

telecom**egypt**



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Financial Year Ended December 31, 2021
& Auditor's Report

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Financial Year Ended December 31, 2021
& Auditor's Report

Index

<u>Contents</u>	<u>Page Number</u>
- Auditor's Report	1:2
- Consolidated Statement of Financial Position	3
- Consolidated Statement of Income	4
- Consolidated Statement of Comprehensive Income	5
- Consolidated Statement of Changes in Equity	6
- Consolidated Statement of Cash Flows	7
- Notes to the Consolidated Financial Statements	8:59



Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village
Km 28 Cairo – Alex Desert Road
Giza – Cairo – Egypt
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005
E-mail : Egypt@kpmg.com.eg
Fax : (202) 35 37 3537
P.O. Box : (5) Smart Village

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, 2021 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. Except for the matter described in the basis for qualified opinion section of our report, 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.



Hazem Hassan

Translation from Arabic

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.

Basis for Qualified Opinion

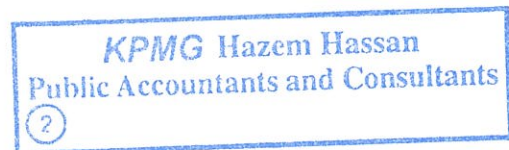
As explained note no. (15) of the notes to the consolidated financial statements, the company has investments in Vodafone Egypt (associate company) which is accounted for by the equity method in the consolidated financial statements, the company's share in the equity of the associate company was determined as of December 31, 2021, based on the consolidated financial statements which were issued with a limited review report by the auditor of the associate company.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for the qualified opinion section of our report, 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, 2021, 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.

**KPMG Hazem Hassan
Public Accountants & Consultants**

Cairo, March 2, 2022



Translation from Arabic

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

	Note	31/12/2021	31/12/2020	1/1/2020
	No.	L.E. (000)	Restated L.E. (000)	Restated L.E. (000)
Assets				
Non current Assets				
Fixed assets	(13)	43 464 643	38 140 665	29 728 055
Projects in progress	(14)	6 219 062	6 582 100	6 828 631
Investments in associates	(15)	10 936 209	12 306 547	10 818 196
Available-for-sale investments	(16)	74 856	74 856	79 811
Debtors and other debit balances	(20)	48 203	53 334	60 072
Other assets	(17)	12 481 086	9 444 330	10 119 638
Deferred tax assets	(28-1)	167 807	131 959	213 188
Total Non Current Assets		73 391 866	66 733 791	57 847 591
Current Assets				
Inventories	(18)	2 341 976	2 092 242	2 353 882
Trade and notes receivables	(19)	6 036 842	7 287 380	5 275 556
Debtors and other debit balances	(20)	5 930 321	6 305 730	6 295 728
Held-to-maturity investments-treasury bills		-	-	25 829
Cash and cash equivalents	(21)	2 983 337	2 003 432	1 433 184
Total Current Assets		17 292 476	17 688 784	15 384 179
Total Assets		90 684 342	84 422 575	73 231 770
Equity				
Capital	(26)	17 070 716	17 070 716	17 070 716
Reserves	(27)	5 138 897	5 029 317	4 762 625
Retained earnings		22 147 270	16 670 695	13 410 973
Foreign entities translation reserve		(40 563)	(25 489)	(10 623)
Equity attributable to the owners of the company		44 316 320	38 745 239	35 233 691
Non - controlling interest		13 240	16 028	15 803
Total Equity		44 329 560	38 761 267	35 249 494
Non Current Liabilities				
Loans and credit facilities	(22)	10 987 784	3 278 144	4 785 550
Creditors and other credit balances	(23)	5 223 074	5 338 944	5 266 553
Deferred tax liabilities	(28-1)	3 161 466	2 392 317	1 462 286
Total Non Current Liabilities		19 372 324	11 009 405	11 514 389
Current Liabilities				
Loans and facilities installments due within one year	(22)	5 333 249	17 009 238	11 666 363
Creditors and other credit balances	(23)	19 202 525	15 208 269	12 979 272
Credit balances due to associates	(32)	1 047 466	1 331 920	1 049 642
Provisions	(24)	1 399 218	1 102 476	772 610
Total Current Liabilities		26 982 458	34 651 903	26 467 887
Total liabilities		46 354 782	45 661 308	37 982 276
Total Equity and Liabilities		90 684 342	84 422 575	73 231 770

The attached notes on pages from (8) to (59) are an integral part of these consolidated financial statements.

Director of Financial Affairs



" Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director
& Chief Executive Officer


" Adel Hamed "

Board of Directors approval

Chairman



" Maged Osman "

Auditor's Report "attached"

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

	Note No.	<u>For the financial year ended:</u>	
		31/12/2021	31/12/2020
		<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>
Operating revenues	(3)	37 087 963	31 912 366
Operating costs	(4)	(21 948 358)	(19 447 645)
Gross Profit		15 139 605	12 464 721
Other operating income	(5)	562 552	468 751
Selling and distribution expenses	(6)	(3 314 597)	(3 159 700)
General and administrative expenses	(7)	(3 766 869)	(3 344 346)
Other operating expenses	(8)	(234 630)	(531 968)
Operating profit		8 386 061	5 897 458
Finance income	(9)	659 680	94 217
Finance cost	(9)	(1 263 072)	(1 573 865)
Net Finance cost		(603 392)	(1 479 648)
Share of profit of equity accounted investees	(10)	3 343 123	2 206 234
Net profit for the year before tax		11 125 792	6 624 044
Income tax		(1 971 893)	(756 022)
Deferred tax	(28-1)	(733 301)	(1 011 260)
Total income tax		(2 705 194)	(1 767 282)
Net profit for the year		8 420 598	4 856 762
Profit attributable to :			
Owners of the company		8 417 067	4 850 112
Non-controlling interest		3 531	6 650
Net profit for the year		8 420 598	4 856 762
Basic and diluted earnings per share for the year (LE \ Share)	(12)	4.34	2.31

The attached notes on pages from (8) to (59) 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>	
	31/12/2021	31/12/2020
		<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the year	8 420 598	4 856 762
<u>Other Comprehensive Income items :</u>		
Translation differences of foreign entities	(19 149)	(14 866)
Total Comprehensive Income	<u>8 401 449</u>	<u>4 841 896</u>
Attributable to :		
Shareholders of the company	8 397 918	4 835 246
Non-controlling interest	3 531	6 650
Total Comprehensive Income	<u>8 401 449</u>	<u>4 841 896</u>

The attached notes on pages from (8) to (59) 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, 2021

Note No.	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)
	17 070 716	1 966 047	2 796 578	13 410 973	(10 623)	35 233 691	15 803	35 249 494
Balance as of January 1, 2020 (Restated)								
Comprehensive Income								
Profit for the year (Restated)	-	-	-	4 850 112	-	4 850 112	6 650	4 856 762
Translation differences of foreign entities	-	-	-	-	(14 866)	(14 866)	-	(14 866)
Total Comprehensive Income (Restated)				4 850 112	(14 866)	4 835 246	6 650	4 841 896
Transactions with shareholders :								
Transferred to legal reserve	-	275 720	-	(275 720)	-	-	-	-
Dividends for year 2019 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 515)	(432 283)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(820 426)	-	(820 426)	(910)	(821 336)
Dividends for employees announced in associates	-	-	-	(64 329)	-	(64 329)	-	(64 329)
Adjustment on retained earnings at associates	-	-	-	(3 147)	-	(3 147)	-	(3 147)
Fixed assets evaluation disposals (Land & Building)	-	-	(9 028)	-	-	(9 028)	-	(9 028)
Total transactions with shareholders		275 720	(9 028)	(1 590 390)		(1 323 698)	(6 425)	(1 330 123)
Balance as of December 31, 2020 (Restated)	17 070 716	2 241 767	2 787 550	16 670 695	(25 489)	38 745 239	16 028	38 761 267
Balance as of January 1, 2021 (Before restatement)								
Reclassifications	-	-	-	(4 075)	4 075	-	-	-
The impact of the new EAS				(427 612)		(427 612)		(427 612)
Balance as of January 1, 2021 (Restated)	17 070 716	2 241 767	2 787 550	16 239 083	(21 414)	38 317 627	16 028	38 333 655
Comprehensive Income								
Profit for the year	-	-	-	8 417 067	-	8 417 067	3 531	8 420 598
Translation differences of foreign entities	-	-	-	-	(19 149)	(19 149)	-	(19 149)
Total Comprehensive Income				8 417 067	(19 149)	8 397 918	3 531	8 401 449
Transactions with shareholders :								
Transferred to legal reserve	-	109 580	-	(109 580)	-	-	-	-
Dividends for year 2020 (shareholders)	-	-	-	(1 280 304)	-	(1 280 304)	(5 374)	(1 285 678)
Dividends for year 2020 (Employees & Board of Directors)	-	-	-	(900 032)	-	(900 032)	(945)	(900 977)
Dividends of associates (Employees & Board of Directors)	-	-	-	(218 889)	-	(218 889)	-	(218 889)
Total transactions with shareholders		109 580		(2 508 805)		(2 399 225)	(6 319)	(2 405 544)
Balance as of December 31, 2021	17 070 716	2 351 347	2 787 550	22 147 270	(40 563)	44 316 320	13 240	44 329 560

The attached notes on pages from (8) to (59) 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:	
		31/12/2021 L.E. (000)	31/12/2020 L.E. (000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		38 637 993	30 188 819
Stamp tax and fees collected (from third party)		73 906	38 700
Deposits collected from customers		41 902	2 111
Cash paid to suppliers		(10 175 729)	(9 767 685)
Payments of NTRA license fees		(1 358 706)	(888 077)
Cash paid to Board of Directors		(13 070)	(11 425)
Cash paid to employees		(5 822 077)	(5 667 593)
Cash paid on behalf of employees to third party		(1 144 926)	(1 084 120)
Cash provided by operating activities		20 239 293	12 810 730
Interest paid		(1 005 854)	(1 056 128)
Payments to Tax Authority - income tax		(602 676)	(356 246)
Payments to Tax Authority - value added tax		(1 383 447)	(1 410 957)
Payments to Tax Authority - other taxes		(1 712 829)	(1 464 812)
Other proceeds (payments)		481 000	(225 267)
Net cash provided by operating activities		16 015 487	8 297 320
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects in progress and other assets		(11 162 310)	(11 037 767)
Payments for purchase of other assets		(2 476 050)	(730 953)
Proceeds from sales of fixed assets and other assets		7 555	21
Payments for lease liabilities		(282 246)	-
Payments for purchase of held-to-maturity investment - treasury bills		-	(9 566)
Proceeds from sale of investments		-	36 972
Interest received		10 520	16 364
Dividends collected from investments		4 053 686	621 900
Proceeds from income of securities (treasury bills - mutual fund)		14 054	11 094
Net cash used in investing activities		(9 834 791)	(11 091 935)
<u>Cash flows from financing activities</u>			
Proceeds (Payments) from loans		6 411 315	(1 470 544)
(Payments) Proceeds for other facilities		(10 313 327)	5 368 974
Dividends paid to shareholders		(1 285 894)	(479 457)
Net cash (used in) provided by financing activities		(5 187 906)	3 418 973
Net change in cash and cash equivalents during the year		992 790	624 358
Translation differences of foreign entities		(6 740)	1 194
Cash and cash equivalents at the beginning of the year	(21)	1 936 943	1 311 391
Cash and cash equivalents at the end of the year	(21)	2 922 993	1 936 943

The attached notes on pages from (8) to (59) 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, 2021**

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 March 2, 2022.

