



telecomegypt®

Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Financial Year Ended December 31, 2022
& Auditor's Report



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Hazem Hassan

Public Accountants & Consultants

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Translation from Arabic

AUDITOR'S REPORT **TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated statement of financial position as at December 31, 2022 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.



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

Basis for Qualified Opinion

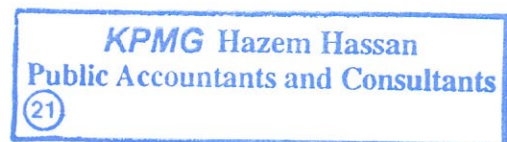
As explained note no. (15) of the notes to the consolidated financial statements, the company has investments in Vodafone Egypt (associate company) which is accounted for by the equity method in the consolidated financial statements, the company's share in the equity of the associate company was determined as of December 31, 2022, based on consolidated financial statements with an audit report was issued by the associate company's auditor on that date, and we were not provided with the rest of our audit instructions in accordance with the requirements of Egyptian Auditing Standard No. (600). "Using the work of another auditor" We were unable to perform alternative audit procedures.

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, 2022, 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 6, 2023





Translation from Arabic

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

	Note No.	31/12/2022 <u>L.E. (000)</u>	31/12/2021 <u>Reclassified L.E. (000)</u>
Assets			
Non current Assets			
Fixed assets	(13)	49 784 679	42 072 707
Rental customer		1 348 006	1 377 612
Projects in progress	(14)	14 009 576	6 219 062
Investments in associates	(15)	12 184 892	10 936 209
Financial assets at fair value through other comprehensive income	(16)	74 856	74 856
Debtors and other debit balances	(20)	67 921	48 203
Other assets	(17)	15 549 087	12 495 410
Total Non Current Assets		<u>93 019 017</u>	<u>73 224 059</u>
Current Assets			
Inventories	(18)	4 280 512	2 341 976
Trade and notes receivables	(19)	8 154 841	5 879 356
Debtors and other debit balances	(20)	7 628 275	5 461 235
Cash and cash equivalents	(21)	6 811 305	2 983 337
Total Current Assets		<u>26 874 933</u>	<u>16 665 904</u>
Total Assets		<u>119 893 950</u>	<u>89 889 963</u>
Equity			
Capital	(26)	17 070 716	17 070 716
Reserves	(27)	5 490 375	5 138 897
Retained earnings		23 289 323	22 147 270
Foreign entites translation reserve		402 277	(40 563)
Equity attributable to the owners of the company		<u>46 252 691</u>	<u>44 316 320</u>
Non - controlling interest		<u>15 159</u>	<u>13 240</u>
Total Equity		<u>46 267 850</u>	<u>44 329 560</u>
Non Current Liabilities			
Loans and credit facilities	(22)	20 411 441	10 987 784
Creditors and other credit balances	(23)	6 562 291	4 383 691
Lease liabilities	(24)	820 864	839 383
Deferred tax liabilities	(29-1)	1 482 210	2 993 659
Total Non Current Liabilities		<u>29 276 806</u>	<u>19 204 517</u>
Current Liabilities			
Loans and facilities installments due within one year	(22)	10 414 611	5 333 249
Creditors and other credit balances	(23)	31 055 503	17 210 688
Lease liabilities	(24)	291 510	145 727
Credit balances due to associates	(32)	677 662	1 047 466
Accured income tax		663 205	1 219 538
Provisions	(25)	1 246 803	1 399 218
Total Current Liabilities		<u>44 349 294</u>	<u>26 355 886</u>
Total liabilities		<u>73 626 100</u>	<u>45 560 403</u>
Total Equity and Liabilities		<u>119 893 950</u>	<u>89 889 963</u>

The attached notes on pages from (6) to (51) 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"



Translation from Arabic

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

	Note No.	For the financial year ended:	
		31/12/2022	31/12/2021
		<u>L.E.(000)</u>	<u>Reclassified</u> <u>L.E.(000)</u>
Operating revenues	(3)	44 273 344	37 087 963
Operating costs	(4)	(26 038 133)	(21 636 521)
Gross Profit		18 235 211	15 451 442
Other operating income	(5)	535 426	562 552
Selling and distribution expenses	(6)	(3 715 998)	(3 313 859)
General and administrative expenses	(7)	(4 366 805)	(3 766 869)
Other operating expenses	(8)	(171 145)	(234 630)
Expected credit loss provision		(479 215)	(44 587)
Operating profit		10 037 474	8 654 049
Finance income		189 481	659 680
Finance cost		(2 267 173)	(1 531 060)
Net Finance cost	(9)	(2 077 692)	(871 380)
Share of profit of equity accounted investees	(10)	2 695 038	3 343 123
Net profit for the year before income tax		10 654 820	11 125 792
Income tax expense		(1 602 952)	(1 971 893)
Deferred tax expense	(28-1)	135 588	(733 301)
Total income tax		(1 467 364)	(2 705 194)
Net profit for the year after income tax		9 187 456	8 420 598
<u>Profit attributable to :</u>			
Owners of the company		9 182 184	8 417 067
Non-controlling interest		5 272	3 531
Net profit for the year		9 187 456	8 420 598
Basic and diluted earnings per share for the year (LE\ Share)	(12)	4.61	4.34

The attached notes on pages from (6) to (51) are an integral part of these consolidated financial statements.



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Translation from Arabic

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

	<u>For the financial year ended:</u>	
	<u>31/12/2022</u>	<u>31/12/2021</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the year after income tax	9 187 456	8 420 598
<u>Other Comprehensive Income items :</u>		
Translation differences of foreign entities	442 840	(19 149)
Translation differences of foreign currency balances	(6 229 773)	-
Income tax on translation differences of foreign currency balances	25 837	-
Deferred tax on translation differences of foreign currency balances	1 375 861	-
	<u>(4 828 075)</u>	<u>-</u>
Transferred to retained earnings during the year	4 828 075	-
Total Comprehensive Income	<u>9 630 296</u>	<u>8 401 449</u>
Attributable to :		
Shareholders of the company	9 625 024	8 397 918
Non-controlling interest	5 272	3 531
Total Comprehensive Income	<u>9 630 296</u>	<u>8 401 449</u>

The attached notes on pages from (6) to (51) are an integral part of these Consolidated Financial Statements.



