

telecomegypt



Translation from Arabic

Telecom Egypt Company
An Egyptian Joint Stock Company))
Consolidated Financial Statements
For the Financial Year Ended December 31, 2019
& Auditor's Report

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(An Egyptian Joint Stock Company)
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For the Financial Year Ended December 31, 2019
& Auditor's Report

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Hazem Hassan

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Translation from Arabic

AUDITOR'S REPORT TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated statement of financial position as at December 31, 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Telecom Egypt Company as of December 31, 2019, and of its consolidated financial performance and cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

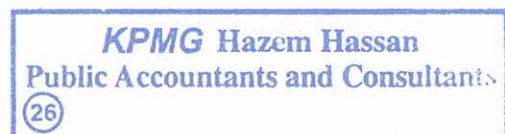
Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (35) of the notes to the consolidated financial statements, a dispute arose between the company and both Orange Egypt Company and Etisalat Misr Company and its subsidiaries (plaintiff companies) in regards to the company's change of technology used in the infrastructure necessary to provide internet service to customers which the plaintiff companies contracted to rent from the company, the plaintiff companies have filed lawsuits against the company regarding this matter and those litigations are still under deliberation before the judicial bodies and expert committees and the final ruling has not been issued, the plaintiffs companies filed complaints to the Egyptian Competition Authority (ECA) against the company on the basis that the company has carried out practices limiting competition in the Egyptian market, ECA mentioned in those complaints has concluded that the company violated some of the articles of the Law of Protection of Competition and the Prohibition of Monopolistic Practices.

According to the opinion of the company's legal consultant, these lawsuits are still in the process of submitting documents and judicial defenses from both sides of the dispute before the judicial bodies and expert committees and that it is not possible to determine the final legal position of those cases, It is difficult, in the meantime to determine the outcome of the above mentioned lawsuits till the final ruling of the judicial bodies is issued.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 19, 2020



Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Financial Position As of:

	Note	31/12/2019	31/12/2018
	<u>No.</u>	<u>L.E. (000)</u>	<u>Restated</u>
<u>Assets</u>			<u>L.E. (000)</u>
<u>Non current Assets</u>			
Fixed assets	(13)	29 728 055	21 520 454
Projects in progress	(14)	6 828 631	5 429 756
Investments in associates	(15)	10 818 196	13 452 011
Available-for-sale investments	(16)	79 811	79 811
Long-term balances (prepaid expense)		60 072	74 672
Other assets	(17)	10 119 638	10 614 207
Deferred tax assets	(28-1)	213 188	239 160
Total Non Current Assets		57 847 591	51 410 071
<u>Current Assets</u>			
Inventories	(18)	2 353 882	1 788 922
Trade and notes receivables	(19)	4 996 871	4 378 759
Debitors and other debit balances	(20)	6 315 453	5 200 654
Held-to-maturity investments-(treasury bills)		25 829	105 488
Cash and cash equivalents	(21)	1 433 184	892 775
Total Current Assets		15 125 219	12 366 598
Total Assets		72 972 810	63 776 669
<u>Equity</u>			
Capital	(26)	17 070 716	17 070 716
Reserves	(27)	4 762 106	4 695 606
Retained earnings		13 379 060	10 342 231
Foreign entities translation reserve		(6 548)	176 729
Equity attributable to the owners of the company		35 205 334	32 285 282
Non - controlling interest		15 803	15 820
Total Equity		35 221 137	32 301 102
<u>Non current Liabilities</u>			
Loans and credit facilities	(22)	4 785 550	550 168
Creditors and other credit balances	(23)	5 266 553	4 039 728
Deferred tax liabilities	(28-1)	1 462 286	1 244 893
Total Non Current Liabilities		11 514 389	5 834 789
<u>Current Liabilities</u>			
Loans and facilities installments due within one year	(22)	11 666 363	13 303 507
Creditors and other credit balances	(23)	12 748 669	10 541 623
Credit balances due to associates	(32)	1 049 642	1 055 119
Provisions	(24)	772 610	740 529
Total Current Liabilities		26 237 284	25 640 778
Total Liabilities		37 751 673	31 475 567
Total Equity and Liabilities		72 972 810	63 776 669

The attached notes on pages from (8) to (48) are an integral part of these consolidated financial statements.

Director of Financial Affairs

Senior Director of Financial Affairs

Chief Financial Officer

Managing Director
& Chief Executive Officer



" Ehab Abdo "



" Wael Hanafy "



" Mohamed Shamroukh "



" Adel Hamed "

Board of Directors approval

Auditor's Report "attached"

Chairman

" Maged Osman "

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Income

	Note No.	<u>For the financial year ended:</u>	
		<u>31/12/2019</u>	<u>31/12/2018</u>
		<u>L.E.(000)</u>	<u>Restated</u> <u>L.E.(000)</u>
Operating revenues	(3)	25 805 090	22 770 582
Operating costs	(4)	(16 837 973)	(14 556 694)
Gross Profit		8 967 117	8 213 888
Other operating income	(5)	470 936	344 600
Selling and distribution expenses	(6)	(2 752 654)	(2 548 074)
General and administrative expenses	(7)	(3 986 199)	(2 439 642)
Other operating expenses	(8)	(150 045)	(197 837)
Operating profit		2 549 155	3 372 935
Finance income	(9)	1 679 338	187 019
Finance cost	(9)	(1 564 811)	(1 499 017)
Net Finance income/(cost)		114 527	(1 311 998)
Share of profit of equity accounted investees	(10)	2 832 938	2 200 602
Net profit for the year before tax		5 496 620	4 261 539
Income tax expense		(847 365)	(310 695)
Deferred tax	(28-1)	(243 365)	(646 992)
Total income tax		(1 090 730)	(957 687)
Net profit for the year		4 405 890	3 303 852
<u>Profit attributable to :</u>			
Owners of the company		4 399 125	3 296 714
Non-controlling interest		6 765	7 138
Net profit for the year		4 405 890	3 303 852
Basic and diluted earnings per share (LE / Share)	(12)	2.10	1.50

The attached notes on pages from (8) to (48) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Comprehensive Income

	<u>For the financial year ended:</u>	
	31/12/2019	31/12/2018
		<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the year	4 405 890	3 303 852
<u>Other Comprehensive Income items :</u>		
Translation differences of foreign entities	(183 277)	(9 274)
Total Comprehensive Income	<u>4 222 613</u>	<u>3 294 578</u>
Attributable to :		
Shareholders of the company	4 215 848	3 287 440
Non-controlling interest	6 765	7 138
Total Comprehensive Income	<u>4 222 613</u>	<u>3 294 578</u>

The attached notes on pages from (8) to (48) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Financial year Ended December 31, 2019

	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to shareholders of the company	Non-controlling interest	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Balance as of January 1,2018 (Restated)	17 070 716	1 845 776	2 796 578	8 575 145	189 443	30 477 658	12 135	30 489 793
Comprehensive Income								
Net profit for the year (Restated)	-	-	-	3 296 714	-	3 296 714	7 138	3 303 852
Translation differences of foreign entities	-	-	-	-	(9 274)	(9 274)	-	(9 274)
Total Comprehensive Income (Restated)	-	-	-	3 296 714	(9 274)	3 287 440	7 138	3 294 578
Transactions with shareholders :								
Transferred to legal reserve	-	53 252	-	(53 252)	-	-	-	-
Adjustments on retained earning at subsidiaries	-	-	-	(20 099)	-	(20 099)	-	(20 099)
Adjustments on retained earning at associates	-	-	-	4 495	-	4 495	-	4 495
Dividends for year 2017 (shareholders)	-	-	-	(426 768)	-	(426 768)	(3 002)	(429 770)
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	(720 224)	-	(720 224)	(451)	(720 675)
Dividends in associates (Employees & Board of Directors)	-	-	-	(49 890)	-	(49 890)	-	(49 890)
Acquisition of non controlling interest in subsidiaries	-	-	-	(263 890)	(3 440)	(267 330)	-	(267 330)
Total transactions with shareholders	-	53 252	-	(1 529 628)	(3 440)	(1 479 816)	(3 453)	(1 483 269)
Balance as of December 31,2018 (Restated)	17 070 716	1 899 028	2 796 578	10 342 231	176 729	32 285 282	15 820	32 301 102
Balance as of January 1,2019 (Restated)	17 070 716	1 899 028	2 796 578	10 342 231	176 729	32 285 282	15 820	32 301 102
Comprehensive Income								
Net profit for the year	-	-	-	4 399 125	-	4 399 125	6 765	4 405 890
Translation differences of foreign entities	-	-	-	-	(183 277)	(183 277)	-	(183 277)
Total Comprehensive Income	-	-	-	4 399 125	(183 277)	4 215 848	6 765	4 222 613
Transactions with shareholders :								
Transferred to legal reserve	-	66 500	-	(66 500)	-	-	-	-
Dividends for year 2018 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 917)	(432 685)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(732 844)	-	(732 844)	(865)	(733 709)
Dividends in associates (Employees & Board of Directors)	-	-	-	(61 126)	-	(61 126)	-	(61 126)
Adjustments on retained earning at associates	-	-	-	(75 058)	-	(75 058)	-	(75 058)
Total transactions with shareholders	-	66 500	-	(1 362 296)	-	(1 295 796)	(6 782)	(1 302 578)
Balance as of December 31, 2019	17 070 716	1 965 528	2 796 578	13 379 060	(6 548)	35 205 334	15 803	35 221 137