2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

The consolidated financial statements as of December 31, 2021, have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.

These are the first consolidated financial statements of the company that applied the EAS No. 47 (Financial instruments), EAS No. 48 (Revenue from contracts with customers) and EAS No. 49 (Lease contract).

The impact of changes in significant accounting policies has been clarified in Note No (2-7)

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 accordance 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 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 assumptions 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.

2-7 Significant accounting policies

- On March 18, 2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by Minister of Investment Decision No. 110 of 2015, which include some new accounting standards and amendments to some existing standards.

- On April 12, 2020, the Financial Supervisory Authority issued a decision to postpone the application of amendments in the new Egyptian accounting standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.

On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the application of the following Egyptian accounting standards until January 1, 2021:

A- Standard (47) - Financial Instruments

B- Standard (48) - Revenue from contracts with customers

C- Standard (49) - Lease Contracts

- Amendments to the standards have been applied with effect from the beginning of 2021, and the group's management decided to apply the Egyptian Accounting Standard No. 47 "Financial Instruments" (see A), the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" (see B) and the Egyptian Accounting Standard. No. 49 "Lease Contracts" (see C) effective January 1, 2021.

- The group has chosen the modified cumulative effect method in applying the changes in accounting policies resulting from the application of these standards. Consequently, the differences resulting from the application of those standards referred to above were recognized in the retained earnings item on January 1, 2021 "if any", and the comparative information included has not been restated to reflect the requirements of the new standards.

- In the following table, the transitional impact of applying the Egyptian Accounting Standard No. 47 "Financial Instruments" and the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" and the Egyptian Accounting Standard No. 49 "Lease Contracts" on the beginning balances of the Condensed Group's financial position was made on January 1, 2021.

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

L.E (000)	Beginning balance of financial position Restated	The effect of standard No. 47 "Financial instruments"	The effect of standard No. 47 "Revenue from contracts with customers"	The effect of standard No. 48 "lease contracts"	Restated Beginning balance of financial position
Assets					
Non Current Assets					
Fixed assets	38 140 665	-	-	-	38 140 665
Projects in progress	6 582 100	-	-	-	6 582 100
Investments in associates	12 306 547	-	-	-	12 306 547
Available-for-sale investments	74 856	-	-	-	74 856
Debtors and other debit balances	53 334	-	-	-	53 334
Other assets	9 444 330	-	-	639 043	10 083 373
Deferred tax assets	131 959	-	-	-	131 959
Total Non Current Assets	66 733 791	-	-	639 043	67 372 834
Current Assets					
Inventories	2 092 242	-	-	-	2 092 242
Trade receivables	7 287 380	(298 786)	-	-	6 988 594
Debtors and other debit balances	6 305 730	-	-	(13 602)	6 292 128
Cash and cash equivalents	2 003 432	-	-	-	2 003 432
Total Current Assets	17 688 784	(298 786)	-	(13 602)	17 376 396
Total Assets	84 422 575	(298 786)	-	625 441	84 749 230
Equity					
Capital	17 070 716	-	-	-	17 070 716
Reserves	5 029 317	-	-	-	5 029 317
Retained earnings	16 670 695	(298 786)	(325)	(128 501)	16 243 083
Foreign entities translation reserve	(25 489)	-	-	-	(25 489)
Equity attributable to the owners of the company	38 745 239	(298 786)	(325)	(128 501)	38 317 627
Non controlling interest	16 028	-	-	-	16 028
Total Equity	38 761 267	(298 786)	(325)	(128 501)	38 333 655
Non Current Liabilities					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 338 944	-	-	667 422	6 006 366
Deferred tax liabilities	2 392 317	-	-	-	2 392 317
Total Non Current Liabilities	11 009 405	-	-	667 422	11 676 827
Current Liabilities					
Loans and credit facilities installments due within one year	17 009 238	-	-	-	17 009 238
Creditors and other credit balances	15 208 269	-	325	86 520	15 295 114
Credit balance due to associates	1 331 920	-	-	-	1 331 920
Provisions	1 102 476	-	-	-	1 102 476
Total Current Liabilities	34 651 903	-	325	86 520	34 738 748
Total Liabilities	45 661 308	-	325	753 942	46 415 575
Total Equity and Liabilities	84 422 575	(298 786)	-	625 441	84 749 230

(A) Egyptian Accounting Standard No. (47) - Financial Instruments

- Egyptian Accounting Standard No. 47 specifies requirements for recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces Egyptian Accounting Standard No. 25 Financial Instruments: Presentation and Disclosure and Financial Accounting Standard No. 26 Financial Instruments: Recognition and Measurement and Egyptian Accounting Standard No. 40 Financial Instruments: Disclosures applied to the disclosures for the year 2021.

- Classification and measurement of financial assets and financial liabilities

The new standard requires a group to evaluate financial assets in its financial statements according to the cash flow characteristics of financial assets and the group's related business models for a particular class of financial assets.

Egyptian Accounting Standard 47 no longer has an "available for sale" classification of financial assets. The new standard contains different requirements for financial assets in debt or equity instruments.

- Debt instruments must be classified and measured in one of the following ways:

- Amortized cost, as the effective interest rate method or
- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

- Investments in equity instruments other than those that are considered and for which equity accounting should be applied must be classified and measured in one of the following:

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or Fair value through profit or loss.

The company continues to initially measure financial assets at fair value plus transaction cost upon initial recognition, excluding financial assets measured at fair value through profit and loss in line with current practices. The classification of most financial assets has not been affected. By moving to Egyptian Accounting Standard No. 47 on January 1, 2021, with regard to the reclassification statement that took place when the transition to Egyptian Accounting Standard No. 47 was clarified in the previous countries in this clarification, EAS 47 retains to a large extent the current requirements of it in the Accounting Standard. The Egyptian No. 26 for classification and measurement of current liability.

The application of Egyptian Accounting Standard No. 47 had no impact on the company's accounting policies relating to financial liabilities and derivative financial instruments.

-Impairment

Egyptian Accounting Standard No. 47 uses the expected credit loss model. Which replaces the actual loss model in the Egyptian Accounting Standard No. 26, as there was no need to create a provision for doubtful debts except in cases where a loss actually occurred. In contrast, the ECL model requires the company to recognize an allowance for doubtful debts on all financial assets listed at amortized cost as well as debt instruments classified as financial assets at FVTOCI since the initial recognition, regardless of whether the loss occurred.

As a result, the group's doubtful debts provision increased when applying the Egyptian Accounting Standard No. 47 on January 1, 2021, as the effect of applying the expected credit loss model appears in the previous table of this note.

-Hedge accounting

Egyptian Accounting Standard No. 47 increases the group's ability to apply hedge accounting. In addition, the requirements of the standard have been more closely aligned with the group's risk management policy, and the effectiveness of the hedging will be measured in the future.

-Transitional period

The group applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in the retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

(B) Egyptian Accounting Standard No. 48 - Revenue from contracts with customers

Egyptian Accounting Standard No. 48 defines a comprehensive framework for determining the value and timing of revenue recognition. This replaces the standard in place of the following Egyptian standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts") Revenue is recognized when the customer have Control of units and services. The timing of the transfer of control - over a period of time or at a point in time - requires a measure of personal judgment.

- Revenue recognition

Due to the nature of the group's activities, in addition to the group's current accounting policies, the application of the Egyptian Accounting Standard No. 48 did not have a material impact on the recognition of revenue by the group, as shown in the previous table in this note.

- The costs of obtaining a contract with the client

Under Egyptian Accounting Standard No. 48, some of the additional costs incurred in obtaining a contract with a customer (contract costs) that were previously not eligible for recognition as an asset under any of the other accounting standards have been deferred in the separate financial position statement.

There is no effect of capitalizing contract costs resulting from the application of Egyptian Accounting Standard No. 48 in the previous table in this note.

-Transitional period

The group applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

The effect of applying the Egyptian Accounting Standard No. 48 to the opening balances of the financial position of the company, as of January 1, 2021, is shown in the previous table in this note.

(C) Egyptian Accounting Standard No. (49) - Lease Contracts

The Egyptian Accounting Standard No. 49 replaces the Egyptian Accounting Standard No. 20 - Accounting rules and standards related to finance lease operations.

Egyptian Accounting Standard No. 49 "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a liability that represents the current value of unpaid lease payments within the company's liabilities, taking into account that contracts are not classified for the lessee an operating lease contract or a finance lease contract. There are optional exemptions for short-term and low-value leases.

With regard to the lessor, the lessor must classify each of his lease contracts as either an operating lease contract or a finance lease contract.

With regard to the financial lease, the lessor must recognize the assets held under a finance lease contract in the consolidated statement of the financial position and present them as dues in an amount equal to the net investment in the lease contract.

With regard to operating lease, the lessor must recognize lease payments from operating lease contracts as income, either on a straight-line basis or any other regular basis.

The effect of applying Egyptian Accounting Standard No. 49 to the opening balances of the group's financial position, as of January 1, 2021, is shown in the previous table in this note.

- Recognition and measurement

- At the commencement of the contract, the group evaluates whether the contract contains lease arrangements and for such arrangements for lease contracts, the group recognizes right of use assets and lease contract liabilities, with the exception of short-term leasing contracts and low-value asset contracts as follows:

- Upon initial recognition: right of use asset is measured as the amount equal to the lease liability that is initially measured and adjusted for pre-contract lease payments, initial direct cost, incentives, and the discounted value of the estimated costs of dismantling and removing the asset.

- In the subsequent measurement: the right of use is measured at cost minus the accumulated depreciation and the accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the right of use assets or the lease term, whichever is less.