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Financial year Ended December 31, 2022

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)
Balance as of January 1, 2021 (Before restatement)	17 070 716	2 241 767	2 787 550	16 670 695	(25 489)	38 745 239	16 028	38 761 267
Reclassification	-	-	-	(4 075)	4 075	-	-	-
The impact of the new EAS	-	-	-	(427 612)	-	(427 612)	-	(427 612)
Balance as of January 1, 2021 (After restated)	17 070 716	2 241 767	2 787 550	16 239 008	(21 414)	38 317 627	16 028	38 333 655
Comprehensive Income								
Net 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
Transferred to legal reserve	-	109 580	-	(109 580)	-	-	-	-
Transactions with shareholders:								
Dividends of associates (Employees & Board of Directors)	-	-	-	(218 889)	-	(218 889)	-	(218 889)
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)
Total transactions with shareholders				(2 399 225)	-	(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
Balance as of January 1, 2022	17 070 716	2 351 347	2 787 550	22 147 270	(40 563)	44 316 320	13 240	44 329 560
Comprehensive Income								
Profit for the year	-	-	-	9 182 184	-	9 182 184	5,272.00	9 187 456
Translation differences of foreign entities	-	-	-	-	442,840.00	442 840	-	442 840
Total Comprehensive Income				9 182 184	442 840	9 625 024	5 272	9 630 296
Impact of translation differences of foreign currency balances				(4 828 075)	-	(4 828 075)	-	(4 828 075)
Transferred to legal reserve	-	351 478	-	(351 478)	-	-	-	-
Transactions with shareholders:								
Dividends of associates (Employees & Board of Directors)	-	-	-	(144 460)	-	(144 460)	(556)	(145 016)
Dividends for year 2021 (shareholders)	-	-	-	(1 707 072)	-	(1 707 072)	-	(1 707 072)
Dividends for year 2021 (Employees & Board of Directors)	-	-	-	(1 008 848)	-	(1 008 848)	(2 797)	(1 011 645)
Impact of investment disposal in subsidiaries	-	-	-	(198)	-	(198)	-	(198)
Total transactions with shareholders				(2 860 578)	-	(2 860 578)	(3 353)	(2 863 931)
Balance as of December 31, 2022	17 070 716	2 702 825	2 787 550	23 389 323	402 277	46 252 691	15 159	46 267 850

The attached notes on pages from (6) to (51) are an integral part of these Consolidated Financial Statements.



Translation from Arabic

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

	Note No.	For the Financial year ended:	
		31/12/2022	31/12/2021
		L.E. (000)	Reclassified L.E. (000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers and notes receivables		45 143 082	38 637 993
Stamp tax and fees collected (from third party)		77 496	73 906
Deposits collected from customers		57 206	41 902
Cash paid to suppliers		(12 114 469)	(10 175 729)
Payments for NTRA license fees		(1 535 510)	(1 358 706)
Cash paid to Board of Directors		(30 809)	(13 070)
Cash paid to employees		(7 263 205)	(5 822 077)
Cash paid on behalf of employees to third party		(1 330 868)	(1 144 926)
Cash provided by operating activities		23 002 923	20 239 293
Interest paid		(1 081 759)	(1 005 854)
Payments to Tax Authority - income tax		(1 063 628)	(602 676)
Payments to Tax Authority - value added tax		(2 271 621)	(1 383 447)
Payments to Tax Authority - other taxes		(2 478 362)	(1 712 829)
Other (payments) \ proceeds		(1 519 126)	481 000
Net cash provided by operating activities		14 588 427	16 015 487
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects in progress		(13 742 811)	(11 162 310)
Payments for purchase of other assets		(5 137 723)	(2 476 050)
Proceeds from sales of fixed assets and other assets		317	7 555
Payments for purchase of financial assets at amortized cost - treasury bills		(596 933)	-
Interest received		45 694	10 520
Dividends collected from investments		1 173 620	4 053 686
proceeds from financial assets at amortized cost - treasury bills income		17 060	14 054
Proceeds from sale of financial assets at amortized cost - treasury bills		609 055	-
Net cash used in investing activities		(17 631 721)	(9 552 545)
<u>Cash flows from financing activities</u>			
Payments for loans		(2 177 918)	(1 433 685)
Proceeds from loans		5 797 081	7 845 000
Proceeds (Payments) from credit facilities		5 166 680	(10 313 327)
Payments for lease liabilities contracts		(304 746)	(282 246)
Dividends paid to shareholders		(1 709 301)	(1 285 894)
Net cash provided by (used in) financing activities		6 771 796	(5 470 152)
Net change in cash and cash equivalents during the year		3 728 502	992 790
Translation differences of foreign entities		100 296	(6 740)
Cash and cash equivalents at the beginning of the year	(21)	2 922 993	1 936 943
Cash and cash equivalents at the end of the year	(21)	6 751 791	2 922 993

The attached notes on pages from (6) to (51) 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, 2022

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.
- 80% of the company stock share are awned to Egy.Gov.
- 20% of the nominal shares for the company are traded in both of the Egyptian Stock Exchange for securities and the London Stock Exchange for securities through global depository receipts (each consists of five ordinary shares).

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 5, 2023.

2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

The consolidated financial statements as of December 31, 2022, have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.

- The company's management has applied the accounting treatment for dealing with the effects of the liberalization of exchange rates contained in both summary (b) and (c) in the Egyptian Accounting Standard No. (13) amended in 2015 "The effects of changes in foreign exchange rates" according to what is Details are given in Note No (37).



2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Use of estimates

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

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

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

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

2-5 Fair value measurement

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

2-6 Segment reporting

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

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



3. OPERATING REVENUES

	For the financial year ended:	
	31/12/2022	31/12/2021
	L.E. (000)	L.E. (000)
Home and personal communications	21 588 239	18 133 447
Enterprise	5 939 214	4 699 417
Domestic wholesale	6 340 907	5 846 680
International carriers	4 832 693	4 243 845
International cables and networks	5 572 291	4 164 574
	44 273 344	37 087 963

4. OPERATING COSTS

	Note No.	For the financial year ended:	
		31/12/2022	31/12/2021
		L.E. (000)	Reclassified L.E. (000)
Interconnection call cost		6 717 317	6 021 393
Depreciation of fixed assets*	(13)	5 616 996	4 782 237
Amortization of other assets	(17)	1 447 551	878 377
Salaries and wages*		3 348 863	2 859 245
Company's social insurance contribution		340 998	304 717
Employees vacations allowance*		6 560	7 640
Frequencies and licenses charges (NTRA)		2 439 718	1 555 757
Leased circuits*		388 793	330 689
Cost of merchandise available for sale*		665 506	342 046
Right of use (IRU) outside Egypt		289 632	339 767
Fuel		870 050	862 719
Spare parts		220 576	268 485
Maintenance		539 605	407 681
Organizations services cost*		2 138 015	1 876 022
Electricity and water		101 752	106 126
Materials, supplies and miscellaneous printed		68 561	67 914
Transportation cost		214 673	131 932
Company's call costs		121 208	117 577
Other operating costs		501 759	376 197
		26 038 133	21 636 521

* Reclassification was made on the comparative figures as shown in (Note no. 38-2).