The attached notes on pages from (8) to (48) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Cash Flows

	Note No.	For the Financial year ended:	
		31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		21 793 626	21 008 454
Value added tax collected from customers		493 921	412 710
Stamp tax and fees collected from third party		34 285	32 070
Deposits collected from customers		2 936	1 009
Cash paid to suppliers		(5 794 968)	(5 154 249)
Payments of NTRA license fees		(736 585)	(604 355)
Dividends paid to employees and Board of Directors		(96 288)	(374 267)
Cash paid to employees and Board of Directors		(7 060 502)	(4 603 676)
Cash paid on behalf of employees to third party		(1 051 627)	(825 476)
Cash provided by operating activities		7 584 798	9 892 220
Interest paid		(1 010 484)	(921 712)
Payments to Tax Authority - income tax		(127 983)	(292 042)
Payments to Tax Authority - value added tax		(1 635 336)	(2 467 970)
Payments to Tax Authority - other taxes		(1 491 021)	(978 400)
Cash paid to third parties for claims		-	(919 278)
Cash paid on long - term liabilities		-	(784 389)
Provision Used		(11 746)	-
Other payments		(316 856)	(32 868)
Net cash provided by operating activities		2 991 372	3 495 561
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects in progress and other assets		(9 664 893)	(8 027 576)
Payments for purchase of other assets		(747 744)	(780 178)
Proceeds from sales of fixed assets and other assets		48	66
Payments for acquisition of investments		(56 867)	(993 465)
Payments for purchase of held-to-maturity investment - (treasury bills)		(34 358)	(219 517)
Interest received		55 538	44 785
Dividends collected from investments		5 067 193	453 595
Proceeds from sale of available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - (treasury bills)		108 957	227 472
Proceeds from income of securities (treasury bills - mutual fund)		10 702	22 411
Net cash used in investing activities		(5 261 424)	(9 272 400)
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(4 248 748)	(48 090)
Proceeds from loans and other facilities		7 410 702	6 633 922
Dividends paid to shareholders		(432 683)	(429 927)
Net cash provided by financing activities		2 729 271	6 155 905
Net change in cash and cash equivalents during the year		459 219	379 066
Translation differences of foreign entities		(21 383)	(12 447)
Cash and cash equivalents at the beginning of the year	(21)	873 555	506 936
Cash and cash equivalents at the end of the year	(21)	1 311 391	873 555

The attached notes on pages from (8) to (48) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the Financial Year Ended December 31, 2019

1. BACKGROUND

1-1 Legal Entity

- Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become "Telecom Egypt Company" (TE).
- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market Law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

1-2 Purpose of the company

The main purpose of the company represents in the following:

- Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
- Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
- Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
- Dealing or contracting or Participating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
- Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
- Selling, purchasing and distributing of fixed line sets , mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
- Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
- Investment properties for serving its purposes and executing its projects.

1-3 Issuance of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on February 19, 2020.

2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

These consolidated financial statements as of December 31, 2019, have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations related to.

2-2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.

For presentation purposes, the current and non-current classification has been used for the consolidated statement of financial position, while expenses are analyzed in the consolidated statement of income using a classification based on their function. The direct method has been used in preparing the consolidated statement of cash flows.

2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound (L.E.), All financial information presented in "L.E." has been rounded to the nearest L.E. Thousand unless otherwise stated.

2-4 Use of estimates

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of these assumption represent the judgmental basis for the value of assets and liabilities that may not apparently available from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on going basis. Accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Impairment loss on non-financial and financial assets.
- Deferred tax assets.
- Provisions and contingencies.
- Operational useful life of fixed assets.

2-5 Fair value measurement

- The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the consolidated financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.
- In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.
- When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

2-6 Segment reporting

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to services provided by activities as a group as follows:

- Communications, marine cables and infrastructure services.
- Internet services.
- Outsourcing services.

3. OPERATING REVENUES

	For the financial year ended:	
	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	10 474 032	8 064 282
Enterprise	3 809 122	3 215 287
Domestic wholesale	4 154 647	3 570 733
International carriers	4 383 205	4 424 255
International cables and networks	2 984 084	3 496 025
	<u>25 805 090</u>	<u>22 770 582</u>

4. OPERATING COSTS

	Note <u>No.</u>	For the financial year ended:	
		31/12/2019	31/12/2018
		<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Interconnection cost		4 831 623	4 295 373
Depreciation of fixed assets*	(13)	2 789 002	1 942 661
Amortization of other assets*	(17)	697 068	628 441
Salaries and wages		2 998 923	2 077 766
Company's social insurance contribution		310 382	236 487
Employees vacations allowance		5 000	5 410
Frequencies and licences charges (NTRA)		931 612	780 843
Leased circuits & satellite subscriptions		272 998	237 754
Cost of merchandise available for sale		673 664	602 408
Right of use (IRU) outside Egypt*		385 268	1 563 212
Fuel		786 503	638 210
Spare parts		170 323	128 807
Maintenance		472 264	392 863
Organizations services cost		753 585	441 850
Electricity and water		101 723	74 406
Materials, supplies and miscellaneous printed		47 012	46 654
Transportation cost		165 441	126 218
Company's call costs		88 913	71 470
Rents		163 352	118 375
Other operating costs		193 317	147 486
		<u>16 837 973</u>	<u>14 556 694</u>

* Restatement was made on the comparative figures as shown in (Note no. 37-2)

5. OTHER OPERATING INCOME

	<u>For the financial year ended</u>	
	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fines and earned delay interest on company's receivables	94 574	120 117
Sundry revenues	376 362	224 483
	<u>470 936</u>	<u>344 600</u>

6. SELLING AND DISTRIBUTION EXPENSES

	<u>Note No.</u>	<u>For the financial year ended:</u>	
		<u>31/12/2019</u>	<u>31/12/2018</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages		1 120 433	1 034 420
Company's social insurance contribution		107 033	111 328
Employees vacations allowance		1 600	3 840
Depreciation of fixed assets	(13)	24 441	463
Amortization of other assets	(17)	89	35
Advertising and marketing		844 495	937 272
Tax and duties		173 836	87 656
Organizations services cost		60 967	506
Sales and collection commissions		259 110	242 267
Rent		29 403	12 611
Other selling and distribution expenses*		131 247	117 676
		<u>2 752 654</u>	<u>2 548 074</u>

* Reclassification was made on the comparative figures as shown in (Note no. 37-2)

7. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note No.</u>	<u>For the financial year ended:</u>	
		<u>31/12/2019</u>	<u>31/12/2018</u>
		<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Salaries and wages		1 498 349	1 598 879
Company's social insurance contributions		161 775	140 533
End of service compensation - early retirement scheme	(11-1)	1 266 549	-
The company's contribution in loyalty and belonging fund	(11-2)	276 182	-
Employees vacations allowance		10 600	8 203
Depreciation of fixed assets*	(13)	94 738	78 196
Amortization of other assets	(17)	178	71
Organizations services and consulting cost		209 701	212 931
Bad debts expenses		-	396
Tax and duties		122 331	119 384
Takaful contribution expense		85 211	41 890
Bank charges		20 831	16 343
Other general and administrative expenses*		239 754	222 816
		<u>3 986 199</u>	<u>2 439 642</u>

* Restatement and reclassification were made on the comparative figures as shown in (Note no. 37-2)

8. OTHER OPERATING EXPENSES

	Note No.	For the financial year ended:	
		31/12/2019	31/12/2018
		L.E. (000)	L.E. (000)
Provisions	(24)	43 841	102 083
Capital losses		25 444	17 000
Donations		79 781	75 668
Other expenses		979	3 086
		<u>150 045</u>	<u>197 837</u>

9. NET FINANCE INCOME/ (COST)

	Note No.	For the financial year ended:	
		31/12/2019	31/12/2018
		LE (000)	LE (000)
Finance income			
Interest income		45 805	37 152
Treasury bills income		25 275	31 969
Income from money market funds		20 383	23 094
Dividends from available for sale investments		10 939	14 460
Gain on sale of available for sale investments		-	1
Reversal of impairment loss on financial assets		-	3 607
Net gain of foreign currencies translation balances and transactions		1 576 936	76 736
Total finance income		<u>1 679 338</u>	<u>187 019</u>
Finance costs			
Interest expense		(1 071 788)	(1 093 239)
Impairment loss on financial assets	(25)	(177 235)	-
Finance costs of credit contracts		(315 788)	(405 778)
Total finance cost		<u>(1 564 811)</u>	<u>(1 499 017)</u>
Net finance income/ (cost)		<u>114 527</u>	<u>(1 311 998)</u>

10. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE

	For the financial year ended:	
	31/12/2019	31/12/2018
	L.E. (000)	L.E. (000)
Vodafone Egypt	2 832 931	2 200 544
Egypt Trust	7	58
	<u>2 832 938</u>	<u>2 200 602</u>

11. EMPLOYEES' BENEFITS

11-1 Early retirement scheme (Telecom Egypt)

The Company applies an optional early retirement scheme under which a compensation is paid to employees who desired and meet the requirements to end their service before the legal age of retirement, therefore the company's Board of Directors decided in its meeting which have been held on March 24, 2019 to approve the application of the optional early retirement scheme for the employees of the company before the legal age of retirement. Also on June 9, 2019, internal instructions were issued under no. (8) to determine the mechanism of applying the optional early retirement scheme by specifying the conditions of enrollment in the scheme and the benefits offered to the employees of the company, enrollment application to be submitted during the period from June 9, 2019 till July 9, 2019 according to the following:

First: The important conditions of the optional early retirement

- The subscription duration in social insurance not less than Twenty years.
- Approval of the company's manpower planning committee of the company according to the requirement of work and the company has the right to reject any application.
- The subscription application submitted by the employee is final and not repealed at the expiration of seven days from the date of its submission.