- The lease liability is measured at the beginning of the lease contract at the present value of the unpaid lease payments on that date over the lease period, and lease payments must be deducted using the additional borrowing rate prevailing in the country. In general, the group uses the additional borrowing rate as the discount rate. Then the lease contract liability is measured at amortized cost using the effective interest rate method.

- The right of use assets and the liability of the lease contracts will be re-measured later in the event that one of the following events occurs:

- The change in the lease price due to the link to the price or the rate that has become effective for the period.
- Amendments to the lease contract.
- Reassessment of the lease term.

Contracts for leasing non-core assets that are not related to the main operating activities of the group, which are short-term in nature (less than 12 months including renewal options) and low value commodity leases are included in the income statement as incurred.

-Transitional period

The group applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

When switching to Egyptian Accounting Standard No. (49), The group has chosen to apply the practical method to exclude the evaluation under which translations represent lease contracts , The group applied EAS 49 only to contracts that were previously identified as lease contracts that were not identified as leases under EAS 20 were not reassessed consequently , the definition of a lease under EAS 49 was applied to contracts signed or changed before January 1 ,2020 and the group also adopted practiced incentives . when applying Egyptian Accounting Standard No. (49) to lease contracts previously classified as operating lease under Egyptian Accounting Standard No.(20)

- Application of a single discount rate to a group of lease contracts with reasonably similar characteristics - the average additional interest rate applied to the lease obligations recognized on January 1, 2021, was 10%
- The application of the exemption by not recognizing the assets and liabilities of the right of use asset that expire during the year 2021
- Excluding the initial direct cost from measuring the right of use asset on the date of its first application.

The group has also chosen to use recognition exemptions for lease contracts whose lease period does not exceed 12 months or less from the date of first implementation and does not contain the option to purchase "short-term lease contracts" as well as low-value leasing contracts for "low-value assets."

- Important provisions in determining the lease term for contracts that include renewal options

The group defines the lease term as the irrevocable period of the lease contract, along with any periods covered by the option to extend the lease contract if this right can be exercised in a very reasonable degree, or any periods covered by the option to terminate the lease contract, if it is certain that Exercise this right.

The group has the option under some lease contracts to lease assets for additional periods. The group applies judgment in assessing whether it is certain and to a reasonable degree to exercise the renewal option, and this means that all relevant factors that create an economic incentive to practice the renewal are taken into account.

After the commencement date, the company will return the lease term if there is a major event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example) a change in business strategy.

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

3. OPERATING REVENUES

	For the financial year ended:	
	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	18 133 447	14 379 704
Enterprise	4 699 417	3 933 017
Domestic wholesale	5 846 680	4 669 581
International carriers	4 243 845	4 395 547
International cables and networks	4 164 574	4 534 517
	<u>37 087 963</u>	<u>31 912 366</u>

4. OPERATING COSTS

	Note No.	For the financial year ended:	
		31/12/2021	31/12/2020
		<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Interconnection cost		6 021 393	5 584 788
Depreciation of fixed assets	(13)	5 094 812	4 360 534
Amortization of other assets	(17)	878 377	703 552
Salaries and wages*		2 844 288	2 630 215
Company's social insurance contribution*		304 717	280 034
Employees vacations allowance*		22 597	19 196
Frequencies and licenses charges (National Telecom Regulatory Authority)		1 555 757	1 363 380
Leased circuits & satellite subscriptions		177 936	286 511
Cost of merchandise available for sale		341 308	208 782
Right of use (IRU) outside Egypt		339 767	237 161
Fuel		862 719	841 678
Spare parts		268 485	204 108
Maintenance*		407 681	491 897
Organizations services cost		1 876 022	1 219 045
Electricity and water*		106 126	107 153
Materials, supplies and miscellaneous printed		67 914	93 308
Transportation cost		131 932	121 981
Company's call costs		117 577	105 048
Other operating costs		528 950	589 274
		<u>21 948 358</u>	<u>19 447 645</u>

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

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

5. OTHER OPERATING INCOME

	<u>For the financial year ended:</u>	
	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Fines and earned delay interest	129 662	82 034
Sundry revenues*	432 890	386 717
	<u>562 552</u>	<u>468 751</u>

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

6. SELLING AND DISTRIBUTION EXPENSES

	<u>Note No.</u>	<u>For the financial year ended:</u>	
		<u>31/12/2021</u>	<u>31/12/2020</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*		1 384 670	1 238 657
Company's social insurance contribution*		143 843	127 118
Employees vacations allowance*		39 066	30 895
Depreciation of fixed assets	(13)	8 718	7 603
Amortization of other assets	(17)	42 332	83
Advertising and marketing		796 760	838 605
Tax and duties		187 095	179 523
Organizations services cost		10 547	117 607
Agent's commissions and collection contacts*		546 831	433 892
Other selling and distribution expenses		154 735	185 717
		<u>3 314 597</u>	<u>3 159 700</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>31/12/2021</u>	<u>31/12/2020</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*		2 364 406	2 078 499
Company's social insurance contribution*		180 946	160 401
End of service compensation - early retirement scheme	(11-1)	-	101 672
The company's contribution in loyalty and belonging fund	(11-2)	200 000	180 000
Employees vacations allowance*		16 584	13 942
Depreciation of fixed assets	(13)	90 695	93 081
Amortization of other assets	(17)	20 118	166
Organizations services cost and consultants		363 694	252 012
Tax and duties		187 695	141 579
Takaful contribution expense		120 157	99 029
Bank charges		28 769	17 539
Other general and administrative expenses*		193 805	206 426
		<u>3 766 869</u>	<u>3 344 346</u>

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

8. OTHER OPERATING EXPENSES

	Note No.	For the financial year ended:	
		31/12/2021 L.E. (000)	31/12/2020 L.E. (000)
Provisions	(24)	93 207	362 553
Capital losses		78 498	10 474
Donations		54 222	137 293
Other expenses		8 703	21 648
		234 630	531 968

9. NET FINANCE COST

	Note No.	For the financial year ended:	
		31/12/2021 LE (000)	31/12/2020 LE (000)
Finance income			
Interest income		41 066	25 100
Treasury bills income		18 351	8 381
Income from money market funds		9 480	10 749
Dividends from available for sale investment		3 297	5 900
Income from prepaid tax		8 328	6 224
Translation gain of foreign currencies balances and transactions		579 158	37 863
Total finance income		659 680	94 217
Finance costs			
Interest expense		(963 176)	(1 086 022)
Impairment loss on available-for-sale investments		-	(3 705)
Impairment loss on financial assets	(25)	(44 587)	(223 582)
Finance costs for credit contracts		(255 309)	(260 556)
Total finance cost		(1 263 072)	(1 573 865)
Net finance cost		(603 392)	(1 479 648)

10. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	For the financial year ended:	
	31/12/2021 L.E. (000)	31/12/2020 L.E. (000)
Vodafone Egypt Telecommunication company	3 341 267	2 206 387
Egypt Trust	1 856	(153)
	3 343 123	2 206 234

11. EMPLOYEES' BENEFITS

11-1 Early retirement scheme (Telecom Egypt Company)

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 most 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, and 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. Currently, the said committee is completing the study of the remaining applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its work and all the liabilities that the company had born as a result of the application of the optional early retirement scheme by an amount of L.E 1 368 221 K with balance of L.E 24 385 K on December 31, 2021(note no.7).

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

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 contribution to be determined annually according to a Board of directors' decree and the company had contributed by an amount of L.E 200 000 K for the financial year ended in December 31, 2021 (against an amount of L.E. 180 000 K for the comparative year 2020) stated in the general and administrative expenses as shown in (Note no. 7).

12. BASIC AND DILUTED EARNINGS PER SHARE FOR THE YEAR

	<u>For the financial year ended:</u>	
	<u>31/12/2021</u>	<u>31/12/2020</u> <u>Restated</u>
<u>The holding company owner's equity :-</u>		
Net Profit for the year (L.E. in thousand) *	8 417 067	4 850 112
<u>Less:</u>		
Employees' share in dividends (L.E. in thousand)**	980 908	882 567
Board of Directors share (L.E. in thousand)**	22 956	18 413
Net profit for the year available for distribution (L.E. in thousand)	7 413 203	3 949 132
Number of the available shares during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the year (LE/ share)	4.34	2.31

* 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.

*Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)*

13-FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment & information technologies	Vehicles	Furniture	Tools & supplies	Decoration & fixtures	Fixtures on trunk radio network	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>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Cost as at 1/1/2020 (Restated)	2,354,950	33,715,173	31,532,679	178,763	828,731	165,409	158,088	315	68,934,108
Reclassification	(1,878)	-	-	-	-	-	-	-	(1,878)
Additions during the year	21	4,912,710	7,791,545	60,189	187,460	65,338	23,395	-	13,040,658
Disposals during the year	(8,597)	(893,175)	(777,501)	(13,820)	(4,713)	(2,190)	-	-	(1,699,996)
Translation differences of foreign entities	(65)	(2,140)	7,276	94	1,844	-	995	-	8,004
Cost as at 31/12/2020	2,344,431	37,732,568	38,553,999	225,226	1,013,322	228,557	192,478	315	80,280,896
Additions during the year	47,401	3,714,383	6,674,975	59,074	148,202	12,709	4,938	-	10,661,682
Disposals during the year	-	(291,513)	(7,889,189)	(18,215)	(10,574)	(2,277)	-	-	(8,211,768)
Translation differences of foreign entities	(6)	(5,479)	(10,260)	(16)	(2,513)	-	(643)	-	(18,917)
Cost as at 31/12/2021	2,391,826	41,149,959	37,329,525	266,069	1,148,437	238,989	186,773	315	82,711,893
Accumulated depreciation as at 1/1/2020 (Restated)	-	16,366,852	21,909,962	111,733	586,243	107,667	123,281	315	39,206,053
Depreciation for the year	-	1,640,200	2,659,805	11,677	114,652	23,010	11,874	-	4,461,218
Accumulated depreciation for disposals	-	(736,921)	(771,793)	(13,667)	(4,705)	(2,190)	-	-	(1,529,276)
Translation differences of foreign entities	-	(2,255)	2,221	94	1,249	-	927	-	2,236
Accumulated depreciation as at 31/12/2020	-	17,267,876	23,800,195	109,837	697,439	128,487	136,082	315	42,140,231
Reclassification	-	-	-	(1)	-	(40)	-	-	(41)
Depreciation for the year	-	1,658,002	3,356,330	20,883	89,270	25,940	43,800	-	5,194,225
Accumulated depreciation for disposals	-	(231,868)	(781,512)	(18,070)	(10,337)	(2,269)	(140)	-	(8,077,808)
Translation differences of foreign entities	-	(3,666)	(4,378)	(16)	(1,011)	-	(286)	-	(9,357)
Accumulated depreciation as at 31/12/2021	-	18,690,344	19,337,023	112,633	775,361	152,118	179,456	315	39,247,250
Net carrying amounts as at 31/12/2020	2,391,826	22,459,615	17,992,502	153,436	373,076	86,871	7,317	-	43,464,643
Net carrying amounts as at 31/12/2021	2,344,431	20,464,692	14,753,804	115,389	315,883	100,070	46,396	-	38,140,665

- Cost of fixed assets includes an amount of L.E. 15,191 Million fully depreciated assets and still in use.