5. OTHER OPERATING INCOME

	For the financial year ended:	
	31/12/2022	31/12/2021
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fines and earned delay interest	166 621	129 662
Sundry revenues	368 805	432 890
	<u>535 426</u>	<u>562 552</u>

6. SELLING AND DISTRIBUTION EXPENSES

	Note No.	For the financial year ended:	
		31/12/2022	31/12/2021
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*		1 732 275	1 420 276
Company's social insurance contribution		163 077	143 843
Employees vacations allowance*		3 040	3 460
Depreciation	(13)	9 647	8 718
Amortization	(17)	58 243	42 332
Advertising and marketing		937 354	796 760
Tax and duties		43 999	187 095
Organizations services cost		19 573	10 547
Agent`s commissions and collection contacts*		624 437	546 093
Other selling and distribution expenses		124 353	154 735
		<u>3 715 998</u>	<u>3 313 859</u>

* Reclassification was made on the comparative figures as shown in (Note no. 38-2).

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended:	
		31/12/2022	31/12/2021
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages*		2 654 970	2 376 090
Company's social insurance contribution		198 884	180 946
The company's contribution in loyalty and belonging fund	(11)	200 000	200 000
Employees vacations allowance*		6 401	4 900
Depreciation	(13)	91 738	90 695
Amortization	(17)	50 366	20 118
Organizations services cost and consultants		492 767	363 694
Tax and duties		224 549	187 695
Takaful contribution expense		153 091	120 157
Bank charges		49 475	28 769
Other general and administrative expenses*		244 564	193 805
		<u>4 366 805</u>	<u>3 766 869</u>

* Reclassification was made to conform to the current presentation.



8. OTHER OPERATING EXPENSES

	Note No.	For the financial year ended:	
		31/12/2022	31/12/2021
		L.E. (000)	L.E. (000)
Provisions	(25)	9 261	93 207
Capital losses		40 343	78 498
Donations		106 566	54 222
Other expenses		14 975	8 703
		171 145	234 630

9. NET FINANCE COST

	For the financial year ended:	
	31/12/2022	31/12/2021
	LE (000)	Reclassified LE (000)
Finance income		
Interest income	134 564	41 066
Treasury bills income	24 926	18 351
Income from money market funds	11 729	9 480
Dividends from available for sale investment	2 897	3 297
Income from prepaid tax	15 365	8 328
Net translation gain of foreign currencies balances and transactions	-	579 158
Total finance income	189 481	659 680
Finance costs		
Interest expense	(1 286 351)	(1 275 751)
Finance costs for credit contracts	(812 511)	(255 309)
Net translation loss of foreign currencies balances and transactions	(168 311)	-
Total finance cost	(2 267 173)	(1 531 060)
Net finance cost	(2 077 692)	(871 380)

* Reclassification was made on the comparative figures as shown in (Note no. 38-2).

10. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	For the financial year ended:	
	31/12/2022	31/12/2021
	L.E. (000)	L.E. (000)
Vodafone Egypt Telecommunication company	2 682 362	3 341 267
Egypt Trust	12 676	1 856
	2 695 038	3 343 123

Represented in the group's share of profits of the investee companies according to the equity method



11. EMPLOYEES' BENEFITS

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.

Noting that the General Assembly of the Loyalty and belonging Fund, which was held in December 2022, approved the amendment of the subscription fee for disbursing benefits and collecting contributions to be the basic wage on 1/1/2017 provided that this amendment takes effect from 1/1/2022 after the issuance of the General Assembly's decision financial control of the proposed amendments to the Fund's Articles of Association, according to the approval of the Extraordinary General Assembly, which has not been issued to date.

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, 2022 (against an amount of L.E. 200 000 K for the comparative year 2021) 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>31/12/2022</u>	<u>31/12/2021</u>
<u>The holding company owner's equity :-</u>		
Net Profit for the year (L.E. in thousand)	9 182 184	8 417 067
<u>Less:</u>		
Employees' share in dividends (L.E. in thousand)*	1 272 072	980 908
Board of Directors share (L.E. in thousand)*	32 947	22 956
Net profit for the year available for distribution (L.E. in thousand)	7 877 165	7 413 203
Number of shares available during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the year (LE/ share)	4.61	4.34

* 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, 2022 (continued)

Translation from Arabic

13-FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment & information technologies	Vehicles	Furniture	Tools & supplies	Decoration & fixtures	Fixtures on trunk radio network	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at 1/1/2021	2,344,431	37,732,568	36,683,430	225,226	1,013,322	228,557	182,478	315	78,410,327
Reclassification	-	(129,387)	108,044	(724)	212	4,299	-	-	(17,556)
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	41,020,572	35,567,000	265,345	1,148,649	243,288	186,773	315	80,823,768
Cost as at 01/01/2022	2,391,826	41,020,572	35,567,000	265,345	1,148,649	243,288	186,773	315	80,823,768
Additions during the year	-	4,245,519	6,480,363	48,586	93,200	20,432	2,970	-	10,891,070
The effect of currency of resulting from balances in foreign currencies	-	994,518	1,556,228	-	-	-	-	-	2,550,746
Disposals during the year	-	(231,992)	(3,157,984)	(9,475)	(6,958)	(1,588)	(52)	(315)	(3,408,364)
Translation differences of foreign entities	1,940	296,687	99,282	159	25,257	2	6,194	-	429,521
Cost as at 31/12/2022	2,393,766	46,325,304	40,544,889	304,615	1,260,148	262,134	195,885	-	91,286,741
Accumulated depreciation as at 1/1/2021	-	17,267,876	23,619,813	109,837	697,439	128,487	136,082	315	41,959,849
Reclassification	-	(37,660)	34,627	(200)	-	(40)	-	-	(3,273)
Depreciation for the year	-	1,658,002	3,043,755	20,883	89,270	25,940	43,800	-	4,881,650
Accumulated depreciation for disposals	-	(231,868)	(7,815,124)	(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	-	18,652,684	18,878,693	112,434	775,361	152,118	179,456	315	38,751,061
Accumulated depreciation as at 01/01/2021	-	18,652,684	18,878,693	112,434	775,361	152,118	179,456	315	38,751,061
Depreciation for the year	-	1,997,063	3,563,761	25,354	95,038	23,990	13,175	-	5,718,381
Accumulated depreciation for disposals	-	(162,597)	(3,121,211)	(9,364)	(6,891)	(1,494)	(52)	(315)	(3,301,924)
Translation differences of foreign entities	-	263,301	233,076	160	(135,391)	(5)	(26,597)	-	334,544
Accumulated depreciation as at 31/12/2022	-	20,750,451	19,554,319	128,584	728,117	174,609	165,982	-	41,502,062
Net carrying amounts as at 31/12/2022	2,393,766	25,574,853	20,990,570	176,031	532,031	87,525	29,903	-	49,784,679
Net carrying amounts as at 31/12/2021	2,391,826	22,367,888	16,688,307	152,911	373,288	91,170	7,317	-	42,072,707