Second: The important benefits of an optional early retirement

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
- Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.
- Payment of compensation for unused leaves in accordance with the regulations in force.
- Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the earliest.
- Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is the earliest.
- Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the earliest.

The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme, the said committee have completed the study of all the applications submitted to it by the employees of the company, issuing its recommendations have prepared the final reports of the results of its work, liabilities that the company had borne as a result of the application of the optional early retirement scheme were an amount of L.E 1 266 549 K for the year ended December 31,2019 (Note no. 7).

11-2 End of service benefits (the company's contribution in loyalty and belonging fund-Telecom Egypt)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 276 182 K for the year ended in December 31, 2019 (Nil for the year 2018) stated in the general and administrative expenses as shown in (Note no. 7).

12. BASIC AND DILUTED EARNINGS PER SHARE FOR THE YEAR

	For the financial year ended:	
	31/12/2019	31/12/2018 Restated
<u>The holding company owner's equity :-</u>		
Profit for the year (L.E. in thousand)*	4 399 125	3 296 714
<u>Less:</u>		
Employees' share in dividends (L.E. in thousand)**	805 206	722 486
Board of Directors share (L.E. in thousand)**	13 720	10 310
Net profit for the year available for distribution (L.E. in thousand)	3 580 199	2 563 918
Number of shares available during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the year (LE / share)	2.10	1.50

* Restatement was made on the comparative figures as shown in (Note no. 37-2)

** According to Board of Directors proposal to be presented in the Company and its Subsidiaries General Assembly for approval.

13- FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment & information technologies	Vehicles	Furniture	Tools & supplies	Decoration & fixtures	Fixtures on trunk radio network	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at 1/1/2018	2,346,458	24,971,915	26,101,305	142,911	632,260	131,488	127,035	315	54,453,687
Adjustments on beginning balance	-	33,354	(32,953)	-	(31)	-	-	-	370
Acquisition assets cost (Restated)	3,841	772,782	52,918	-	3,849	-	1,049	-	834,439
Additions during the year	47	2,446,862	2,775,187	8,097	68,858	12,434	7,288	-	5,318,773
Disposals during the year	-	(511,312)	(125,062)	(5,136)	(6,414)	(1,273)	(547)	-	(649,744)
Translation differences of foreign entities	-	(2,933)	(5,562)	(7)	(698)	-	(152)	-	(9,352)
Cost as at 31/12/2018 (Restated)	2,350,346	27,710,668	28,765,833	145,865	697,824	142,649	134,673	315	59,948,173
Cost as at 1/1/2019 (Restated)	2,350,346	27,710,668	28,765,833	145,865	697,824	142,649	134,673	315	59,948,173
Additions during the year	4,990	6,848,029	4,360,755	37,523	138,291	12,381	25,797	-	11,427,766
Disposals during the year	-	(790,022)	(1,572,522)	(4,576)	(3,458)	(1,204)	(1,464)	-	(2,373,246)
Translation differences of foreign entities	(386)	(53,502)	(21,387)	(49)	(3,926)	-	(918)	-	(80,168)
Cost as at 31/12/2019	2,354,950	33,715,173	31,532,679	178,763	828,731	153,826	158,088	315	68,922,525
Accumulated depreciation as at 1/1/2018 (Restated)	-	14,786,787	20,675,678	107,658	444,174	73,135	112,539	315	36,200,286
Adjustments on beginning balance	-	(680)	954	-	-	-	-	-	274
Accumulated depreciation for acquisition assets (Restated)	-	707,094	42,658	-	3,819	-	491	-	754,062
Depreciation for the year (Restated)	-	649,843	1,281,974	5,700	66,353	11,112	6,338	-	2,021,320
Accumulated depreciation for disposals	-	(409,441)	(120,801)	(5,078)	(6,376)	(1,273)	(514)	-	(543,483)
Translation differences of foreign entities	-	(1,511)	(2,647)	(7)	(458)	-	(117)	-	(4,740)
Accumulated depreciation as at 31/12/2018 (Restated)	-	15,732,092	21,877,816	108,273	507,512	82,974	118,737	315	38,427,719
Accumulated depreciation as at 1/1/2019 (Restated)	-	15,732,092	21,877,816	108,273	507,512	82,974	118,737	315	38,427,719
Depreciation for the year	-	1,188,323	1,606,490	7,922	84,488	14,313	6,645	-	2,908,181
Accumulated depreciation for disposals	-	(506,685)	(1,564,160)	(4,413)	(3,423)	(1,203)	(1,382)	-	(2,081,266)
Translation differences of foreign entities	-	(46,878)	(10,184)	(49)	(2,334)	-	(719)	-	(60,164)
Accumulated depreciation as at 31/12/2019	16,366,852	17,348,321	21,909,962	111,733	586,243	96,084	123,281	315	39,194,470
Net carrying amounts as at 31/12/2019	2,354,950	17,348,321	9,622,717	67,030	242,488	57,742	34,807	-	29,728,055
Net carrying amounts as at 31/12/2018 (Restated)	2,350,346	11,978,576	6,888,017	37,592	190,312	59,675	15,936	-	21,520,454

- Cost of fixed assets includes an amount of L.E. 23,382 Million fully depreciated assets and still in use.
- Restatement was made to the comparative figures are shown in (Note no. 37-1)

Depreciation for the year is charged to income statement as follows:

	Note	For the financial year ended
		31/12/2019
Operating costs		Restated
Selling and Distribution expenses	No. (4)	L.E. (000) 1,942,661
General and administrative expenses	(6)	24,441
	(7)	94,738
		2,068,181
		2,021,320

Notes to the consolidated financial statements
For the financial year ended December 31, 2019 (continued)

14. PROJECTS IN PROGRESS

	Note No.	31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
Land		11 894	21 025
Buildings and Infrastructure		1 107 310	2 616 751
Centrals and information technologies equipment		4 642 160	2 222 125
Tools and supplies		56 940	24 083
Vehicles		-	493
Furniture		19 404	2 108
Other Assets (cables)		255 420	70 776
Advance payments - fixed assets		755 994	492 886
		<u>6 849 122</u>	<u>5 450 247</u>
Less:			
Impairment on projects in progress	(25)	<u>20 491</u>	<u>20 491</u>
		<u>6 828 631</u>	<u>5 429 756</u>

15. INVESTMENTS IN ASSOCIATES

	Note No.	31/12/2019		31/12/2018	
		Ownership %	LE (000)	Ownership %	LE (000)
- Vodafone Egypt Telecommunication company *		44.95	10 818 042	44.95	13 451 864
- Wataneya for Telecommunication **		50.00	125	50.00	125
- International Telecommunication Consortium Limited (ITCL) **		50.00	54	50.00	54
- Egypt Trust**		35.71	7 654	35.71	7 647
- Consortium Algerian de Telecommunications (CAT) **		33.00	133	33.00	133
			<u>10 826 008</u>		<u>13 459 823</u>
Less					
- Impairment loss on investments in associates	(25)		<u>7 812</u>		<u>7 812</u>
			<u>10 818 196</u>		<u>13 452 011</u>

* The investments in Vodafone Egypt on December 31, 2019 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31, the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the Consolidated Financial Statements as of December 31, 2019 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 31, 2019 that were authorized by the Company's management which presents the 12 months from the 1st of April 2018 till March 31, 2019, less the movements for the period from the 1st of April 2018 till December 31, 2018 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2018. Plus, the movements for the period from the 1st of April 2019 till December 31, 2019 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2019, to determine the share of financial period from January 1 to December 31, 2019 of business results.

** The impairment loss on investments for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT) and International Telecommunication Consortium Limited (ITCL) due to the realized losses by these investee companies which exceeded this investments amount, as the Extra Ordinary General Assembly meeting of Consortium Algeria Telecommunication held on July 1, 2009 approved the dissolution and liquidation of CAT.