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

	For the financial year ended	
	31/12/2021	31/12/2020
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating costs	5,094,812	4,360,534
Selling and distribution expenses	8,718	7,603
General and administrative expenses	90,695	93,081
	5,194,225	4,461,218

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

14. PROJECTS IN PROGRESS

	Note No.	31/12/2021 L.E. (000)	31/12/2020 L.E. (000)
Land		199 148	37 845
Buildings and Infrastructure		1 130 331	1 437 326
Centrals and information technologies equipment		2 477 439	2 955 007
Tools and supplies		4 590	11 139
Furniture		-	12 016
Other Assets (cables)		641 274	547 625
Advance payments - fixed assets		<u>1 773 136</u>	<u>1 601 816</u>
		6 225 918	6 602 774
Less:			
Impairment loss on projects in progress	(25)	<u>6 856</u>	<u>20 674</u>
		6 219 062	6 582 100

15. INVESTMENTS IN ASSOCIATES

	Note	31/12/2021		31/12/2020	
	No	Ownership %	LE (000)	Ownership %	LE (000)
- Wataneya for Telecommunication		50.00	125	50.00	125
- Vodafone Egypt Telecommunication company *		44.95	10 933 102	44.95	12 305 297
- Egypt Trust		35.71	9 357	35.71	7 500
- New matrix for technology		25.50	<u>1 250</u>	25.50	<u>1 250</u>
			10 943 834		12 314 172
Less					
- Impairment loss on investments in associates	(25)		<u>7 625</u>		<u>7 625</u>
			10 936 209		12 306 547

* The investments in Vodafone Egypt on December 31, 2021 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, 2021 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 31, 2021 that were authorized by the Company's management which presents the 12 months from the 1st of April 2020 till March 31, 2021, less the movements for the period from the April 1, 2020 till December 31, 2020 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2020. Plus, the movements for the period from the 1st of April 2021 till December 31, 2021 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2021, to determine the share of financial period from January 1 to December 31, 2021 of business results.

Notes to the consolidated financial statements
 For the financial year ended December 31, 2021 (continued)

16. AVAILABLE-FOR-SALE INVESTMENTS

	Note	31/12/2021	31/12/2020
	<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		88 205	88 205
		<u>114 881</u>	<u>114 881</u>
<u>Less:</u>			
Impairment loss on available-for-sale investments	(25)	40 025	40 025
		<u><u>74 856</u></u>	<u><u>74 856</u></u>

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

17 - OTHER ASSETS

	Fourth generation Network license	Projects right of use	right of use Lease	Submarine cables	International circuits (ROU)	Licenses Internet services	Licenses and programs	Land (Possession)	Land (Usufruct)	Good Well	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)	L.E. (000)	L.E. (000)
Cost as at January 1, 2020	8 633 330	-	12 211	2 096 630	869 802	22 738	160 847	440 683	1	15 839	12 252 081
Additions during the year	-	34 296	-	23 651	21 174	-	86	-	-	-	79 207
Disposals during the year	-	-	-	(55 028)	(2 801)	-	(56 382)	-	-	-	(114 211)
Translation differences of foreign entities	-	-	(244)	(6 068)	(807)	(50)	-	-	-	-	(7 169)
Cost at December 31, 2020	8 633 330	34 296	11 967	2 059 185	887 368	22 688	104 551	440 683	1	15 839	12 209 908
Adjustments on beginning balance	-	-	967 873	-	-	-	-	-	-	-	967 873
Additions during the year	2 451 050	281 240	406 137	262 991	553	-	-	-	-	-	3 401 971
Disposals during the year	-	-	-	(86 303)	(787)	-	-	-	-	-	(87 090)
Translation differences of foreign entities	-	-	(5 709)	(689)	(870)	(4)	-	-	-	-	(7 272)
Cost at December 31, 2021	11 084 380	315 536	1 380 268	2 235 184	886 264	22 684	104 551	440 683	1	15 839	16 485 390
Accumulated amortization as at January 1, 2020	1 050 439	-	1 416	723 151	244 297	21 936	91 204	-	-	-	2 132 443
Amortization for the year	459 569	764	802	122 487	85 151	149	34 879	-	-	-	703 801
Accumulated amortization for disposals	-	-	-	(7 437)	(700)	-	(56 382)	-	-	-	(64 519)
Translation differences of foreign entities	-	-	(33)	(5 779)	(302)	(34)	-	-	-	-	(6 148)
Accumulated amortization as at December 31, 2020	1 510 008	764	2 185	832 422	328 446	22 051	69 701	-	-	-	2 765 577
Adjustments on beginning balance	-	-	328 830	-	-	-	-	-	-	-	328 830
Reclassification	-	41	-	-	-	-	-	-	-	-	41
Amortization for the year	488 875	5 655	189 996	136 458	84 846	147	34 850	-	-	-	940 827
Accumulated amortization for disposals	-	-	-	(27 516)	(483)	-	-	-	-	-	(27 999)
Translation differences of foreign entities	-	-	(1 763)	(384)	(822)	(3)	-	-	-	-	(2 972)
Accumulated amortization as at December 31, 2021	1 998 883	6 460	519 248	940 980	411 987	22 195	104 551	-	-	-	4 004 304
Net carrying amounts as at December 31, 2021	9 085 497	309 076	861 020	1 294 204	474 277	489	-	440 683	1	15 839	12 481 086
Net carrying amounts as at December 31, 2020	7 123 322	33 532	9 782	1 226 763	558 922	637	34 850	440 683	1	15 839	9 444 330

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

	Note	31/12/2021	31/12/2020
	No.	L.E. (000)	L.E. (000)
Operating costs	(4)	878 377	703 552
Selling and Distribution expenses	(6)	42 332	83
General and administrative expenses	(7)	20 118	166
		940 827	703 801

- Accumulated amortization and impairment at December 31, 2021 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 include L.E. 290 Million other assets fully amortized and still in used.

18. INVENTORIES

	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	727 437	754 205
Merchandise for sale-telecommunication equipment and computers	442 083	224 889
cables and supplies	20 235	22 874
Others	810 738	927 417
	<u>2 000 493</u>	<u>1 929 385</u>
<u>Add:</u>		
Letters of credit	341 483	162 857
	<u>2 341 976</u>	<u>2 092 242</u>

Inventory's value was written down by L.E. 115 347 K (against L.E. 16 351 K at December 31, 2020) for obsolete and slow-moving items deducted directly from the cost of each type of inventory (Note no. 25).

19. TRADE AND NOTES RECEIVABLES

	Note	31/12/2021	31/12/2020
	<u>No.</u>		<u>Reclassified</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National *		5 058 971	5 123 171
Trade Receivables - International		3 213 323	4 101 903
		<u>8 272 294</u>	<u>9 225 074</u>
<u>Less:</u>			
Impairment loss on trade receivables	(25)	2 236 568	1 937 701
		<u>6 035 726</u>	<u>7 287 373</u>
<u>Add:</u>			
Notes Receivables		1 116	7
		<u>6 036 842</u>	<u>7 287 380</u>

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

20. DEBTORS AND OTHER DEBIT BALANCES

	Note	31/12/2021	31/12/2020
	<u>No.</u>	<u>L.E. (000)</u>	<u>Restated</u> <u>L.E. (000)</u>
Suppliers – advance payments		655 282	984 539
Deposits with others		322 333	283 411
Customs Authority - deposits		2 345	2 204
Accrued revenues		98 601	78 572
Tax Authority – value added tax		1 070 223	1 608 903
Tax Authority – withholding tax		1 371 473	896 466
Due from banks		23 683	23 396
Payments on the account of income tax		267 107	175 563
Due from organizations, companies and franchises*		448 006	875 531
Temporary debts due from employees		921 411	879 754
Other debit balances*		1 149 009	857 168
		<u>6 329 473</u>	<u>6 665 507</u>
Less:			
Impairment loss on debtors and other debit balances	(25)	350 949	306 443
		<u>5 978 524</u>	<u>6 359 064</u>
Less balances due within more than one year:			
Prepaid expenses		48 203	53 334
Debtors and non current debit balances		<u>48 203</u>	<u>53 334</u>
Debtors and current debit balances		<u>5 930 321</u>	<u>6 305 730</u>

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

21. CASH AND CASH EQUIVALENTS

	Note	31/12/2021	31/12/2020
	<u>No.</u>	<u>LE(000)</u>	<u>LE(000)</u>
Banks - time deposits (less than 3 months)		665 256	1 205 037
Banks - current accounts		1 217 633	659 812
Cash on hand		5 474	4 373
Treasury bills (less than 3 months)		965 568	55 982
Money market funds (less than 3 months)		129 406	78 228
Cash and cash equivalents		<u>2 983 337</u>	<u>2 003 432</u>
Less:			
Restricted cash and cash equivalents	(30)	60 344	66 489
Cash and cash equivalents as per statement of cash flow		<u>2 922 993</u>	<u>1 936 943</u>

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Balance	Long term loan	Long term loan	Balance	Balance	Annual	<u>Repayment schedule</u>
		as of 31/12/2021 currency (000)	installments due within one year	installments due within more than one year	as of 31/12/2021	as of 31/12/2020	interest rate	
		<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>%</u>	
Foreign Loans	U.S.\$	680 211	1 813 847	8 858 657	10 672 504	4 249 364	Variable interest rate	Quarter installments ending on Oct, 2027
Foreign loans	EURO	23 043	34 801	374 822	409 623	483 161	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign loans	Moroccan Dirham	15 589	5 056	21 103	26 159	-	3.5%	Quarter installments ending on 30/4/2026
Foreign suppliers' facilities	EURO	79	1 405	-	1 405	1 527	5.50%	
Bank facilities	LE	-	1 398 198	-	1 398 198	6 591 014	Variable interest rate	
Bank facilities	U.S.\$	224 976	1 796 674	1 733 202	3 529 876	7 576 907	Variable interest rate	
Bank facilities	EURO	15 935	283 268	-	283 268	1 385 409	Variable interest rate	
		<u>5 333 249</u>	<u>10 987 784</u>	<u>10 987 784</u>	<u>16 321 033</u>	<u>20 287 382</u>		