- Cost of fixed assets includes an amount of L.E. 14,698 Million fully depreciated assets and still in use.

- Cost of fixed assets includes an amount of L.E. 2,551 Million represented in in the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of liberalizing the exchange rate and related to the acquisition of these assets.

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

For the financial year ended	
No.	31/12/2022
	L.E. (000)
Operating costs	5,616,996
Selling and distribution expenses	9,647
General and administrative expenses	91,738
	5,718,381
	4,881,650
	- 12 -



14. PROJECTS IN PROGRESS

	Note	31/12/2022	31/12/2021
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Land		324 945	199 148
Buildings and Infrastructure		2 309 034	1 130 331
Centrals and information technology equipment		4 026 672	2 477 439
Tools and supplies		7 449	4 590
Other Assets		4 452 075	641 274
Advance payments - fixed assets		2 908 991	1 773 136
		<u>14 029 166</u>	<u>6 225 918</u>
Less:			
Impairment loss on projects in progress	(26)	<u>19 590</u>	<u>6 856</u>
		<u>14 009 576</u>	<u>6 219 062</u>

- The balance of projects in progress is represented in the part that has been executed from capital and contracts commitments, and the advanced payment until December 31, 2022.

-The balance of projects under construction includes an amount of L.E 526 969 K, which represents the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of liberalizing the exchange rate and related to the acquisition of these assets.

15. INVESTMENTS IN ASSOCIATES

	Note	<u>31/12/2022</u>		<u>31/12/2021</u>	
	<u>No</u>	<u>Ownership</u>	<u>LE (000)</u>	<u>Ownership</u>	<u>LE (000)</u>
		<u>%</u>		<u>%</u>	
- Wataneya for Telecommunication**		50.00	-	50.00	-
- Vodafone Egypt Telecommunication company *		44.95	12 169 109	44.95	10 933 102
- Egypt Trust		35.71	14 533	35.71	1 857
- New matrix for technology		25.50	1 250	25.50	1 250
			<u>12 184 892</u>		<u>10 936 209</u>

* 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, 2022 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 31, 2022 that were authorized by the Company's management which presents the 12 months from the 1st of April 2021 till March 31, 2022, less the movements for the period from the April 1, 2021 till December 31, 2021 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2021. Plus, the movements for the period from the 1st of April 2022 till December 31, 2022 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2022, to determine the share of financial period from January 1 to December 31, 2022 of business results.

** Impairment loss on investments of subsidiaries and associates is formed for Telecom Egypt France by L.E 269 K, Egyptian telecommunication integrated services company by L.E ٧٠٠٠ K, and wataneya for Telecommunications by L.E 125 K.



16. Investments in financial assets at fair value through other comprehensive income

	Note	31/12/2022	31/12/2021
	<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>			
Investments in financial assets at fair value through other comprehensive income	(26)	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, 2022 (continued)

Translation from Arabic

17 - OTHER ASSETS

	Licenses granted for mobile services	Usufract project	Right of use assets	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, 2021	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 beging balance	-	-	967 873	-	-	-	-	-	-	-	967 873
Reclassification	-	17 556	-	-	-	-	-	-	-	-	17 556
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	333 092	1 380 268	2 235 184	886 264	22 684	104 551	440 683	1	15 839	16 502 946
Adjustments on beginning balance	-	-	(355)	-	-	-	-	-	-	-	(355)
Additions during the year	3 225 407	143 256	287 381	219 146	17 120	-	-	-	-	-	3 892 310
The effect of currency differences resulting from balances	685 865	3 827	11 589	-	-	-	-	-	-	-	701 281
Disposals during the year	-	-	(12 287)	(68 621)	(163 782)	-	(104 551)	-	-	-	(349 241)
Translation differences of foreign entities	-	-	90 595	82 180	22 896	1 258	-	-	-	-	196 929
Cost at December 31, 2022	14 995 652	480 175	1 757 191	2 467 889	762 498	23 942	-	440 683	1	15 839	20 943 870
Accumulated amortization as at January 1, 2021	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	-	3 273	-	-	-	-	-	-	-	-	3 273
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	9 692	519 248	940 980	411 987	22 195	104 551	-	-	-	4 007 536
Adjustments on beginning balance	-	-	(246)	-	-	-	-	-	-	-	(246)
Amortization for the year	1 039 975	16 907	260 122	148 442	90 526	188	-	-	-	-	1 556 160
Accumulated amortization for disposals	-	-	(5 560)	(11 941)	(162 401)	-	(104 551)	-	-	-	(284 453)
Translation differences of foreign entities	-	-	32 051	70 519	12 194	1 022	-	-	-	-	115 786
Accumulated amortization as at December 31, 2022	3 038 858	26 599	805 615	1 148 000	352 306	23 405	-	-	-	-	5 394 783
Net carrying amounts as at December 31, 2022	11 956 794	453 576	951 576	1 319 889	410 192	537	-	440 683	1	15 839	15 549 087
Net carrying amounts as at December 31, 2021	9 085 497	323 400	861 020	1 294 204	474 277	489	-	440 683	1	15 839	12 495 410

- Other assets cost includes at December 31, 2022 an amount of L.E 360 Million, other assets fully amortized and still in use in operating