16. AVAILABLE-FOR-SALE INVESTMENTS

	Note	31/12/2019	31/12/2018
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
- Participations in foreign satellite companies and organizations*		26 676	26 676
- Investments in other companies		87 205	87 205
- Payment for purchase available for sale investments		2 250	2 250
		<u>116 131</u>	<u>116 131</u>
<u>Less:</u>			
Impairment loss on available-for-sale investments	(25)	36 320	36 320
		<u>79 811</u>	<u>79 811</u>

* This item includes the company's share in Arab Sat represented in 7 968 455 shares amounting to L.E. 11 856 K including free shares distributed during 2010 by Arab Sat to all the shareholders based on their shares, accordingly telecom Egypt contribution in Arab Sat capital remains as the same at 1.5937%.

Notes to the consolidated financial statements
For the financial year ended December 31, 2019 (continued)

17- OTHER ASSETS

	Fourth generation Network license	Submarine cables	International circuit (ROU)	Licenses Internet services	Licenses and programs	land (Possession)	land (Usufruct)	Goodwill *	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at January 1, 2018	8 633 330	1 822 190	153 003	23 283	56 382	440 683	1	-	11 128 872
Acquisition assets cost (Restated)	-	3 563 592	562 317	-	-	-	-	15 839	4 141 748
Additions during the year	-	149 889	524 648	-	-	-	-	-	674 537
Disposals during the year	-	(3 511 865)	(358 246)	-	-	-	-	-	(3 870 111)
Translation differences of foreign entities	-	(273)	(846)	(286)	-	-	-	-	(1 405)
Cost at December 31, 2018 (Restated)	8 633 330	2 023 533	880 876	22 997	56 382	440 683	1	15 839	12 073 641
Additions during the year	-	102 728	13 908	-	104 465	-	-	-	221 101
Disposals during the year	-	(13 075)	-	-	-	-	-	-	(13 075)
Translation differences of foreign entities	-	(16 556)	(12 771)	(259)	-	-	-	-	(29 586)
Cost at December 31, 2019	8 633 330	2 096 630	882 013	22 738	160 847	440 683	1	15 839	12 252 081
Accumulated amortization as at January 1, 2018	131 301	462 769	133 573	21 915	37 590	-	-	-	787 148
Accumulated amortization acquisition assets (Restated)	-	3 111 831	207 801	-	-	-	-	-	3 319 632
Amortization for the year (Restated)	459 569	129 012	20 997	177	18 792	-	-	-	628 547
Accumulated amortization for disposals	-	(3 088 051)	(186 905)	-	-	-	-	-	(3 274 956)
Translation differences of foreign entities	-	(58)	(723)	(156)	-	-	-	-	(937)
Accumulated amortization as at December 31, 2018 (Restated)	590 870	615 503	174 743	21 936	56 382	-	-	-	1 459 434
Amortization for the year	459 569	122 143	80 642	159	34 822	-	-	-	697 335
Accumulated amortization for disposals	-	(1 334)	-	-	-	-	-	-	(1 334)
Translation differences of foreign entities	-	(13 161)	(9 672)	(159)	-	-	-	-	(22 992)
Accumulated amortization as at December 31, 2019	1 050 439	723 151	245 713	21 936	91 204	-	-	-	2 132 443
Net carrying amounts as at December 31, 2019	7 582 891	1 373 479	636 300	802	69 643	440 683	1	15 839	10 119 638
Net carrying amounts as at December 31, 2018 (Restated)	8 042 460	1 408 030	706 133	1 061	-	440 683	1	15 839	10 614 207

Amortization for the year is charged to statement of income as follows:

	Note	For the financial year ended	
		31/12/2019	31/12/2018 Restated
	No.	L.E. (000)	L.E. (000)
Operating costs	(4)	697 068	628 441
Selling and Distribution expenses	(6)	89	35
General and administrative expenses	(7)	178	71
		697 335	628 547

- Accumulated amortization and impairment at December 31, 2019 include an amount of L.E. 79 825 K is represented in impairment of right of use of international circuits (ROU) and internet service license by one of subsidiary (Note no. 25)

- Other assets costs included L.E 175 Million other assets fully amortized and still in used.

- Restatement was made on the comparative figures as shown in (Note no. 37-1)

* The goodwill have been resulted from the acquisition of Middle East and North Africa Submarine Cables (MENA) – Subsidiary company (Note no. 38-2)

18. INVENTORIES

	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	Restated <u>L.E. (000)</u>
Spare parts	1 012 846	754 080
Material supplies	977	977
Computers and Pc's components	14 942	8 333
Merchandise for sale-telecommunication equipment and computers	534 207	385 586
Others – cables and supplies*	638 654	505 152
	<u>2 201 626</u>	<u>1 654 128</u>
<u>Add:</u>		
Letters of credit	152 256	134 794
	<u>2 353 882</u>	<u>1 788 922</u>

Inventory's value was written down by L.E. 23 375 K (against L.E. 19 215 K at December 31, 2018) (Note no. 25) for obsolete and slow moving items deducted directly from the cost of each type of inventory.

* Restatement was made on the comparative figures as shown in (Note no. 37-1)

19. TRADE AND NOTES RECEIVABLES

	Note	31/12/2019	31/12/2018
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National		4 509 925	3 797 603
Trade Receivables - International		2 527 744	2 653 385
		<u>7 037 669</u>	<u>6 450 988</u>
<u>Less:</u>			
Impairment loss on trade receivables	(25)	2 042 013	2 072 734
		<u>4 995 656</u>	<u>4 378 254</u>
<u>Add:</u>			
Notes Receivables		1 215	505
		<u>4 996 871</u>	<u>4 378 759</u>

20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
Suppliers – debit balances		788 389	439 761
Deposits with others		256 206	254 891
Customs Authority - deposits		1 630	2 397
Accrued revenues		51 997	26 364
Tax Authority – withholding tax		575 122	224 581
Tax Authority – value added tax		2 341 449	1 910 067
Due from organizations, companies and franchises		993 908	1 129 171
Temporary debts due from employees		799 816	714 919
Due from banks		8 802	3 848
Payments on the account of income tax		111 687	45 963
Other debit balances		701 207	604 736
		<u>6 630 213</u>	<u>5 356 698</u>
Less:			
Impairment loss on debtors and other debit balances	(25)	314 760	156 044
		<u>6 315 453</u>	<u>5 200 654</u>

21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2019 LE (000)	31/12/2018 LE (000)
Banks - time deposits (less than 3 months)		295 061	376 656
Banks - current accounts		967 140	255 027
Cash on hand		4 322	10 832
Treasury bills (less than 3 months)		66 579	135 063
Money market funds (less than 3 months)		100 082	115 197
Cash and cash equivalents		<u>1 433 184</u>	<u>892 775</u>
Less:			
Restricted cash and cash equivalents	(30)	121 793	19 220
Cash and cash equivalents as per statement of cash flow		<u>1 311 391</u>	<u>873 555</u>

22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Long term loan	Long term loan	Balance	Balance	Annual	Repayment schedule
		installments due within one year	installments due within more than one year	as of 31/12/2019	as of 31/12/2018	interest rate	
		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>%</u>	
Foreign Loans	U.S.\$	1 445 288	4 335 865	5 781 153	-	Variable interest rate	Quarter installments ending on 18/10/2023
Foreign loans	EURO	35 298	449 685	484 983	590 211	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 422	-	1 422	1 612	5.50%	
Bank facilities	LE	4 906 875	-	4 906 875	3 642 140	Variable interest rate	
Bank facilities	U.S.\$	5 277 480	-	5 277 480	9 619 712	Variable interest rate	
		<u>11 666 363</u>	<u>4 785 550</u>	<u>16 451 913</u>	<u>13 853 675</u>		

Notes to the consolidated financial statements
For the financial year ended December 31, 2019 (continued)

23. CREDITORS AND OTHER CREDIT BALANCES

	<u>Note</u> <u>No.</u>	31/12/2019 <u>L.E. (000)</u>	31/12/2018 <u>Restated</u> <u>L.E. (000)</u>
Suppliers and notes payables		2 000 779	1 168 049
Tax Authority-Income Tax		577 047	271 892
Tax Authority (taxes other than income tax)		630 464	613 059
Deposits from others		495 610	458 930
liabilities of early retirement scheme	(11-1)	108 262	-
Assets creditors *		9 993 357	8 171 998
Dividends payable		3 392	3 442
Accrued expenses		854 579	879 443
Customers - credit balances		679 526	404 313
Credit balances - organizations and companies		250 657	467 877
Deferred revenues **		1 112 056	843 284
National Telecommunication Regulatory Authority (NTRA)		701 182	384 843
Social Insurance Authority		65 000	64 126
Accrued interest		119 308	46 614
Other credit balances		424 003	803 481
		<u>18 015 222</u>	<u>14 581 351</u>
<u>Less balances due within more than one year:</u>			
Assets creditors		4 958 240	3 667 798
Deferred revenues		308 313	371 930
Non-Current creditors and other credit balances		<u>5 266 553</u>	<u>4 039 728</u>
Current creditors and other credit balances		<u>12 748 669</u>	<u>10 541 623</u>
Total creditors and other credit balances		<u>18 015 222</u>	<u>14 581 351</u>

* Restatement was made on the comparative figures as shown in (Note no. 37-1)

**The deferred revenues amounting to L.E.1 112 056 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 12 945 K (against L.E 30 312 K at December 31, 2018) and deferred revenues for mobile services by an amount of L.E 209 057 K (against L.E 49 750 K at December 31, 2018), revenues from cables operating and maintenance services by an amount of L.E 427 989 K (against L.E 428 347 K at December 31, 2018) and revenues from internet and wireless communications services by an amount of L.E 462 065 K (against L.E 334 875 K at December 31, 2018).