23. CREDITORS AND OTHER CREDIT BALANCES

	Note <u>No.</u>	31/12/2021 <u>L.E. (000)</u>	31/12/2020 <u>Restated L.E. (000)</u>
Suppliers and notes payables		2 142 642	2 151 216
Tax Authority - income Tax		1 506 122	718 953
Tax Authority (taxes other than income tax)		975 791	391 734
Deposits from others		567 692	538 467
liabilities of early retirement scheme	(11-1)	24 385	67 140
Assets creditors		11 068 114	11 102 296
Lease Liabilities***		985 110	-
Dividends payable		4 064	3 763
Accrued expenses*		1 521 857	889 629
Customers - credit balances*		1 988 688	973 138
Credit balances - organizations and companies		297 237	374 658
Deferred revenues **		1 340 542	1 491 973
National Telecommunication Regulatory Authority (NTRA)		1 183 210	1 001 733
Social Insurance Authority		86 480	70 129
Accrued interest		63 632	108 762
Other credit balances		670 033	663 622
		<u>24 425 599</u>	<u>20 547 213</u>
<u>Less balances due within more than one year:</u>			
Assets creditors		4 139 703	5 065 367
Deferred revenues		243 988	273 577
Lease Liabilities***		839 383	-
Non-Current creditors and other credit balances		<u>5 223 074</u>	<u>5 338 944</u>
Current creditors and other credit balances		<u>19 202 525</u>	<u>15 208 269</u>
Total creidtors and other credit balances		<u>24 425 599</u>	<u>20 547 213</u>

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

**The deferred revenues amounting to L.E.1 340 542 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 191 437 K (against L.E 280 375 K at December 31, 2020) and deferred revenues for mobile services by an amount of L.E 269'866 K (against L.E 241 102 K at December 31, 2020), revenues from cables operating and maintenance services by an amount of L.E 277 215 K (against L.E 382 926 K at December 31, 2020) and revenues from internet, telecommunications services by an amount of L.E 599 925 K (against L.E 587 570 K at December 31, 2020) and customers compensations by an amount of 2 099 K (against null at December 31, 2020)

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

*** **Lease liabilities**

The present value of the total liabilities from the ROU as Follow:

	31/12/2021
	<u>L.E (000)</u>
Beginning balance of present value for lease liabilities	1 177 716
Payments	(282 246)
Interest	87 116
Translation difference from foreign currency contracts	63
Entities translation difference	2 461
Lease liabilities	<u>985 110</u>
<u>Less:</u>	
Current liabilities	<u>145 727</u>
Non Current liabilities	<u>839 383</u>

24. PROVISIONS

Balance as of 1/1/2021	Reclassification	Reversal during the year	Charged to income statement	Used during the year	Translation differences	Balance as of 31/12/2021
<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>	<u>L.E. (000)</u>
1 102 476	229 343	(43 855)	137 062	(25 804)	(4)	1 399 218
<u>1 102 476</u>	<u>229 343</u>	<u>(43 855)</u>	<u>137 062</u>	<u>(25 804)</u>	<u>(4)</u>	<u>1 399 218</u>

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

25. IMPAIRMENT LOSS ON ASSETS

Note	Balance as of 31/12/2020	Adjustment on Beginning balance	Balance as of 1/1/2021	Charged to income statement	Reversal during the year	Used during the year	Balance as of 31/12/2021
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Impairment loss on projects in progress	(14) 20 674	-	20 674	6 673	-	(20 491)	6 856
Impairment loss on investments in associates	(15) 7 625	-	7 625	-	-	-	7 625
Impairment loss on available-for-sale investment	(16) 40 025	-	40 025	-	-	-	40 025
Impairment loss on other assets	(17) 79 825	-	79 825	-	-	-	79 825
Write-down of inventories	(18) 16 351	-	16 351	98 996	-	-	115 347
Impairment loss on trade receivables	(19) 1 937 701	249 851	2 187 552	49 737	(721)	-	2 236 568
Impairment loss on debtors and other debit balances	(20) 306 443	48 935	355 378	26	(4 455)	-	350 949
	<u>2 408 644</u>	<u>298 786</u>	<u>2 707 430</u>	<u>155 432</u>	<u>(5 176)</u>	<u>(20 491)</u>	<u>2 837 195</u>

* Impairment of Trade receivables, debtors and other debit balance was made according to expected credit loss and to verify the expected credit loss value some factors like current aging and liquidity are taken into consideration.

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

	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve*	2 351 347	2 241 767
General reserve **	2 762 626	2 762 626
Revaluation reserve available-for-sale investments	6 814	6 814
Capital reserve	18 110	18 110
	<u>5 138 897</u>	<u>5 029 317</u>

- General reserve amounting to L.E. 2 762 626 K as at December 31, 2021 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 1 278 797 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**

	31/12/2021		31/12/2020	
	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	-	(1 109 632)	-	(956 646)
Other assets	-	(449 877)	-	(347 408)
Write down of inventories	25 447	-	3 052	-
Impairment loss on trade receivables, debtors and other debit balances	95 611	-	80 988	-
Provisions	14 693	-	14 661	-
Accrued liabilities	28 243	-	29 445	-
Net gain of translation of foreign currencies balance	-	(338)	-	(243)
Re-evaluation of available for sale financial investments losses	3 813	-	3 813	-
Undistributed profit in subsidiaries and associated	-	(1 601 619)	-	(1 088 020)
Total deferred tax asset \ (liabilities)	<u>167 807</u>	<u>(3 161 466)</u>	<u>131 959</u>	<u>(2 392 317)</u>
Net deferred tax liabilities	<u>-</u>	<u>(2 993 659)</u>	<u>-</u>	<u>(2 260 358)</u>
Deferred tax charged to the consolidated income statement (expense)	-	(733 301)	-	(1 011 260)

28-2 Unrecognized deferred tax assets

	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Impairment loss on trade receivables	429 965	413 921
Impairment loss on debtors & other debit balances	67 804	68 800
Provision for liabilities and claims	29 517	30 852
Other	2 475	5 296
	<u>529 761</u>	<u>518 869</u>

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:	
	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Net profit for the year before income tax *	11 125 792	6 624 044
Income tax according to the current tax law (22.5%)	2 503 303	1 490 410
Tax on dividends from subsidiaries and associates	463 186	68 348
Add / (Less):		
Tax rate difference for subsidiaries outside Egypt	4 340	1 100
Provisions and impairment	28 841	27 943
Exempted investments income	(1 045 209)	(241 607)
foreign tax paid outside Egypt	(12 649)	(946)
Adjustments on other items	271 716	(137 220)
Adjustments on previous years	(21 933)	103 456
Tax on undistributed profit in subsidiaries and associates	513 599	455 798
Income tax	<u>2 705 194</u>	<u>1 767 282</u>
Effective tax rate	<u>24.31%</u>	<u>26.68%</u>

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2021 amounted to L.E. 2 776 Million (against L.E. 274 Million as at December 31, 2020)

30. CONTINGENT LIABILITIES

In addition to the amounts included in the consolidated statement of financial position as the December 31, 2021 the company has the following contingent liabilities:

	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	2 619 125	2 008 421
- Letters of credit	876 808	1 773 804

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at December 31, 2021 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.
- 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 and the dispute is being followed up.
- Tax inspection for the year 2015 and 2016 is in process.
- Tax returns are submitted according to the provisions of Law No. 206 of 2020 issuance unified tax procedures law.

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 due dates and Provisions were formed to meet this.
- 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, 2018 was performed and due taxes were settled.

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	Amount of transactions during the year recorded in the income statement	Transaction volume during the year		Balance as of 31/12/2021	Balance as of 31/12/2020
		Debit	Credit	Debit/(Credit)	Debit/(Credit)
<u>during the year</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>
Outgoing calls and voice services to the associates company	1 568 743	4 876 .28	4 591 673	(1 047 450)	(1 331 905)
Incoming and international calls, transmission claims & lease of company premises and towers to the associates company	1 452 557				
Telecommunications Services	552	633	634	(16)	(15)
		<u>4 876 761</u>	<u>4 592 307</u>	<u>(1 047 466)</u>	<u>(1 331 920)</u>

Credit balances due to associates

Vodafone Egypt Telecommunications Company

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

33. GROUP ENTITIES

Parent company's direct and indirect share in subsidiaries companies on December 31, 2021 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>31/12/2021</u>	<u>31/12/2020</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 %
Xceed Customer Care Mauritius	Mauritius	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 %
Egyptian telecommunication integrated services company	Egypt	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

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.	31/12/2021	31/12/2020
		L.E. (000)	L.E. (000)
Trade and notes receivables*	(19)	6 036 842	7 287 380
Debtors and other debit balances*	(20)	5 978 524	6 359 064
Cash and cash equivalents	(21)	2 977 863	1 999 059
		<u>14 993 229</u>	<u>15 645 503</u>

34-2 Liquidity risk

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

Description	Carrying Amount	One year or less	From 1-2 years	From 3-5 years	More than 5 years
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
December 31, 2021					
Creditors and other credit balances	24 425 599	19 202 525	3 875 671	559 462	787 941
Loans and credit facilities	16 321 033	5 333 249	5 016 361	5 971 423	-
	<u>40 746 632</u>	<u>24 535 774</u>	<u>8 892 032</u>	<u>6 530 885</u>	<u>787 941</u>
December 31, 2020					
Creditors and other credit balances *	20 547 213	15 208 269	2 456 783	2 653 498	228 663
Loans and credit facilities	20 287 382	17 009 238	2 908 761	113 778	255 605
	<u>40 834 595</u>	<u>32 217 507</u>	<u>5 365 544</u>	<u>2 767 276</u>	<u>484 268</u>

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

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

34 - FINANCIAL INSTRUMENTS (CONTINUED)