- Other assets cost includes an amount of L.E 701 281 Which represents the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of liberalizing the exchange rate and related to the acquisition of these assets

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

For the financial year ended:

	Note	31/12/2022	31/12/2021
	No.	L.E. (000)	L.E. (000)
Operating costs	(4)	1 447 551	878 377
Selling and Distribution expenses	(6)	58 243	42 332
General and administrative expenses	(7)	50 366	20 118
		<u>1 556 160</u>	<u>940 827</u>



18. INVENTORIES

	31/12/2022	31/12/2021
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	760 576	727 437
Material supplies, Merchandise for sale and letters of credit	3 479 465	1594 304
Others	40 471	20 235
	<u>4 280 512</u>	<u>2 341 976</u>

Inventory's value was written down by L.E. 204 144 K (against L.E. 115 347 K at December 31, 2021) for obsolete and slow-moving items deducted directly from the cost of each type of inventory (Note no. 26).

19. TRADE AND NOTES RECEIVABLES

	Note	31/12/2022	31/12/2021
	<u>No.</u>	<u>L.E. (000)</u>	<u>Reclassified</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National *		5 650 436	4 901 485
Trade Receivables - International		4 913 163	3 213 323
		<u>10 563 599</u>	<u>8 114 808</u>
<u>Add:</u>			
Notes Receivables		246 286	1 116
		<u>10 809 885</u>	<u>8 115 924</u>
<u>Less:</u>			
Provision of expected credit loss	(26)	2 655 044	2 236 568
		<u>(8 154 841)</u>	<u>(5 879 356)</u>

* Reclassification was made on the comparative figures as shown in (Note no. 38-1)



20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2022 <u>L.E. (000)</u>	31/12/2021 <u>Reclassified L.E. (000)</u>
Suppliers – debit balances*		688 358	471 034
Deposits with others		321 016	322 333
Customs Authority - deposits		1 500	2 345
Accrued revenues		166 533	98 601
Tax Authority – value added tax		2 176 439	1 070 223
Tax Authority – withholding tax*		1 188 724	1 314 290
Due from ministries, organizations, companies and franchises*		1 113 386	656 344
Temporary debts due from employees		1 203 763	921 411
Advanced expense*		123 514	85 788
Other debit balances*		1 124 486	918 018
		<u>8 107 719</u>	<u>5 860 387</u>
Less:			
Provision of expected credit loss	(26)	411 523	350 949
		<u>7 696 196</u>	<u>5 509 438</u>
Less balances due within more than one year:			
Prepaid expenses		67 921	48 203
Debtors and non current debit balances		<u>67 921</u>	<u>48 203</u>
Debtors and current debit balances		<u>7 628 275</u>	<u>5 461 235</u>

* Reclassification was made on the comparative figures as shown in (Note no. 38-1)

21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2022 <u>LE (000)</u>	31/12/2021 <u>LE (000)</u>
Banks - time deposits (less than 3 months)		3 544 872	665 256
Banks - current accounts		2 818 478	1 217 633
Cash on hand		6 767	5 474
Treasury bills (less than 3 months)		348 078	965 568
Investment funds documents (less than 3 months)		93 110	129 406
Cash and cash equivalents		<u>6 811 305</u>	<u>2 983 337</u>
Less:			
Restricted cash and cash equivalents at banks	(31)	59 514	60 344
Cash and cash equivalents as per statement of cash flow		<u>6 751 791</u>	<u>2 922 993</u>



Notes to the consolidated financial statements
For the financial year ended December 31, 2022 (continued)

Translation from Arabic

22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Balance as of 31/12/2022 currency (000)	Long term loan installments due within one year	Long term loan installments due within more than one year	Balance as of 31/12/2022 L.E.(000)	Balance as of 31/12/2021 L.E.(000)	Annual interest rate	Repayment schedule	
								L.E.(000)	%
Foreign Loans	U.S.\$	804 132	3 748 547	16 101 444	19 849 991	10 672 504	Variable interest rate	Quarter installments ending on Sep. 2029	
Foreign loans	EURO	21 086	51 490	501 489	552 979	409 623	Variable interest rate	Semi-annual installments ending on 30/6/2036	
Foreign loans	Moroccan Dirham	13 411	7 981	21 343	29 324	26 159	Variable interest rate	Quarter installments ending on 30/4/2026	
Foreign suppliers' facilities	EURO	79	2 073	-	2 073	1 405	%5.5		
Bank facilities	LE	4 476 289	4 529 316	-	4 529 316	1 398 198	Variable interest rate		
Bank facilities	U.S.\$	224 691	1 866 381	3 680 112	5 546 493	3 529 876	Variable interest rate	Ending in 31/12/2026	
Bank facilities	EURO	12 045	208 823	107 053	315 876	283 268	Variable interest rate	Ending in 14/10/2024	
			10 414 611	20 411 441	30 826 052	16 321 033			



23. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2022	31/12/2021
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Suppliers and notes payables*	6 048 326	2 439 870
Tax Authority (taxes other than income tax)	2 703 204	975 791
Deposits from others	621 624	567 692
Assets creditors	18 525 210	11 068 114
Accrued expenses	1 719 261	1 521 857
Customers - credit balances*	2 588 686	1 351 472
Credit balances - organizations and companies	402 373	297 237
Deferred revenues **	1 712 178	1 340 542
National Telecommunication Regulatory Authority (NTRA)	2 154 536	1 183 210
Social Insurance Authority	106 567	86 480
Accrued interest	282 565	63 632
Other credit balances*	753 264	698 482
	<u>37 617 794</u>	<u>21 594 379</u>
<u>Less balances due within more than one year:</u>		
Assets creditors	6 237 165	4 139 703
Deferred revenues	325 126	243 988
	<u>6 562 291</u>	<u>4 383 691</u>
Non-Current creditors and other credit balances	6 562 291	4 383 691
Current creditors and other credit balances	31 055 503	17 210 688
Total creditors and other credit balances	37 617 794	21 594 379

* Reclassification was made on the comparative figures as shown in (Note no. 38-1)

**** Deferred revenues**

	31/12/2022	31/12/2021
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Transmission systems for mobile services	371 941	191 437
Mobile services	273 538	269 866
Cabels operating and maintenance services	373 434	277 215
Internet, telecommunications services	691 297	599 925
customers compensations	1 968	2 099
	<u>1 712 178</u>	<u>1 340 542</u>