Translation from Arabic

24. PROVISIONS

	Balance as of 1/1/2019	Reclassification	Charged to income statement	Used during the year	Translation differences	Balance as of 31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Provision for liabilities and claims	740 529	-	43 841	(11 746)	(14)	772 610
	<u>740 529</u>	<u>-</u>	<u>43 841</u>	<u>(11 746)</u>	<u>(14)</u>	<u>772 610</u>

* Claims provision is related to contingent tax liabilities, lawsuits and compensation in respect of contracting contracts.

25. IMPAIRMENT LOSS ON ASSETS

	Balance as of 1/1/2019	Note No.	Formed / (Reversal) during the year	Used during the year	Translation differences	Balance as of 31/12/2019
	<u>L.E. (000)</u>		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Impairment loss on projects in progress	20 491	(14)	-	-	-	20 491
Impairment loss on investments in associates	7 812	(15)	-	-	-	7 812
Impairment loss on available-for-sale investment	36 320	(16)	-	-	-	36 320
Impairment loss on debit balances due from associates	453 968	(32)	-	-	-	453 968
Impairment loss on other assets	79 825	(17)	-	-	-	79 825
Write-down of inventories	19 215	(18)	4 255	-	(95)	23 375
Impairment loss on trade receivables	2 072 734	(19)	(4 461)	(26 260)	-	2 042 013
Impairment loss on debtors and other debit balances	156 044	(20)	181 696	(22 980)	-	314 760
	<u>2 846 409</u>		<u>181 490</u>	<u>(49 240)</u>	<u>(95)</u>	<u>2 978 564</u>

26. CAPITAL

- The company's issued and fully paid-up capital is L.E. 17 070 716 K, represented in 1 707 071 600 shares at a par value of L.E. 10 each
- The Egyptian Government owns 80% of the company's shares after floating 20% of company's shares in public offering during December 2005.

27. RESERVES

	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 965 528	1 899 028
General reserve *	2 771 654	2 771 654
Revaluation reserve available-for-sale investments	6 814	6 814
Capital reserve	18 110	18 110
	<u>4 762 106</u>	<u>4 695 606</u>

* General reserve amounting to L.E. 2 771 654 K as at December 31, 2019 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 916 530 K which represents the net adjustments on the fixed assets for land item during the years from 2005 to 2014, and transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings according to Ordinary General Assembly decree which was held on March 20, 2016.

28. DEFERRED TAX

28-1 Recognized Deferred tax assets and liabilities

	31/12/2019		31/12/2018	
	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fixed assets	-	(568 539)	-	(419 279)
Other assets	-	(261 408)	-	(153 917)
Write down of inventories	4 632	-	3 672	-
Impairment loss on trade receivables, debtors and other debit balances	160 849	-	183 407	-
Provisions	14 643	-	13 518	-
Accrued liabilities	30 084	-	35 583	-
Net gain of translation of foreign currencies balance	-	(117)	-	(102)
Re-evaluation of available for sale financial investments losses	2 980	-	2 980	-
Undistributed profit in subsidiaries and associated		(632 222)	-	(671 595)
Total deferred tax asset \ (liabilities)	<u>213 188</u>	<u>(1 462 286)</u>	<u>239 160</u>	<u>(1 244 893)</u>
Net deferred tax liabilities	<u>-</u>	<u>(1 249 098)</u>	<u>-</u>	<u>(1 005 733)</u>
Deferred tax charged to the consolidated income statement for the year (expense)	-	(243 365)	-	(646 992)

28-2 Unrecognized deferred tax assets

	31/12/2019	31/12/2018
	L.E. (000)	L.E. (000)
Impairment loss on trade receivables	378 592	404 479
Impairment loss on debtors & other debit balances	171 808	128 978
Provision for liabilities and claims	17 395	15 605
Other	5 301	5 241
	573 096	554 303

Deferred tax assets have not been recognized in respect of the above items due to uncertainty of the utilization of their benefits in the foreseeable future.

28-3 Reconciliation of effective tax rate

	For the financial year ended	
	31/12/2019	31/12/2018
	L.E. (000)	Restated L.E. (000)
Net profit for the year before income tax*	5 496 620	4 261 539
Income tax according to the current tax law (22.5%)	1 236 740	958 846
Tax on dividends from subsidiaries and associates	268 007	35 833
Add / (Less):		
Tax rate difference for subsidiaries outside Egypt	(515)	(255)
Provisions and impairment	50 699	(18 597)
Exempted investments income	(1 210 647)	(5 100)
Unrealized foreign exchange differences		(61 468)
foreign tax paid outside Egypt	(4 321)	(3 945)
Adjustments on other items	790 389	(116 859)
Previous years tax difference	(248)	(5 905)
Tax on undistributed profit in subsidiaries and associates	(39 374)	175 137
	(146 010)	(1 159)
Income tax	1 090 730	957 687
Effective tax rate	19.84%	22.47%

*Restatement was made on the comparative figures as shown in (Note no.37-2).

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2019 amounted to L.E. 781 Million (against L.E. 3 206 Million as at December 31, 2018)

30. CONTINGENT LIABILITIES

In addition to the amounts included in the consolidated statement of financial position as the December 31, 2019 the company has the following contingent liabilities:

	31/12/2019	31/12/2018
	L.E. (000)	L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	1 100 298	913 002
- Letters of credit	2 796 897	1 357 440

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others include letters of guarantee have been issued against restricted cash and cash equivalent at banks (Note no.21).

31. TAX POSITION (Telecom Egypt)

31-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax return was submitted according to the income tax law and all taxes were paid during the legal dates.

31- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years 2010 until 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

31- 3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014 and the Company was notified with tax differences and all due taxes were settled, the company disputed for one item and has been transferred to the internal Committee.
- Tax inspection for the year 2015 is in process.

31- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and appealed on the legal dates.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2016 was performed and due taxes were settled.
- Tax inspection for the years 2017 and 2018 is in process.

31- 5 Real Estate Tax

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates. . Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

32. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its associates. Transactions during the year and balances on the financial statements date are stated as follows:

Nature of translation during the year	Amount of transactions during the year recorded in the income statement L.E. 000	Transaction volume during the year		Balance as of	
		Debit L.E. 000	Credit L.E. 000	31/12/2019 Debit/(Credit) L.E. 000	31/12/2018 Debit/(Credit) L.E. 000
<u>Debit balances due from associates</u>					
Consortium Algerian Telecommunications (CAT) * / **	-	-	-	453 902	453 902
International Telecommunication Consortium Limited (ITCL) * / **	-	-	-	66	66
				<u>453 968</u>	<u>453 968</u>
<u>Credit balances due to associates</u>					
Vodafone Egypt Telecommunications Company	1 821 788	4 481 656	4 480 023	(1 047 999)	(1 049 632)
Outgoing calls and voice services to the associates company					
Incoming and international calls, transmission claims & lease of company premises and towers to the associates company	1 322 466				
Telecommunications Services	6 903	96 569	92 725	(1 643)	(5 487)
		<u>4 578 225</u>	<u>4 572 748</u>	<u>(1 049 642)</u>	<u>(1 055 119)</u>

*The Balance represented in the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50% accordingly, impairment has been made for the full balance, (Note no. 25) the mentioned company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT). In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

** The balance is fully impaired due to company's inability to recover this amount in foreseeable future.

33. GROUP ENTITIES

Parent company's direct and indirect share in subsidiaries companies on December 31, 2019 which were included in the consolidated financial statements are as follows:

<u>Company name</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/12/2019</u>	<u>31/12/2018</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data **	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian International Submarine Cables Company (EISCC) *	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cables Company (MENA)	Egypt	100.00 %	100.00 %
MENA Cable Italy	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

*During the year, the Group has acquired the rest of the shares of the Egyptian International Submarine Cables Company (EISCC) which represent 50% by an amount of USD 15 Million, and the group announced the acquisition of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC". The total enterprise value of MENA Cable is USD 90 Million of which USD 40 Million represents the equity value and the remaining amount USD 50 Million represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate LIBOR, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most, the loan have been fully paid during year 2018.