34.3 Currency risk exposure:

Description	U.S. Dollars	Euro	Canadian Dollar	Maroccan Dirham	Jordanian Dinar	Mauritius robia	Total
	(000)	(000)	(000)	(000)	(000)	(000)	L.E. (000)
December 31, 2021							
Trade receivables	314 933	17 464	7 707	35 793	-	22 515	5 414 216
Other debit balances	5 369	427	717	24 591	110	2 904	145 319
Cash & cash equivalents	75 922	4 922	1	51 926	3 321	25 195	1 447 681
Total assets in currency	396 224	22 813	8 425	112 310	3 431	50 615	7 007 216
Creditors & other credit balances	372 011	233 685	-	100 749	1 633	37 872	10 209 084
Foreign loans & facilities	905 187	39 058	-	-	-	-	14 896 685
Total liabilities in currency	1 277 198	272 743	-	100 749	1 633	37 872	25 105 769
Risk surplus (deficit)	(880 974)	(249 930)	8 425	11 561	1 798	12 743	(18 098 553)
Equivalent in Egyptian Pound	(13 822 479)	(4 442 798)	103 335	19 399	39 532	4 458	(18 098 553)
December 31, 2020							
Trade receivables	348 682	16 821	5 480	37 682	-	25 308	5 949 216
Cash & cash equivalents	101 053	245	1	22 358	3 296	3 995	1 706 375
Total assets in currency	449 735	17 066	5 481	60 040	3 296	29 303	7 655 591
Creditors & other credit balances	377 155	178 892	-	59 668	1 734	7 912	9 529 630
Foreign loans & facilities	752 308	96 811	-	-	-	-	13 696 370
Total liabilities in currency	1 129 463	275 703	-	59 668	1 734	7 912	23 226 000
Risk surplus (deficit)	(679 728)	(258 637)	5 481	372	1 562	21 391	(15 570 409)
Equivalent in Egyptian Pound	(10 685 323)	(4 996 063)	67 575	647	34 413	8 342	(15 570 409)

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as at:	
	2021	2020	31/12/2021	31/12/2020
U.S. Dollar	L.E	L.E	L.E	L.E
Euro	15.6838	15.8092	15.6900	15.7200
Canadian Dollar	18.5697	18.0816	17.7762	19.3169
	12.4900	11.7371	12.2661	12.3300
			Maroccan Dirham	L.E
			Jordanian Dinar	L.E
			Mauritius robia	L.E
				1.6780
				21.9858
				0.3498
				0.3900

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

34-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2021 may lead to losses increase by an amount of L.E 1 809 855 K (L.E. 1 557 041 K as of December 31, 2020). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2020.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2021 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	31/12/2021	31/12/2020
	No.	L.E. (000)	L.E. (000)
<u>Financial instruments with variable interest rate</u>			
Financial assets – deposits	(21)	665 256	1 205 037
Financial liabilities (loans-credit facilities)	(22)	16 321 033	20 287 382

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- SIGNIFICANT CLAIMS AND LITIGATION:

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

where the claiming companies claim that 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 which has been finalized and submitted its report officially to the court on the second half of January 2021, and still now the lawsuit is before the Economic Court in Cairo, A session has been scheduled for March 8, 2022.

The TE's legal advisor believes that based on the legal position in the previous lawsuit referred to, that there are explicit appeals procedures against the report of the tripartite committee, where measurements and procedures are under way for a legal response on the report as to submit it to the court and request to return the file again to the experts to reconsider the report's result.

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 31/12/2021					
Description	Communications , marine cables and infrastructure <u>L.E. (000)</u>	Internet <u>L.E. (000)</u>	Outsourcing <u>L.E. (000)</u>	All other <u>L.E. (000)</u>	Total <u>L.E. (000)</u>
Operating revenues	20 336 140	14 950 132	1 523 593	278 098	37 087 963
Operating costs	(18 706 851)	(2 083 603)	(915 856)	(242 048)	(21 948 358)
Gross profit	1 629 289	12 866 529	607 737	36 050	15 139 605
Credit interest	44 307	20 559	1 999	10 360	77 225
Debit interest and Finance cost	(1 203 407)	(6 453)	(4 695)	(3 930)	(1 218 485)
Depreciation and amortization	(5 442 165)	(561 330)	(125 728)	(5 829)	(6 135 052)
The company's share of profit in associates companies	3 343 123	-	-	-	3 343 123
Non cash items					
Impairment loss on financial assets	(30 591)	(9 222)	(5 495)	721	(44 587)
Provisions	41 829	(117 974)	(17 062)	-	(93 207)
Total assets	83 156 851	5 967 921	1 013 155	546 415	90 684 342
Total liabilities	41 558 364	3 225 903	592 434	978 081	46 354 782
For the financial year ended 31/12/2020					
Description	Communications , marine cables and infrastructure <u>L.E. (000)</u>	Internet <u>L.E. (000)</u>	Outsourci <u>L.E. (000)</u>	All other <u>L.E. (000)</u>	Total <u>L.E. (000)</u>
Operating revenues	18 833 373	11 697 963	1 121 161	259 869	31 912 366
Operating costs *	(17 061 421)	(1 429 482)	(715 264)	(241 478)	(19 447 645)
Gross profit	1 771 952	10 268 481	405 897	18 391	12 464 721
Credit interest	15 584	22 871	1 972	10 027	50 454
Debit interest and Finance cost	(1 342 985)	-	-	(3 593)	(1 346 578)
Depreciation and amortization	(4 661 538)	(429 356)	(69 098)	(5 027)	(5 165 019)
The company's share of profit in associates companies	2 206 234	-	-	-	2 206 234
Non cash items					
Impairment loss on financial assets	(140 487)	(82 749)	-	(346)	(223 582)
Provisions	(184 197)	(164 400)	(13 895)	(61)	(362 553)
Total assets *	80 305 950	2 990 312	590 707	535 606	84 422 575
Total liabilities *	41 577 530	3 077 065	425 273	581 440	45 661 308

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

37- COMPARATIVE FIGURES

- During the year, a settlement agreement was implemented with one of the company's service suppliers for the dues of previous years, and this led to a reduction in the amounts owed by the company from previous years by an amount of LE. 27 587 K.
- Reclassification was made to some of the comparative figures of the consolidated statement of financial position, 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>1/1/2020</u> <u>before restatement</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>Restatement</u> <u>debit / (credit)</u>	<u>1/1/2020</u> <u>Restated</u> <u>debit / (credit)</u> <u>LE(000)</u>
Debtors and other Debit balances	6 315 453	(19 725)	6 295 728
Retained Earnings	(13 382 616)	(28 357)	(13 410 973)
Creditors and other credit balances (current)	(13 027 354)	48 082	(12 979 272)

	<u>For the financial year ended</u> <u>31/12/2020</u> <u>before restatement</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>Restatement</u> <u>debit / (credit)</u>	<u>Reclassification</u> <u>debit / (credit)</u>	<u>For the financial year ended</u> <u>31/12/2020</u> <u>Restated</u> <u>debit / (credit)</u> <u>LE(000)</u>
Trade Receivable	6 878 712	-	408 668	7 287 380
Debtors and other debit balance	6 734 893	(20 495)	(408 668)	6 305 730
Retained earnings	(16 643 108)	(27 587)	-	(16 670 695)
Creditors and other Credit balance (current)	(15 256 351)	48 082	-	(15 208 269)

37-2 Effect on the consolidated statement of income

	<u>For the financial year ended</u> <u>31/12/2020</u> <u>before restatement</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>31/12/2020</u> <u>Restated</u> <u>L.E. (000)</u>
Operating cost	(19 663 335)	(7 418)	223 108	(19 447 645)
Other operating income	462 103	6 648	-	468 751
Selling and distribution expenses	(2 950 855)	-	(208 845)	(3 159 700)
General and administrative expenses	(3 330 083)	-	(14 263)	(3 344 346)

38- SIGNIFICANT EVENTS

Most of countries in the world included Egypt during the first quarter of 2020, have been exposed to the outbreak of Coronavirus (Covid-19) and the company had taken considerations performing the precautionary measures to protect its employees and customers from the risk of spreading the virus.

The Company's executive management assigned an overall plan and precautionary measures for dealing with the pandemic.

Firstly: Actions taken by the company to Employees

Reduction in presence of the company workforce at this time by following the work from home policy, to do that the fixed internet package was increased to a doubling load capacity In addition, to increase the mobile internet package. Furthermore sending a periodical messages for employees to motivate them on following the precautionary measures. And application of the country guidelines regarding the women, special needs and chronic diseases, and provide the functions of prevention especially the employees that interact directly with the clients.

Secondly: Actions taken by the company to Customers

The company has been taking the customers safety in consideration during this exceptional circumstances, with the availability for all electronic means of payments through Telecom Egypt website or the digital wallet (WE Pay).

Third: Actions taken by the company to the Egyptian general public in light of the social responsibility

The company adopted multiple initiatives, as the medical, social and symbiotic, which aim to help and aware the Egyptian general public with the main risks.

Hereunder the main risks that defined by crisis management team and approved by the company:

1- The risks of collection, deposit and credit liquidity

- The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a strong and balanced financial position supported by the company's cash sales and collections from the market, and the company has a distinct credit rating with Egyptian and international banks.

2- A decrease in indicators of the company's non-financial assets and investments

Telecom Egypt analyze changes in the value of non-financial assets and clarify those changes in accordance with the requirements of the Egyptian accounting standards and financial reporting of losses in the value of those assets, as that decrease would have a considerable impact on the financial indicators. However the management at their own discretion, considers that there is no decrease to be proven written.

3- Selling and distribution risks

Telecom Egypt Group achieved growth in the period revenue compared to the comparative period to reflect the absence of the negative impact of Coronavirus on the company's revenue, and the company's sales plans have been reviewed and updated to be suitable for the current events.

Under the procedures established by the company and the suffered risks and the current situation in the country, the company ensures carrying on providing and stability of the service for the customers by expansion of the infrastructure and attract new clients in light of increasingly widespread use of the telecommunication services and the reliability on it.

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's consolidated financial statements, for the financial year ended December 31, 2021 as well as during the subsequent periods of that date.

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, 2021.

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 consolidation**

- The business combination inside the group is accounted for using the acquisition method when control is transferred to the group.
- Both the transferred consideration, as well as the identifiable net value of acquired assets at the time of acquisition, are measured at fair value.
- An impairment test is performed annually for the goodwill (if any) resulting from the acquisition. Any gain from a negotiated purchase is recognized immediately in profit or loss.
- The costs related to the acquisition are treated as an expense in the periods in which costs are incurred and services are received, with one exception, which is the issuance of securities against indebtedness or equity.
- The transferred consideration does not include the amounts paid to settle pre-existing relationships between the acquirer and the acquirer, and these amounts are usually recognized in profit or loss.
- The contingent consideration is measured at fair value on the date of acquisition, and in the event that the obligation to pay the contingent consideration satisfies the conditions specified for the definition of an equity instrument, it is classified under equity and is not re-measured and the subsequent settlement is processed within equity, unlike the foregoing, any material consideration. Another contingency that is re-measured to fair value at the date of preparing the financial statements with any changes in fair value recognized in profit or loss.