24. Lease liabilities

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

	31/12/2022	31/12/2021
	<u>L.E (000)</u>	<u>Reclassified</u>
		<u>L.E (000)</u>
Beginning balance of present value for lease liabilities	1 261 843	1 261 843
Additions	439 367	151 986
Disposal	(11 660)	-
Payments	(1 011 936)	(707 190)
Interest	384 587	275 947
Translation difference from foreign currency contracts	28 191	63
Entities translation difference	21 982	2 461
Lease liabilities	<u>1 112 374</u>	<u>985 110</u>
<u>Less:</u>		
Current liabilities	291 510	145 727
Non Current liabilities	<u>820 864</u>	<u>839 383</u>



Notes to the consolidated financial statements
For the financial year ended December 31, 2022 (continued)

Translation from Arabic

25. PROVISIONS

Balance as of 1/1/2022	Reclassification	Charged to income statement	Used during the year	Translation differences	Balance as of 31/12/2022
L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
1 399 218	138 319	9 261	(300 029)	34	1 246 803
1 399 218	138 319	9 261	(300 029)	34	1 246 803

Claims and liabilities provision

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

26. IMPAIRMENT LOSS ON ASSETS

Note No.	Balance as of 1/1/2022	Charged to income statement	Used during the year	Balance as of 31/12/2022
	LE (000)	LE (000)	LE (000)	LE (000)
(14) Impairment loss on projects in progress	6 856	12 734	-	19 590
(15) Impairment loss on investments in associates	7 625	-	-	7 625
(16) Impairment loss on investments of financial assets at fair value through other comprehensive income	40 025	-	-	40 025
(17) Impairment loss on other assets	79 825	-	-	79 825
(18) Write-down of inventories	115 347	88 797	-	204 144
(19) Impairment loss on trade receivables*	2 236 568	418 601	(125)	2 655 044
(20) Impairment loss on debtors and other debit balances*	350 949	60 614	(40)	411 523
	2 837 195	580 746	(165)	3 417 776

* 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.

27. 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.

28. RESERVES

	31/12/2022	31/12/2021
	L.E. (000)	L.E. (000)
Legal reserve*	2 702 825	2 351 347
General reserve **	2 762 626	2 762 626
Revaluation reserve investments of financial assets at fair value through other comprehensive income	6 814	6 814
Capital reserve	18 110	18 110
	5 490 375	5 138 897

- General reserve amounting to L.E. 2 762 626 K as at December 31, 2022 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.

29. DEFERRED TAX

29-1 Recognized Deferred tax assets and liabilities

	31/12/2022		31/12/2021	
	Assets	(Liabilities)	Assets	(Liabilities)
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Fixed assets	-	(1 404 969)	-	(1 109 632)
Other assets	-	(520 059)	-	(449 877)
Currency difference	2 286 710	(332 499)	-	(338)
Write down of inventories	39 921	-	25 447	-
Impairment loss on trade receivables and debtors and other debit balances	110 220	-	95 611	-
Provisions	14 715	-	14 693	-
Accrued liabilities	26 890	-	28 243	-
Loss on re-valuation of investment in financial assets at fair value through other comprehensive income	3 813	-	3 813	-
Undistributed profit in subsidiaries and associated	-	(1 706 952)	-	(1 601 619)
Total deferred tax asset \ (liabilities)	2 482 269	(3 964 479)	167 807	(3 161 466)
Net deferred tax liabilities	-	(1 482 210)	-	(2 993 659)
Deferred tax charged to the statement of income for the year (expense)	-	1 511 449	-	-
Deferred tax charged to the statement of comprehensive income for the year	-	(135 588)	-	-
	-	1 375 861	-	-

29-2 Unrecognized deferred tax assets

	31/12/2022	31/12/2021
	L.E. (000)	L.E. (000)
Impairment loss on trade and not receivables	546 560	413 921
Impairment loss on debtors & other debit balances	92 592	68 800
Provision for liabilities and claims	57 858	30 852
Other	15 397	5 296
	712 407	518 869

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.

29-3 Reconciliation of effective tax rate

	For the financial year ended:	
	31/12/2022	31/12/2021
	L.E. (000)	Restated L.E. (000)
Net profit for the year before income tax	10 654 820	11 125 792
Income tax according to the current tax law (22.5%)	2 397 335	2 503 303
Tax on dividends from subsidiaries and associates	159 650	463 186
Add / (Less):		
Tax rate difference for subsidiaries outside Egypt	2 555	4 340
Provisions and impairment	39 933	28 841
Exempted investments income	(364 426)	(1 045 209)
foreign tax paid outside Egypt	(17 313)	(12 649)
Adjustments on other items	(350 705)	271 716
Unrealized foreign exchange differences	(520 003)	-
Adjustments on previous years	16 094	(21 933)
Tax on undistributed profit in subsidiaries and associates	104 244	513 599
Income tax	1 467 364	2 705 194
Effective tax rate	13.77%	24.31%

30. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2022 amounted to L.E. 2 161 Million (against L.E. 2 776 Million as at December 31, 2021)

31. CONTINGENT LIABILITIES

In addition to the amounts included in the consolidated statement of financial position as the December 31, 2022 the company has the following contingent liabilities:

	31/12/2022	31/12/2021
	L.E. (000)	L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	3 140 560	2 619 125
- Letters of credit	2 882 470	876 808

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at December 31, 2022 include letters of guarantee have been issued against restricted cash and cash equivalent at banks (Note no.21).

32. TAX POSITION

32-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2018 and all due taxes were settled, and the fines are being settled after applying Law 153 of 2022 to bypass the fines due for those years.
- Tax inspection for the years from Jan 1, 2019 until Dec 31, 2021 have not been done to date.
- Tax return are submitted according to the income tax law no.91 of 2005, its amendments and its executive regulations, and the due tax is paid on legal dates.

32- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years untill 2017 was performed and the tax differences were settled and the company did not pay the additional tax for the inspection of the years 2016 and 2017.
- Tax returns are submitted according to the provisions of the tax law and the provisions of the law No.206 of 2020 issuing the Unified Tax Procedures Law, and the due tax, if any, is paid on the legal dates.

32- 3 Salary & wages 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.
- Tax inspection for the year 2015 and 2016 is in process.No forms or claims have been issued to date.
- The company is regular in deducting and remitting tax on legal dates according to the law No. 91 of 2005, its amendments and its executive regulations, and the tax settlement is submitted according to the provisions of law No. 206 of 2020 issuing the Unified Tax Procedures Law.