34. FINANCIAL INSTRUMENTS

34-1 Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the consolidated statement of financial position date as follows:-

Description	Note No.	31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
Trade and notes receivables	(19)	4 996 871	4 378 759
Debtors and other debit balances	(20)	6 315 453	5 200 654
Held-to-maturity investment -(treasury bills)		25 829	105 488
Cash and cash equivalents	(21)	1 428 862	881 943
		<u>12 767 015</u>	<u>10 566 844</u>

34-2 Liquidity risk

The following are the expected maturities of financial liabilities at the financial position date:

Description	Carrying Amount L.E. (000)	One year or less L.E. (000)	From 1-2 years L.E. (000)	From 3-5 years L.E. (000)	More than 5 years L.E. (000)
<u>December 31, 2019</u>					
Creditors and other credit balances	18 015 222	12 748 669	2 390 532	2 649 498	226 523
Loans and credit facilities	16 451 913	11 666 363	2 961 257	1 555 056	269 237
	<u>34 467 135</u>	<u>24 415 032</u>	<u>5 351 789</u>	<u>4 204 554</u>	<u>495 760</u>
<u>December 31, 2018 (Restated)</u>					
Creditors and other credit balances	14 581 351	10 541 623	1 163 707	2 649 498	226 523
Loans and credit facilities	13 853 675	13 303 507	80 085	120 128	349 955
	<u>28 435 026</u>	<u>23 845 130</u>	<u>1 243 792</u>	<u>2 769 626</u>	<u>576 478</u>

34 - FINANCIAL INSTRUMENTS (CONTINUED)
34-3 Currency risk exposure:

Description	U.S. Dollars	Sterling Pound	Euro	Canadian Dollar	Swedish krona	Moroccan Dirham	Jordanian Dinar	Total
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	L.E. (000)
December 31, 2019								
Trade receivables	317 004	-	26 554	3 563	-	38 678	-	5 670 104
Accrued interest for deposits	2	-	-	-	-	-	-	32
Other debit balances	4 688	-	211	-	-	37 123	151	144 016
Cash & cash equivalents	47 229	171	1 819	-	-	2 053	2 940	863 512
Total assets in currency	368 923	171	28 584	3 563	-	77 854	3 091	6 677 664
Creditors & other credit balances	395 487	5	101 739	-	5	27 902	29 540	8 884 797
Foreign loans & facilities	185 597	-	27 055	-	-	-	1 639	3 500 316
Total liabilities in currency	581 084	5	128 794	-	5	27 902	31 179	12 385 113
Risk surplus (deficit)	(212 161)	166	(100 210)	3 563	(5)	49 952	(28 088)	(5 707 449)
Equivalent in Egyptian Pound	(3 403 062)	3 494	(1 801 625)	43 754	(9)	82 920	(632 921)	(5 707 449)
December 31, 2018 (Restated)								
Trade receivables	158 381	-	-	2 325	-	33 056	-	2 916 766
Accrued interest for deposits	5	-	-	-	-	-	-	89
Other debit balances	125	-	97	390	-	28 150	321	70 526
Cash & cash equivalents	77 740	221	1 390	1	-	2 826	2 201	1 480 098
Total assets in currency	236 251	221	1 487	2 716	-	64 032	2 522	4 467 479
Creditors & other credit balances	182 041	5	57 201	-	5	20 471	472	4 479 080
Foreign loans & facilities	160 968	-	29 018	-	-	-	-	3 461 879
Total liabilities in currency	343 009	5	86 219	-	5	20 471	472	7 940 959
Risk surplus (deficit)	(107 658)	216	(84 732)	2 716	(5)	43 561	2 050	(3 473 480)
Equivalent in Egyptian Pound	(1 919 542)	4 890	(1 728 101)	35 532	(10)	82 252	51 499	(3 473 480)

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as at:	
	2019	2018	31/12/2019	31/12/2018
U.S. Dollar	L.E	L.E	L.E	L.E
Sterling Pound	16.8207	17.7608	16.0400	17.8300
Euro	21.5130	23.6505	21.0494	22.6379
Canadian Dollar	18.8846	20.9598	17.9785	20.3949
	12.6800	13.6000	12.2800	13.0825
Swedish Krona	L.E	L.E	L.E	L.E
Moroccan Dirham	1.7896	2.4053	1.7400	1.8800
Jordanian Dinar	23.8275	25.0529	23.8275	25.5335

34-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2019 may lead to losses increase by an amount of L.E 570 745 K (L.E. 347 348 K as of December 31, 2018). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2018.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2019 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

34-5 Interest rate risk

At the consolidated financial statements date, the interest rate profile of the company's financial instruments is:

Description	Note No.	31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
<u>Financial instruments with variable interest rate</u>			
Financial assets – deposits	(21)	295 061	376 656
Financial liabilities (loans-credit facilities)	(22)	16 451 913	13 853 675

34-6 Fair values for financial instruments

The financial instruments are represented in the balance of cash on hand and at banks, loans and credit facilities, trade receivables, investments, debtors and creditors balances.

The fair value of these financial instruments does not materially differ from its book value.

35. CLAIMS AND LITIGATIONS

35-1 The existing remedy lawsuit between Telecom Egypt "TE", Etisalat Misr company & its subsidiaries: the EGY Net and Nile on Line)

The aforementioned telecom operators "companies" (Etisalat's and its subsidiaries) filed a lawsuit "in the Economic Court" against Telecom Egypt on January 18, 2019, based on the decision of the Egyptian Competition Protection Authority "ECA" on March 8, 2016, where the claiming companies had filed a complaint with the ECA against TE on the basis that the TE's has carried out practices that restrict competition in the Egyptian market, and the ECA decision to prove the violation of Telecom Egypt to Article 8 of the Law on Protection of Competition and Preventing Monopolistic Practices in paragraphs (a) and (b):

Where the claiming companies claim that the Telecom Egypt implemented The process of replacing and installing the modern fiber-optic cable "MSAN" network suddenly replaces and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators, and at the 28 May 2019 case session, the court decided to reserve the lawsuit for the judgment for the 25th of June 2019 session, so that the court issued a preliminary ruling delegating a tripartite experts committee. The lawsuit is under investigation and analysis by the Committee of technical and financial experts and the committee has not completed its mission up to date.

The legal advisor of the TE's believes that it is not possible to stand up to date on the legal position in the lawsuit, as the claiming telecom operators (Etisalat Misr & its subsidiaries) and TE are still in the stage of submitting documents before the experts' committee.

35-2 The dispute between Telecom Egypt and Orange Egypt company

On February 20, 2019, Orange Egypt filed a lawsuit in the “Economic Court” against Telecom Egypt “TE” and “WE-Data” , This is based on the decision of the Egyptian Competition Protection Authority “ECA” on March 8, 2016, where the claiming companies had filed a complaint with the ECA against TE on the basis that the TE’s has carried out practices that restrict competition in the Egyptian market, and the ECA decision to prove the violation of Telecom Egypt to Article 8 of the Law on Protection of Competition and Preventing Monopolistic Practices in paragraphs (a) and (b):

where the claiming company (Orang Egypt) claiming that TE developed a plan to swap and replace PSTN network “land-line network” outdoor cabinet which using copper cables network with new fiber optic cable network “MSAN cabins” and began implementing them, resulting in the cessation of Internet (Fixed broadband) service for the claiming telecom operators (Orange Misr and link.net) customers.

Moreover, the Legal Adviser of the TE’s believes that it is not possible to stand up to date on the legal position in the case due to the lack of documents submitted by the claiming company pending the referral of the invitation to the experts.

36 - Segment reporting

As of the group activity level, the group of company defined the main operating activity segments and its prepared according to service provided. The information presented after the elimination of inter-segment transaction. The main operating activities segments for the group represented as follows:

For the financial year ended 31/12/2019					
Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Operating revenues	16 137 214	8 553 269	776 069	338 538	25 805 090
Operating costs	(13 343 216)	(2 589 855)	(612 490)	(292 412)	(16 837 973)
Gross profit	2 793 998	5 963 414	163 579	46 126	8 967 117
Credit interest	26 183	40 918	2 884	21 478	91 463
Debit interest and Finance cost	(1 383 655)			(3 921)	(1 387 576)
Depreciation and amortization	(3 391 012)	(162 760)	(48 235)	(3 509)	(3 605 516)
The company's share of profit in associates companies	-	-	-	2 832 938	2 832 938
Non cash items					
impairment on financial assets	-	(176 635)	(600)	-	(177 235)
Provisions	(31 854)	(11 403)	(110)	(474)	(43 841)
Total assets	69 415 364	2 584 125	510 469	462 852	72 972 810
Total liabilities	34 378 855	2 541 367	351 236	480 215	37 751 673
For the financial year ended 31/12/2018 (Restated)					
Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Operating revenues	15 226 886	6 656 409	633 688	253 599	22 770 582
Operating costs	(12 760 487)	(1 039 002)	(531 662)	(225 543)	(14 556 694)
Gross profit	2 466 399	5 617 407	102 026	28 056	8 213 888
Credit interest	33 923	38 582	3 944	15 766	92 215
Debit interest and Finance cost	(1 465 157)	(31 223)	-	(2 637)	(1 499 017)
Depreciation and amortization	(2 477 708)	(139 260)	(30 806)	(2 093)	(2 649 867)
The company's share of profit in associates companies	-	-	-	2 200 602	2 200 602
Non cash items					
Reserval / (impairment loss) on financial assets	34 888	(31 223)	-	(58)	3 607
Provisions	(74 151)	(20 050)	(7 532)	(350)	(102 083)
Total assets	60 821 656	2 130 749	468 743	355 521	63 776 669
Total liabilities	29 581 857	1 247 195	176 987	469 528	31 475 567

37- COMPARATIVE FIGURES

- Restatement was made to some of the comparative figures of the consolidated statement of financial position, consolidated statement of income and consolidated statement of comprehensive income as a result of recognisef of the fair value of the acquisition of net assets from (MENA CABLE) at July 31,2018 the acquisition was made through (ESICC)- Subsidiary by differences resulted from the differences between the PPA study (Purchase Price Allocation) and the provisional values used in preparing December 31,2018 consolidated financial statements as of December 31, 2019.

