 314 782	2 617 709	--	--	
Total	52 529 769	16 273 264	32 197 625	25 446 576	50 228 222	

* The Company did not recognize advisory fees related to those Companies according to signed contracts due to inadequate assurance concerning the revenue recognition and collection conditions.

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21.2 Credit interest – finance income note no.(19) includes an amount of LE 25 965 343 which represent the accrued interest income according to signed contracts with related parties as follows:

Company's name	For the period		For the period					
	from 1/4/2011 to 30/6/2011	LE	from 1/1/2011 to 30/6/2011	LE	from 1/4/2010 to 30/6/2010	LE	from 1/1/2010 to 30/6/2010	LE
Sequia Willow Investments Ltd.	9 144 326	--	18 106 612	--	--	--	--	--
National Development and Trading Company	--	--	--	--	4 880 699	15 899 278		
United Foundries Company	1 618 329		3 027 792		706 782	1 331 887		
Citadel Capital Holding for Financial Investments-Free Zone	1 806 527		3 313 549		5 867 337	12 415 687		
Citadel Capital for International Investments Ltd.	773 627		1 517 390		960 096	2 732 674		
Total	13 342 809		25 965 343		12 414 914	32 379 526		

21.3 Other operating income presented in the income statement is represented in the amounts due from the subsidiaries due to bearing the Company all the direct and indirect pre-operation fees.

Company's name	For the period		For the period					
	from 1/4/2011 to 30/6/2011	LE	from 1/1/2011 to 30/6/2011	LE	from 1/4/2010 to 30/6/2010	LE	from 1/1/2010 to 30/6/2010	LE
Eco-Logic Ltd.	--	--	--	--	4 579 436	10 070 736		
Valencia Trading Holding Ltd.	--	--	--	--	8 516 850	8 516 850		
Total	--	--	--	--	13 096 286	18 587 586		

22. Tax Status

Corporate tax

- The Company submitted its tax returns on regular basis for the years from 2005 to 2010 according to tax law No 91/2005. The Company's books have not been inspected yet.

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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 31/12/2010 has been taken place yet.

Withholding tax

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

23. Administrative and general expenses

Company's name	For the period		For the period	
	from 1/4/2011 to 30/6/2011	LE	from 1/1/2011 to 30/6/2011	LE
Wages , salaries and similar items	29 609 178		52 591 343	34 109 169
Consultancy	3 083 186		6 120 655	830 785
Advertising and public relations	2 970 899		4 633 020	1 218 151
Travel , accommodation and transportation	2 526 158		3 492 900	3 460 407
Management fees –note no. (24)	--		--	32 000
Other expenses	3 218 247		8 256 015	477 152
Total	41 407 668		75 093 933	40 127 664
				89 746 781

24. 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 – 33.12 %) which states that Citadel Capital Partners Ltd. provides management duties for fees based on 10% of the net annual profit available for distribution. The total fees for the period ended June 30, 2011 are nil against an amount of LE 200 243 as at June 30, 2010 which was recorded in the administrative and general expenses.

25. 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.

26. Contingent liabilities and commitments

The Company guarantees some of its related parties against the loans and credit facilities granted from banks.

27. Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances and debtors while financial liabilities include creditors. Note 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.

27.1 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 financial assets include debtors and other debit balances representing amounts due from customers. Strict credit control is maintained and further appropriate level of impairment loss is made. The credit risk on investment by ensuring that investments are made only after careful credit evaluation for these investments.

27.2 Liquidity risk

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

27.3 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the Company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies. Assets and liabilities that have foreign currency position at the financial position date equivalent to LE 805 851 449 and LE 1 096 651 037 respectively, and net foreign currencies balances are as follows:

Foreign currencies	(Deficit) / surplus
	LE
US.\$	(297 596 430)
Euro	6 796 842

- As disclosed in note no. (3.1) the Company has used the prevailing exchange rates to reevaluate monetary assets and liabilities at the financial position date.

27.4 Financial instruments' fair values

According to the valuation bases used to evaluate the assets and liabilities of the company which have been stated in the accompanying notes to the financial statements, the financial instruments' fair value does not substantially deviate from their book values at the financial position date .