32- 4 Stamp Tax

- The period from March 27, 1998 until December 31, 2000 was inspected for certain sectors of the company, and the company was notified of the tax assessment elements, and the company filed a grievance and challenged the legal deadlines.
- 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.

32- 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



Notes to the consolidated financial statements
For the financial year ended December 31, 2022(continued)

Translation from Arabic

33. 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 31/12/2022		Balance as of 31/12/2021	
		Debit	Credit	Debit/(Credit)	L.E.000	Debit/(Credit)	L.E.000
Outgoing calls and voice services to the associates company	1 994 803	8 107 080	7 737 292	(677 662)	(1 047 450)		
Incoming and international calls, transmission claims & lease of company premises and towers to the associates company	2 150 939						
Telecommunications Services		16	-	-	(16)		
		<u>8 107 096</u>	<u>7 737 292</u>	<u>(677 662)</u>	<u>(1 047 466)</u>		

Credit balances due to associates

Vodafone Egypt Telecommunications Company



34. GROUP ENTITIES

Parent company's direct and indirect share in subsidiaries companies on December 31, 2022 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>31/12/2022</u>	<u>31/12/2021</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	0.00 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %



35. FINANCIAL INSTRUMENTS

35-1 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.	31/12/2022 L.E. (000)	31/12/2021 L.E. (000)
Trade and notes receivables	(19)	8 154 841	5 879 356
Debtors and other debit balances	(20)	7 628 276	5 461 235
Cash and cash equivalents	(21)	6 804 538	2 977 863
		<u>22 587 655</u>	<u>14 318 454</u>

35-2 Liquidity risk

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

Description	Carrying Amount L.E. (000)	One year or less L.E. (000)	From 1-2 years L.E. (000)	From 3-5 years L.E. (000)	More than 5 years L.E. (000)
December 31, 2022					
Creditors and other credit balances	37 617 794	31 055 503	5 596 714	332 938	632 639
Loans and credit facilities	30 826 052	10 414 611	4 443 232	14 595 694	1 372 515
Lease liabilities*	1 112 374	291 510	397 293	173 143	250 428
	<u>69 556 220</u>	<u>41 761 624</u>	<u>10 437 239</u>	<u>15 101 775</u>	<u>2 255 582</u>
December 31, 2021					
Creditors and other credit balances	21 594 379	17 210 688	3 416 551	394 224	572 916
Loans and credit facilities	16 321 033	5 333 249	5 016 361	5 971 423	-
Lease liabilities*	985 110	145 727	459 120	165 238	215 025
	<u>38 900 522</u>	<u>22 689 664</u>	<u>8 892 032</u>	<u>6 530 885</u>	<u>787 941</u>

* Reclassification was made on the comparative figures as shown in (Note no. 38-1)



35-4 **Sensitivity analysis**

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2022 may lead to losses increase by an amount of L.E 3 058 399 K (L.E. 1 809 855 K as of December 31, 2021). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2021.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2022 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

35-5 **Interest rate risk**

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

Description	Note No.	31/12/2022 L.E. (000)	31/12/2021 L.E. (000)
<u>Financial instruments with variable interest rate</u>			
Financial assets – deposits	(21)	3 544 872	665 256
Financial liabilities (loans-credit facilities)	(22)	30 826 052	16 321 033

35-6 **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.

36- 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 Misr 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 (Etisalat misr and other subsidiary) 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 on January 23, the court decided to write off the law suit, provided that the period prescribed in the law to renew the law suit from cancellation ends on March 24, 2023.

The TE’s legal advisor believes that A conciliation agreement was concluded between the parties to the case to end the dispute in a consensual manner regarding the entire case.

Finally, the aforementioned dispute was settled, and the court decided to dismiss the lawsuit, and the company is not required to allocate any sums of money in connection with this case or to implement judgments.



Notes to the consolidated financial statements
For the financial year ended December 31, 2022 (continued)

Translation from Arabic

37 - 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 31/12/2022					
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	24 152 600	18 059 336	1 622 463	438 945	44 273 344
Operating costs	(22 467 156)	(2 200 143)	(964 962)	(405 872)	(26 038 133)
Gross profit	1 685 444	15 859 193	657 501	33 073	18 235 211
Credit interest	141 150	29 339	3 354	12 741	186 584
Debit interest and Finance cost	(1 632 794)	(448 884)	(11 417)	(5 767)	(2 098 862)
Depreciation and amortization	(6 785 669)	(326 466)	(155 371)	(7 035)	(7 274 541)
The company's share of profit in associates companies	2 695 038	-	-	-	2 695 038
Non cash items					
Impairment loss on financial assets	(403 970)	(69 225)	(8 591)	2 571	(479 215)
Provisions	-	(9 261)	-	-	(9 261)
Total assets	111 439 479	6 772 012	1 146 655	535 804	119 893 950
Total liabilities	67 092 820	2 333 516	626 406	3 573 358	73 626 100

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>	Outsourci <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)	(1 771 766)	(915 856)	(242 048)	(21 636 521)
Gross profit	1 629 289	13 178 366	607 737	36 050	15 451 442
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)	(248 755)	(125 728)	(5 829)	(5 822 477)
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	5 173 542	1 013 155	546 415	89 889 963
Total liabilities *	41 558 364	2 431 524	592 434	978 081	45 560 403

*Reclassification was made on the comparative figures as shown in (Note no. 38)



38- COMPARATIVE FIGURES

- Reclassification was made to some of the comparative figures of the consolidated statement of financial position, consolidated statement of income and consolidated statement of cash flow to conform to the current presentation of the consolidated financial statements.
- The following is the effect of reclassification on the consolidated financial statements:

38-1 Effect on the consolidated statement of financial position

	For the financial year ended 31/12/2021	Reclassification	For the financial year ended 31/12/2021
	<u>debit / (credit)</u> <u>LE(000)</u>	<u>debit / (credit)</u>	<u>debit / (credit)</u> <u>LE(000)</u>
Fixed assets	43 464 643	(1 391 936)	42 072 707
Rental customer other assets	-	1 377 612 14 324	1 377 612 1 295 410
Deferred tax assets	1 281 086	(167 807)	-
Deferred tax liabilities	167 807	(167 807)	-
lease liabilities - non current	(3 161 466)	167 807	(2 993 659)
lease liabilities - non current	-	(839 383)	(839 383)
Creditors and other Credit balance (non-current)	(5 223 074)	839 383	(4 383 691)
Debtors and other debit balance- current	5 930 322	(469 086)	5 461 236
Trade Receivable	6 036 842	(157 486)	5 879 356
lease liabilities - current	-	145 727	145 727
Creditors and other Credit balances (current)	(19 202 525)	1 991 837	(17 210 688)
Accured income tax	-	(1 219 538)	(1 219 538)