- Restatement was made to fixed assets item as a result of the application of the new Egyptian accounting standard No (49) "lease contracts" which replaced the Egyptian Accounting standard No (20) "Basics and accounting standards related to financing lease processes" which led to the increase in the cost and accumulated depreciation of fixed assets by an amount of L.E 370 K and L.E 274 K respectively and also retained earnings by an amount of L.E 96 K and increase in depreciation expense by an amount of L.E 19 K in general and administrative expenses for year 2018.

The differences resulted from the differences between the PPA study (Purchase Price Allocation) and the provisional values used in preparing December 31,2018 consolidated financial statements

- Reclassification was made to some of the comparative figures of the consolidated statement of financial position, and consolidated statement of income to conform to the current presentation of the consolidated financial statements.

- The following is the effect of restatement and reclassification on the consolidated financial statements.

37-1 Effect on the consolidated statement of financial position

	<u>31/12/2018</u> <u>as previously</u> <u>reported</u> <u>L.E.(000)</u>	<u>Restatement</u> <u>debit / (credit)</u> <u>L.E.(000)</u>	<u>31/12/2018</u> <u>Restated</u> <u>L.E.(000)</u>
Fixed Assets	21 534 394	(13 940)	21 520 454
Other assets	10 753 357	(139 150)	10 614 207
Inventory	1 766 009	22 913	1 788 922
Retained earning	(10 529 466)	187 235	(10 342 231)
Creditors and other credit balances	(10 484 565)	(57 058)	(10 541 623)

37-2 Effect on the consolidated statement of income

	<u>For the financial year ended</u> <u>31/12/2018</u> <u>as previously reported</u> <u>L.E. (000)</u>	<u>Restatement</u> <u>(debit)/credit</u> <u>L.E. (000)</u>	<u>Reclassification</u> <u>(debit)/credit</u> <u>L.E. (000)</u>	<u>For the financial year ended</u> <u>31/12/2018</u> <u>Restated</u> <u>L.E. (000)</u>
Operating cost	(14 369 363)	(187 331)	-	(14 556 694)
Selling and distribution expenses	(2 538 278)	-	(9 796)	(2 548 074)
General and administrative expenses	(2 449 419)	(19)	9 796	(2 439 642)
Basic and diluted earning per share (L.E/Share)	1.61	(.11)	-	1.50

38- BUSINESS COMBINATION

38-1 Acquisition of non- controlling interest (NCI) in subsidiary- "Egyptian International Submarine Cables

Company- EISCC"

According to the Board of Directors decision on September 30, 2018 which approved the acquisition of non-controlling interest (NCI) (New Kimit Media For Announcing and Advertising) which represent 50% from total share of The Egyptian International Submarine Cables Company (EISCC) by an amount of USD 15 Million which equivalent to amount L.E 267 455 K.

The net of assets and liabilities of the Egyptian International Submarine Cables Company and also the result of acquisition process are stated as follows:

	30/9/2018
	<u>LE(000)</u>
Net assets (L.E 250 K * 50%)	125
Consideration paid to NCI	(267 455)
The decrease in equity attributable to shareholders of the company	<u>(267 330)</u>

38-2 Acquisition on subsidiary- "Middle East and North Africa Submarine Cables Company-"MENA"

According to the Board of Directors decision on May 9, 2018 Telecom Egypt announces the conclusion of the acquisition of 100% of Middle East and North Africa Submarine cable "MENA Cable" through its subsidiary Egyptian International Submarine Cable Company "EISCC". By an amount of USD 90 Million of which USD 40 Million represents the equity and USD 50 Million represent MENA Cable outstanding debt.

The company determined the primary study for consolidation related to the acquisition of "MENA" company as of 31/7/2018 according to the study of PPA (Purchase Price Allocation) to determine the fair value for the acquired assets and liabilities including the intangible assets on the acquisition date. According to Egyptian Accounting Standard no. (29) "Business Combination".

The net of assets and liabilities of Middle East and North Africa Submarine Cable "MENA Cable" company as of acquisition date are shown as follows:

	31/7/2018
	<u>LE(000)</u>
<u>Assets</u>	
Fixed assets	1 416 234
Intangible assets	339 123
Project in progress	10 108
Other assets	267 234
Total assets	<u>2 032 699</u>
Total liabilities	<u>(1 267 789)</u>
Net assets	<u>764 910</u>
Company's share of net assets 100%	<u>764 910</u>
Cash Paid	<u>780 749</u>
Good Well	<u>15 839</u>

39. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements as of December 31, 2019.

Certain comparative figures have been restated and reclassified to conform to the current presentation of the consolidated financial statements (note no.37).

39-1 Basic of consolidated financial statement

The consolidated financial statements represent the financial statements of the parent company and the companies under its control (subsidiaries) at the date of each financial statement. Control is achieved when the parent company does all of the following:

- Authority over the investee company.
- Exposure or right to variable returns through its contribution to the investee company.
- The ability to use his authority over the investee company to effect on the amount of returns obtained from it.
- The parent company must re-evaluate the control over the investee company. If the facts and circumstances indicate that there are variables for one or more of the three control elements mentioned above.

The consolidated statement of income includes the income and expenses of subsidiaries, whether acquired or excluded during the year, as of the effective date of acquisition or the effective date of exclusion, as the case may be.

The total income of the subsidiaries is distributed among the shareholders of the parent company and the non-controlling interests, even if this results in a negative balance for the non-controlling interests (deficit).

The necessary adjustments shall be made to the financial statements of any of the group's companies whenever necessary, so that their accounting policies are consistent with the accounting policies applied to other companies in the group.

All transactions, balances, income and expenses exchanged between the group's companies are completely eliminated when the financial statements are compiled.

- The rights of the non-controlling interests in the subsidiaries are presented separately from the group's equity in it.

39-1-1 Business Combination

Transactions (acquisitions) are accounted by using the acquisition method. The transferred consideration in business combination is measured at a fair value that is calculated on the basis of the sum of the fair values at the date of acquisition of the assets transferred from the group and the obligations incurred by the group's knowledge in favor of the previous owners of the acquired company as well as the equity instruments issued by the group in exchange for control of the acquired company.

Goodwill is measured on the basis that it represents the increase in (1) the sum: the transferred consideration, any rights of owners of non-controlling interests in the acquired company and the fair value of the share that the acquiring company has in the equity of the acquired company before the date of acquisition (if any) (2) net values: acquired assets and liabilities incurred at the date of acquisition. And if it appears after the re-evaluation that the net value of the acquired assets and the liabilities incurred exceeds the sum of the transferred consideration, any rights of owners of non-controlling interests in the acquired company and the fair value of the share that the acquiring company had in the equity of the acquired company before the date of acquisition (If any) then that increase is recognized directly in the profit or loss for the period as a gain from a bargain purchase.

39-1-2 Subsidiaries

- Subsidiaries consolidated financial statements includes all controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

39-1-3 Non-controlling interests

- NCI are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. A change in the group's interest in a subsidiary that do not result in a loss of control are accounted in as equity transactions.

39-1-4 Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

39-1-5 Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any and the investment is reduced by its share in dividends, The Consolidated Financial Statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

39-1-6 Transactions eliminated for consolidation

Intra-group balances and transactions, and any unrealized gains or losses and income or expenses arising from Intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

39-2 Foreign currencies translation

Transactions in foreign currencies are translated to functional currencies of the Group entities using the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the reporting date to the functional currencies using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at that date of the transaction. Foreign currency differences arising from retranslation are recognized in the consolidated statement of income.