A. **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.

B. **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.

C. **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.

D. **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.

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

E. 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 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.
- 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 costs of the day-to-day servicing of fixed assets are recognized in consolidated statement of income.

(C) Depreciation

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets. Land is not depreciated.

The current year estimated useful lives for the fixed 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

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

39-4 Other assets

Other assets are licenses, submarine cables, right-of-way, land-possession and usufruct that can be controlled and which it is expected that future economic benefits will flow to the company.

Other assets are measured 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.

39-4-1 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.

39-4-2 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 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.

39-6 Investments in associate companies

Investments in associate companies are recorded at cost, and in the event of impairment in their value, the book value is adjusted by the value of this impairment and charged to the income statement, for each investment separately.

39-7 Financial Instruments

1) recognition and initial measurement

Trade receivables and debt securities issued are initially recognized at their inception. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless they are trade receivables without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. trade receivables without a significant financing component are initially measured at the transaction price.

2) Subsequent classifications and measurement

Financial Assets - Policy applicable from 1 January 2021

Upon initial recognition, the financial asset is classified and measured at amortized cost, at fair value through other comprehensive income - debt securities, at fair value through other comprehensive income - equity instruments, or fair value through profit or loss.

*Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)*

Financial assets are not reclassified after initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the initial reporting period following the change in business model.

- A financial asset is measured at amortized cost if it meets both of the following conditions and has not been designated at fair value through profit or loss:
- If the retention of these assets is within the management's business model for the purpose of collecting future cash flows.
- If the contractual terms of these financial assets specify a specific date for the cash flows (principal and interest on the remaining unpaid principal amount).

Debt instruments are also measured at fair value through other comprehensive income if they meet the following conditions and if they were not previously classified as financial assets at fair value through profit or loss statement:

- If the retention of these assets within the business model of management includes both the collection of future cash payments and the sale of financial assets.
- If the contractual terms of these financial assets specify a specific date for the cash flows (principal amount and interest on the remaining unpaid principal amount).

Upon initial recognition of equity instruments that are not held for trading, the company may choose in a non-adjustable manner to present the subsequent changes in the fair value of these investments in the statement of other comprehensive income so that this choice is made for each investment separately.

All financial assets that are not measured at amortized cost or at fair value through the statement of other comprehensive income mentioned above must be measured at fair value through profit or loss statement, and this includes all derivative financial assets. Upon initial recognition, the company has the option to irrevocably choose classification and measurement financial assets at fair value through the statement of profit or loss and other comprehensive income if this substantially reduces the accounting mismatch that may arise.

The accounting policies related to the application are similar to the accounting policies followed by the company, with the exception of the following accounting policy, which became effective as of January 1, 2021.

Financial Assets - Business Model Evaluation: Policy Applicable from January 1, 2021

The company makes an evaluation of the objective of the business model in which the financial asset is held at the portfolio level because this reflects the best way of managing the business and providing information to management. The information taken into account includes:

The information taken into account includes:

- The policies and objectives set for the portfolio and the operation of those policies in practice. This includes whether the management's strategy was to focus on generating contractual interest income, maintaining a certain interest rate, matching the term of financial assets to the term of any related liabilities or cash outflows or realizing cash flows through the sale of assets and

- How to evaluate the performance of the portfolio and report to the company's management about it and

The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;

- How business managers are compensated - for example whether compensation is based on the fair value of the managed assets or contractual cash flows collected; And the

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations of future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for cancellation are not considered sales for this purpose, consistent with the Company's continued recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

Financial assets - evaluation of whether the contractual cash flows are only payments of principal and interest: policy applicable from January 1, 2021

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the principal amount due within a specified period of time, and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are payments of principal and interest only, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this evaluation, the Company considers the following:

Emergency events that change the amount or timing of cash flows;

- terms that may modify the contractual coupon rate, including the attributes of the variable rate;

- advance payment and extension features; And the conditions that limit the company's claim to cash flows from specific assets (for example, attributes of a non-recourse right).

The description of a cash payment corresponds to payments of principal and interest only if the amount of the advanced payments is substantially representing the unpaid amounts of principal and interest on

Notes to the consolidated financial statements
 For the financial year ended December 31, 2021 (continued)

the principal amount outstanding, which may include reasonable additional compensation for early termination. In addition, for a financial asset obtained at a discount or premium to its contractual amount, which permits or requires advanced payments by an amount substantially more than the nominal amount plus the contractual accrued interest (but not paid) (which may also include reasonable additional amounts Compensation for early termination) in accordance with this standard if the fair value of the prepayment is immaterial on initial recognition.

Financial Assets - Subsequent Measurement and Profit and Loss: Policy Applicable from January 1, 2021.

Financial assets classified at fair value through profit or loss	Financial assets valued at fair value through profit or loss are measured at fair value, and changes in fair value, including any incomes or dividends, are recognized in profits or losses.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. any gain or loss on derecognition is recognized in profit or loss.
Investments in equity instruments are measured at fair value through comprehensive income.	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and aren't reclassified to profit or loss.
Debt instruments measured at fair value through other comprehensive income.	These assets are subsequently measured at fair value. Calculated interest income is calculated using the effective interest method, foreign exchange gain and loss and impairment in profit or loss. other net gains and losses are recorded in the statement of other comprehensive income. on derecognition, the cumulative gain and loss in the income statement is reclassified to profit and loss.

Notes to the consolidated financial statements
 For the financial year ended December 31, 2021 (continued)

Financial Assets - Policy Applicable Before January 1, 2021

The Company classifies financial assets into one of the following categories:

- Loans and debts.
- Investments held to maturity.
- Investments available for sale and
- At fair value through the statement of profit or loss.

Financial Assets - Subsequent Measurement, Profit and Loss: Policy Applicable Before January 1, 2021

Financial assets at fair value through profit or loss	They are measured at fair value and changes in fair value including any incomes or dividends are recognized in profits or losses.
Financial assets - held to maturity	amortized cost using the effective interest method.
Financial assets available for sale	They are measured at fair value. Changes in fair value other than impairment losses and foreign exchange differences for debt instruments are recognized within the items of other comprehensive income and collected in the fair value reserve. On the derecognition of these assets, the cumulative profits or losses previously recognized in the items of other comprehensive income are reclassified to profit or loss.

Financial liabilities - classification and subsequent measurement, gains and losses.

Financial liabilities are classified as being measured at amortized cost or at fair value through profit or loss. A financial liability is designated at fair value through profit or loss if it is classified as held for trading, or if it is a derivative financial liability or has been designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net profit and loss, including any interest expense, is recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3) Derecognition

financial assets

The company derecognizes the financial asset when the contractual right to receive cash flows from the financial asset expires, or it transfers the contractual right to receive cash flows from the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset have been transferred. Or if the company has not transferred or retained substantially all the risks and benefits of ownership of the financial asset and the company has not have a control.

The Company enters into transactions in which it transfers the assets recognized in its statement of financial position, but retains all or substantially all the risks and rewards of the transferred assets. In these cases, the identification of transferred assets is not eliminated.

financial obligations

The company excludes the financial obligation when it ends either by getting rid of it or canceling it or the expiry of its period mentioned in the contract. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified obligations are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of the financial liability, the difference between the carrying amount repaid and the consideration paid (including any non-cash assets transferred or liabilities incurred) is recognized in profit or loss.

4) offsetting

An offsetting between a financial asset and a financial liability is made and the net amount is presented in the statement of financial position when, and only when, binding legal rights are available, as well as when they are settled on a net basis, or the realization of assets and settlement of liabilities is at the same time.

39-8 Inventories

- Inventories are measure at the lower of cost or net realizable value at the date of financial position.
- Inventory cost of components, spare parts and merchandises for sale is determined using the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.

39-9 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 recognized 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.

Notes to the consolidated financial statements
 For the financial year ended December 31, 2021 (continued)

39-10 Impairment

1) Non-derivative financial assets

The policy applies from January 1, 2021

Financial instruments and assets arising from the contract

The Company recognizes loss allowances for expected credit losses for:

- financial assets that are measured at amortized cost;
- investments in debt instruments that are measured at fair value through other comprehensive income; And the Assets arising from the contract.

The Company measures the loss allowance at an amount equal to the lifetime ECL, except for the following, which are measured at an amount equal to the 12-month ECL:

- debt instruments that were identified as having low credit risk at the reporting date; And the
- Other debt instruments and bank balances in which the credit risk (the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Provisions for losses of commercial customers and assets arising from contracts are always measured at an amount equal to the expected credit losses over their life.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and known credit assessment including forward-looking information.

The company assumes that the credit risk of a financial asset has increased significantly.

The Company considers a financial asset to be in default when:

- It is unlikely that the borrower will pay its credit obligations to the group in full, without resorting to the company by procedures such as liquidating the guarantee (if any); or

The Company considers debt instruments to have low credit risk when their credit risk rating equals the globally definition of "investment grade".

Expected credit losses over the life of the asset are the expected credit losses that result from all possible failure events over the expected life of the financial instrument.

12-month ECL is the portion of ECL that results from failure events that are possible within a period of 12 months after the reporting date (or a shorter period if the instrument has an expected life of less than 12 months).

The maximum period considered in estimating ECL is the maximum contractual period over which the company is exposed to credit risk.

Measuring expected credit losses

It is a probability-weighted estimate of credit losses. The present value of all cash shortfalls is measured (that is, the difference between the cash flows due to the entity under the contract and the cash flows the company expects to receive).

Expected credit losses are discounted at the financial asset's effective interest rate.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments measured at FVOCI are credit-impaired. A financial asset is considered "credit impairment" when one or more events that have a detrimental effect on the estimated future cash flows of the financial asset occur.

Evidence that financial assets are credit impaired includes observable data:

- Significant financial difficulty for the lender or issuer and.
- Violation of the contract such as failure or being overdue
- the restructuring of a loan or an advance by the company on terms that the company will not take into account in one way or another; And the
- the borrower is likely to enter bankruptcy or other financial reorganization; or
- The disappearance of an active stock market due to financial difficulties.

Display the provision for expected credit losses in the statement of financial position

The loss allowance for financial assets measured at amortized cost is deducted from the total carrying amount of the assets.

For securities in debt securities that are measured at fair value through other comprehensive income, the loss allowance is charged to the profit or loss and is recognized in other comprehensive income.