39-3 Foreign operation

The financial statements of the Group entities are translated into the presentation currency as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rate at the reporting date.
- Income and expenses are translated at the average exchange rate for the year.
- Foreign currency differences are recognised in change in shareholders' equity statement, and presented in the foreign currency translation reserve (translation reserve). However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests;
- For consolidated cash flows preparation purposes, cash flows from foreign operations are translated at the average exchange rates for the year.

39-4 Fixed assets and depreciation

(A) Recognition and measurement

- Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses (Note no. 39-12)
- The cost of fixed assets include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the assets and they are recognized in consolidated statement of income.

(B) Subsequent costs

The cost of replacing part of an item of property, fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in consolidated statement of income as incurred.

(C) Depreciation

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets. The estimated useful lives for the fixed assets are as follows:

	<u>Estimated useful life /year</u>
Buildings and Infrastructure	5 - 50
Technical equipment and information technologies	3 - 15
Vehicles	7 - 15
Furniture	5 - 10
Tools and supplies	2 - 8

39-5 Other assets

Other assets are non-monetary intangible assets which the company can be controlled and capable of generate future economic benefits.

Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of other assets from the date that they are available for use.

39-5-1 Licenses

Licenses are measured initially at cost. Amortization is charged to the statement of income on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter.

39-5-2 Right of way and right of use

The Group recognizes an intangible asset arising from a right of way and right of use of other assets when it has the right for usage of the assets. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use which ranges from 10 to 20 years and the term of the underlying agreement, starting from the date of the acquisition of the right.

39-5-3 Other intangible assets

Other intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

39-5-4 Goodwill

Goodwill represents the excess of acquisition cost over the company's share in fair value of the company acquired net assets at the time of acquisition.

Goodwill impairment is re-measured at the financial position date and in case of any, the company estimates recognition this impairment and in the consolidated statement of income.

39-6 Projects in Progress

The amounts incurred for construction or purchases of fixed assets are recorded at cost as projects in progress till being ready for the intended use in operations. Then, they are transferred to fixed assets with its cost.

39-7 Available - for - sale investments

Available-for-sale investments that have a quoted market price in an active market are measured at fair value and remeasurement is recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss is recognized in the consolidated statement of income. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated statement of income.

Available-for-sale investments that do not have a quoted market price in an active market and which fair value cannot be reliably measured shall be measured at cost. In case of the existence of impairment, the carrying amounts of these investments is reduced by this impairment loss and recognized in the consolidated statement of income.

39-8 Financial asset at fair value through profit or loss (Held for trading investments)

Financial investments classified as held for trading are recorded initially at fair value. At the end of each financial year, these investments are re-measured at their fair value (Market Value). Gain or loss arising from a change in the fair value shall be recognized in the consolidated statement of income for the year in which it arises.

39-9 Investments held –to- maturity (Treasury bills)

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using th

39-10 Inventories

- Inventories are measure at the lower of cost or net realizable value at the date of financial position.
- Cost is determined using the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.
- Work in progress is valued at cost at the latest production process reached.
- Finished goods are valued at the manufacturing cost.

39-11 Trade receivables, debtors and other debit balances

Trade receivables, debtors and other debit balances are included as current assets unless they are contractually due over more than 12 months after the financial position date in which case they are classified as non-current assets. These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

39-12 Impairment loss on assets

(A) 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 the consolidated statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the consolidated statement of income.

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 financial assets that are debt securities,

the reversal is recognized in the consolidated statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(B) Non-financial assets

The carrying amounts of the Company'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.

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 are largely independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income.

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.

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 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.

39-13 Provisions

The provisions is recognized as a result of a past event where the company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated.

Provisions are reviewed at the reporting date and amended when necessary to reflect the best current estimate.

39-14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, market money fund bills and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the Group's cash management preparing are included as a component of cash equivalents for the purpose of preparing the statement of cash flows. The consolidated statement of cash flows is prepared and presented according to direct method.

39-15 Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognized in statement of income as other income on a systematic basis over the useful life of the asset.

39-16 Creditors and other credit balances

Creditors and other credit balances are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, creditors and credit accounts are stated at amortized cost using the effective interest rate.

39-17 Revenue recognition

Revenue represent in the service value & the goods sold value & investments income and interest income, revenue is recognized according to:

- Services: telecommunications services revenue is achieved when we deliver or provide service to the client when there is adequate emphasis to recover for them.
- Sale of goods: revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and when there is adequate emphasis to recover for them.
- Investments: The Dividend income is recognized after the date of acquisition and according to dividends declaration by General Assembly of the investee, within the company's share in the investee.

- The income from deposit interest and returns of securities according to accrual basis with considering the targeted rate of return from the asset.

39-18 Expenses

All operating expenses, including general and administrative expenses and selling and distribution expenses are recognized the consolidated statement of income in accordance with the accrual basis in the financial period when incurred.

39-18-1 Net financing (costs) /income

Financing costs comprise interest payable on borrowings, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit and loss and foreign exchange loss.

Finance income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit and loss and foreign exchange gain.

39-19 Employees benefits

The Group contributes inside Egypt the social insurance under the Authority for the benefit of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions are recorded in the "Wages and Salaries account" in addition to the early retirement scheme applied from September 1, 2001 and end of service benefits (Note no. 11).

39-20 Lease agreements

Financial lease

A leased asset recognized in the company's assets also recognize a liability that represents the present value of the un paid finance lease installments in the company's liability.

Operating lease

Leases are classified as operating leases. Payments in respect of operating leases are charged to statement of income as an expense leasing straight – line basis over the lease term. (Net of any lease discount, incentive and rent – free periods).

39-21 Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders of the company excluding the share of both the employees and the Board of Directors in profits by the weighted average number of ordinary shares outstanding during the year

39-22 Reserves

- Legal Reserve: According to the company's Article of Associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital.
- Other reserves: the General Assembly may form other reserves based on the Board of Directors' recommendation.

39-23 Income tax

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

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

Deferred tax is recognized 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

measured based on the method expected to measure the values of assets and liabilities using tax rates enacted at the consolidated statement of financial position date.

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

39-24 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risks, and the Group management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

39-24-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

This risk is mainly resulting from the Group's trade and other debtors.

Trade receivable & other debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.

Most of Group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.

39-24-2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

39-24-3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

Interest rate risk

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

Other market prices risk

This risk arises from changes in the price of available-for-sale investments held by the Group, the Group's management monitors the equity instruments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns and the management consults external advisors in this regard.

39-24-4 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, the Board also monitors the level of dividends paid to shareholders. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

40- New issues and amendments issued to the Egyptian Accounting Standards

On 18 March 2019, the Minister of Investment and International Cooperation amended some of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 of 2015, which include some new accounting standards and amendments to some existing standards as follows:

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event</p> <p>4. Pursuant to the requirements of this standard, the following criteria have been amended:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures" 		<p>These amendments shall be effective from the date of application of the standard 47.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
<p>New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"</p>	<p>1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements.</p>	<p>.</p>	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p>
<p>New Egyptian Accounting Standard (49) "Leases"</p>	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it. 2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease</p>	<p>The group's management applied the accounting treatment of the new Egyptian accounting standard No. (49) regarding the finance lease contracts as shown in (Note no. 37) and the management is currently assessing the potential impact on the financial statements in case of applying this standard on the rest of the lease contracts which the group made.</p>	<p>Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time.</p> <p>Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>contracts are not classified as operating lease or a finance lease.</p> <p>3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.</p> <p>4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract.</p> <p>5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.</p>		<p>Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018</p>
<p>Amended Egyptian Accounting Standard No. (38) "Employees Benefits"</p>	<p>A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p>
<p>Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"</p>	<p>Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. 17 "Separate Financial Statements" 	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard</p>	<p>Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p> <p>The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42 "Consolidated Financial Statements", and amended 2019.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<ul style="list-style-type: none"> - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "interim Financial Statements" - Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities " 		
<p>Issuance of an Egyptian Accounting Interpretation No. (1) "Arrangements for Privileges of Public Services"</p>	<p>This interpretation provides guidance on the accounting by operators of public service concession arrangements from a public entity to a private entity for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supplies and communications networks. ..., etc.</p> <p>This interpretation gives the option of continuing to apply the prior treatment of existing public service concession arrangements prior to 1 January 2019 to entities that had recognized and measured the assets of these arrangements as fixed assets in accordance with EAS 10 Fixed Assets and Depreciation until their expiry.</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Interpretation No. (1) Applies to financial periods beginning on or after 1 January 2019.</p>
<p>Egyptian Accounting Standard No. (22) "Earnings per share"</p>	<p>The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Amendment applies to financial periods beginning on or after 1 January 2019.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
Egyptian Accounting Standard No. (34) Investment Property	- The use of the fair value model option for all properties is derecognized in subsequent measurement of its real estate investments and the obligation only to the cost model, with only real estate investment funds required to use the fair value model on subsequent measurement of all its real estate assets. Based on this amendment, both: - EAS 32 "Non-current Assets Held for Sale and Discontinued Operations". - Egyptian Accounting Standard No. (31) "Impairment of Assets"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January ٢٠١٩