Debt write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering all or part of the financial asset. For single clients, the Company has a policy of writing off the gross book value when the financial asset is past due more than two years based on previous experience of recovering similar assets. For corporate clients, the Company makes an independent assessment of the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The company does not expect any significant recovery of the amount written off. However, financial assets that have been written off may still be subject to liability activities in order to comply with the Company's procedures for recovering amounts due.

Policy applicable before January 1, 2021

Non-derivative financial assets

Financial assets not classified as valued at fair value through profit or loss, including shares that are accounted for using the equity method, the company, at the end of each fiscal year, assesses whether there is objective evidence of impairment in the value of the asset.

Objective evidence of impairment of the asset's value includes:

- Failure or delay in payment by a debtor.
- Rescheduling amounts due to the group on terms that the company would not have accepted in other circumstances.
- Indications of the bankruptcy of the debtor or issuer.
- Adverse changes in the repayment status of borrowers or issuers.
- The disappearance of an active market for a financial asset due to financial difficulties.
- The presence of clear data indicating a measurable decrease in the expected future cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment includes a significant or prolonged decline in the fair value below its cost.

Financial assets at amortized cost	<p>The company has assessed whether there is objective evidence of impairment in the value of these assets individually or at the aggregate level. All assets that are of relative importance alone are assessed for impairment individually, and in the absence of evidence of impairment of these individual assets, they are collectively assessed for any impairment in value that has occurred and has not yet been identified on the individual assets. Assets that are not individually significant are assessed collectively for any impairment. For the purposes of aggregate assessment of assets, assets with similar risk characteristics are grouped together.</p> <p>When assessing impairment at the aggregate level of assets, the company used historical information about the timing of recovery of the impairment loss and the value of the losses incurred, and made adjustments if the current economic and credit conditions indicate that effective losses are likely to be more or less than expected by historical indicators. The impairment loss is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows, discounted at the financial asset's original effective interest rate.</p>
Investments that are accounted for using the equity method	<p>Impairment losses are measured in a financial investment that is accounted for using the equity method, by comparing its book value with the recoverable amount. The impairment loss is recognized in profit or loss, and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.</p>
Financial assets available for sale	<p>Impairment losses in available-for-sale financial assets are recognized by reclassifying losses that were previously recognized in other comprehensive income and separated in the fair value reserve and recognized in profit or loss. The amount of the separate loss excluded from equity and recognized in profit or loss represents the difference between The acquisition cost (net of any depreciation or repayment of any of the principal amount) and the fair value less any impairment loss for this financial asset previously recognized in profit or loss.</p> <p>When the fair value of a debt instrument classified as available for sale increases in any subsequent period, and this increase is objectively related to an event that occurred after recognizing the impairment loss in profit or loss, then this impairment loss is refunded in profit or loss.</p> <p>An impairment loss recognized in profit or loss for any investment in an equity instrument classified as available for sale is not reversed in profit or loss.</p>

2) Non-financial assets

At the end of each fiscal year, the company reviews the book values of the company's non-financial assets other than inventory, work in progress, and deferred tax assets to determine whether there is any indication of impairment. If this is the case, the company makes an estimate of the recoverable value of the asset. The impairment test of goodwill is performed annually.

To perform an impairment test for an asset, assets are grouped together into the smallest group of assets that includes the asset, which generates cash inflows from continuing use and is largely independent of cash inflows from other assets or groups of assets - cash generating units. The goodwill acquired upon business combination is distributed to the cash-generating units or groups of these units of the acquiring company and is expected to benefit from the combination.

The recoverable amount of an asset or cash-generating unit is its fair value less costs to sell or its value in use, whichever is greater. The value in use of an asset is the present value of the expected future cash flows discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. .

An impairment loss is recognized if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount.

The impairment loss is recognized in profit or loss. It is distributed first to reduce the book value of the goodwill distributed to the cash-generating unit, then to reduce the other assets of the unit in proportion to the book value of each asset in the unit.

The loss arising from the impairment of goodwill is not reversed in a subsequent period. For other assets, impairment losses are reversed to the extent that the carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and amortization) unless the impairment loss was recognized for the asset in previous years.

39-11 Provisions

The provisions are 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.

39-12 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.

Notes to the consolidated financial statements
For the financial year ended December 31, 2021 (continued)

39-13 Cost of Borrowing

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that require an extended period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Other borrowing costs are charged as an expense in the period in which they are incurred, and the borrowing costs are the interests and other costs as an expense in the period in which they are incurred, and the borrowing costs are the interests and other costs that the company spends to borrow money.

39-14 Borrowing with interest

Interest-bearing loans are initially recognized at fair value less transaction cost, and after initial recognition, interest-bearing loans are stated at amortized cost with any difference between cost and redemption value being included in the statement of profit or loss during the borrowing period based on the effective interest rate.

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 Expenses

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

39-18 Net financing (cost) / income

Financing costs comprise interest payable on borrowing, 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.

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 contracts

1) Determining whether the arrangement contains a lease or not

At the outset of the arrangement, the company determines whether the arrangement is or contains a lease.

Initially, or when reassessing an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement in those of the lease and those of the other components on the basis of their relative fair values. If the company concludes on a finance lease that it is not possible to separate the payments reliably, then the asset and liability are recognized in an amount equal to the fair value of the underlying asset; Thereafter, the liability is reduced when payments are made and a finance cost computed on the liability is recognized using the Group's incremental borrowing rate.

2) leased assets

Leases of property, plant and equipment that transfer substantially all the risks and rewards associated with ownership to the Company are classified as finance leases. The leased assets are initially measured at an amount equal to the lower of the fair value of the fair value and the present value of the minimum lease payments. After initial recognition, assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

3) lease payments

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

The minimum lease payments made under finance leases are divided between finance charges and reduction of unpaid obligations. Finance expenses are charged for each period during the lease period to arrive at a constant periodic interest rate on the remaining balance of the obligation.

39-21 Revenue from contracts with customers

- The company has implemented Egyptian Accounting Standard No. 48 as of January 1, 2021. Information was provided about the company's accounting policies related to contracts with customers and the impact of applying the standard was provided (note No. 2-6/b).

The company recognizes revenue from contracts with customers on the basis of a five-step model as defined in Egyptian Accounting Standard 48:

Step 1: Define the contract(s) with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and defines the criteria that must be met for each contract.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration that the company expects to receive in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that includes more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that specifies the amount in exchange for the contract that the company expects to receive in exchange for fulfilling each performance obligation.

Step 5: Revenue is recognized when (or whenever) the entity fulfills the performance obligation.

- The company fulfills the performance obligation and records the revenues over a period of time, if one of the following criteria is met:-

(a) The Company's performance does not create any asset that has an alternative use to the Company, and the Company has an enforceable right to pay it for performance completed to date.

(b) The company's creation or improvement of an asset that the customer controls when the asset is created or improved.

(c) The customer simultaneously receives and consumes the benefits provided by the company's performance as soon as the company performs.

- For performance obligations, in the event that one of the conditions mentioned above is fulfilled, revenue is recognized over a time period that represents the time in which the performance obligation is fulfilled.

- When the company fulfills a performance obligation by providing the promised services, it is created originally based on the contract on the amount of the contract corresponding to the performance obligation, when the amount of the contract consideration received from the customer exceeds the amount of revenue achieved, which results in advance payments from the customer (contract obligation).

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue and costs can be measured reliably, where appropriate.

The application of IFRS 48 requires management to use the following provisions:

Fulfillment of performance obligations

The company must conduct an assessment of all its contracts with customers to determine whether performance obligations are being met over time or at a point in time in order to determine the appropriate method for revenue recognition. Alternative use of the Company and usually has an enforceable right to pay for performance completed to date.

In these circumstances, the company recognizes revenue over a period of time. If this is not the case, then revenue is recognized at a point in time. For the sale of goods, revenue is usually recognized at a point in time.

Set transaction prices

- The company must determine the transaction price related to in its agreement with customers, and when using this provision, the company estimates the impact of any variable consideration in the contract due to discounts, penalties, the presence of any significant financing component in the contract, or any non-cash consideration in the contract.

Transfer of control in contracts with customers

- In the event that the company determines that the performance obligations will be satisfied at a point in time, revenue is recognized when control of the assets subject to the contract has been transferred to the customer.

- In addition, the application of the Egyptian Accounting Standard 48 led to the following:

Distribution of the transaction price for the performance obligation in contracts with customers

- The company has chosen to apply the input method in distributing the transaction price to the performance obligations so that the revenues are recognized over time. Input method. The company estimates the efforts or inputs to satisfy the performance obligation. In addition to the cost of fulfilling the contractual obligation with customers, these estimates include the time elapsed for service contracts.

Other things to take into consideration

Variable consideration: If the consideration promised in a contract includes a variable amount, then the company must estimate the amount of consideration that it is entitled to in exchange for transferring the promised goods or services to the customer. The company estimates the transaction price on contracts with variable consideration using the expected value or Most likely amount method. The method is applied consistently throughout the contract and for similar types of contracts.

Important Financing Component

The company must adjust an amount against the promised contract against the time value of money if the contract includes a significant financing component.

Revenue recognition

Revenue represents the value of services performed, including sales value and customer balances from combined sales. Revenue is recognized according to the following:

Services revenue:

- Revenue from services is recognized when they are provided to customers, and no revenue is recognized in the event that there is no certainty of recovering the consideration for this revenue or the costs associated with it.

Merchandise revenue

- Revenue from sold merchandise is recognized when the significant risks and rewards of ownership of the merchandise are transferred to the customer and there is appropriate assurance of reimbursement for it.

Interest income

- Interest is recognized on an accrual basis, taking into account the period of time and the effective interest rate.

The income from interest on deposits and securities is proven on an accrual basis, taking into account the target rate of return on the asset.

Dividend revenue

- Dividend income is recognized in the standalone profit or loss statement on the date on which the company's right to collect those distributions is established.

Investment income

Dividend income from investments in corporate equity is recognized within the limits of what the company is entitled to receive from the dividends for invested companies realized after the date of acquisition, as of the date of the issuance of the decisions of the assemblies of the investee companies regarding dividends.

The value of revenue is measured at the fair value of the consideration received or owed to the entity, and the revenue is realized when there is a sufficient expectation that there will be future economic benefits that will flow to the entity, and that the value of this revenue can be measured accurately, and no revenue is recognized in the event that there is no certainty of recovering the consideration for this revenue or costs associated with it.

39-22 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.

39-23 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.

39-24 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 during the next years.

39-25 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. Also identify and analyze the risks faced by the Group, to set appropriate risk levels and controls Monitoring those risks and their compliance with these levels.

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

39-25-1 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.

39-25-2 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.

39-25-3 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.

39-25-4 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.