38-2 Effect on the consolidated statement of income

	For the financial year ended 31/12/2021 <u>before restatement</u> <u>L.E. (000)</u>	<u>Reclassification</u> <u>(debit)/credit</u> <u>L.E. (000)</u>	For the financial year ended 31/12/2021 <u>Restated</u> <u>L.E. (000)</u>
Operating cost	(21 948 358)	311 837	(21 636 521)
Selling and distribution expense	(3 314 597)	738	(3 313 859)
Expected credit loss provision	-	(44 587)	(44 587)
Finance cost	(1 263 072)	(267 988)	(1 531 060)



38-3 Effect on Consolidated statement of Cashflow

	For the financial year ended		For the financial year ended
	31/12/2021 <u>before restatement</u> <u>debit / (credit)</u> <u>LE(000)</u>	Reclassification <u>debit / (credit)</u>	31/12/2021 <u>Restated</u> <u>debit / (credit)</u> <u>LE(000)</u>
Net cash used in investing activities	(9 834 791)	282 246	(9 552 545)
Net cash used in financing activities	(5 187 906)	(282 246)	(5 470 152)

39- SIGNIFICANT EVENTS

39-1 The effect of exchange rate liberalization

The Central Bank decided, in its session held on March 21, 2022, to liberalize the exchange rate of the Egyptian pound against foreign currencies to give flexibility to banks operating in Egypt to price the purchase and sale of foreign exchange within legal channels. The indicative exchange rates announced by the Central Bank for the most important foreign currencies that the company deals in have reached at the beginning of that day as follows:

	<u>SELL</u>	<u>BUY</u>
USD	18.27	18.17
EURO	20.17	20.06

Accordingly, the balances of assets and liabilities of monetary nature in foreign currencies have been evaluated in the financial statements for the financial period ending on March 31, 2022, and also, the company's business results affected in subsequent periods as a result.

In conjunction with the liberalization of the exchange rate, the Central Bank also raised the overnight deposit and lending rates by 100 basis points, to reach 9.25% and 10.25 percent, respectively. Which may affect the company's finance income and costs.

B- The Central Bank of Egypt decided, in its session held on October 27, 2022, to announce the application of the flexible exchange rate system for pricing foreign exchange on to determine the buying and selling prices of currencies in the Egyptian pound based on the conditions of supply and demand, and based on that, the exchange rate of the US dollar as an example, an increase against the Egyptian pound, which led to its increase from 19.69 Egyptian pounds to about 23 Egyptian pounds at the end of October 27 2022.

Provided that the necessary accounting treatments are prepared during the fourth quarter of the fiscal year 2022 in light of that decision or any other decisions in this regard, if found.

39-2 The impact of applying appendix B of the Egyptian Accounting Standard No. (13) "Effects of Changes in Foreign Exchange Rates"

A- On April 27, 2022, Prime Minister Decree No. 1568 of 2022 was issued to amend some provisions of the Egyptian Accounting Standards, which are the issuance of Appendix (B) of the Egyptian Accounting Standard No. (13) amended in 2015 "Effects of Changes in Foreign Exchange Rates", which deals with the treatment Special accounting treatment to deal with the effects of the liberalization of foreign exchange rates (39-1). This optional special accounting treatment issued in this appendix is not considered an amendment to the amended Egyptian accounting standards currently in effect, beyond the time period for the validity of this annex, and these treatments are as follows:

1. An entity that from the beginning of January 2020 until the date of moving the exchange rate has acquired fixed assets and/or real estate investments and/or exploration and evaluation assets and/or intangible assets (other than goodwill) financed by foreign currency liabilities, to recognize within The cost of those assets in the currency differences resulting from retranslation of the outstanding liability balance relating to them at the date of the exchange rate



movement using the exchange rate at the date of the exchange rate movement. An entity can apply this option to each asset separately.

2. As an exception from the requirements of Paragraph No. "28" of the amended Egyptian Accounting Standard No. (13) "Effects of Changes in Foreign Exchange Rates" for the recognition of currency differences, an entity whose business results have been affected by a net currency difference gain or loss as a result of moving the currency exchange rate can recognize within items of other comprehensive income the debit and credit currency differences resulting from the retranslation of the balances of monetary items existing on March 31, 2022 using the closing price, Appendix minus any currency translation differences that were recognized within the cost of assets in accordance with the previous paragraph. . This is because these differences resulted mainly from the decision to move the exchange rate.

B- On December 27, 2022, Prime Minister Decree No. 4607 of 2022 was issued to amend some provisions of the Egyptian Accounting Standards, which are the issuance of Appendix (C) of the Egyptian Accounting Standard No. (13) amended in 2015 "Effects of Changes in Foreign Exchange Rates", which deals with the treatment Special accounting treatment to deal with the effects of the liberalization of foreign exchange rates (39-1). This optional special accounting treatment issued in this appendix is not considered an amendment to the amended Egyptian accounting standards currently in effect, beyond the time period for the validity of this annex, and these treatments are as follows:

1. An entity that prior to the date of the abnormal exchange rate movements, has acquired fixed assets and/or real estate investments and/or exploration and evaluation assets and/or intangible assets (other than goodwill) and/or usefruct assets on lease contracts financed by foreign currency liabilities, to recognize within The cost of those assets in the debt currency differences resulting from retranslation of the paid part of these liabilities during the financial period for applying this special accounting treatment in addition to the currency difference resulting from translating the remaining balance of these liabilities at the end of December 31, 2022 or at the end of the closing date of the financial statements for the financial period to apply this special accounting treatment if it was previously using the exchange rate used on that date.and the entity may apply this option to each asset individually.
2. As an exception from the requirements of Paragraph No. "28" of the amended Egyptian Accounting Standard No. (13) "Effects of Changes in Foreign Exchange Rates" for the recognition of currency differences, an entity whose business results have been affected by a net currency difference gain or loss as a result of moving the currency exchange rate whether its registration currency is the Egyptian pound or any other foreign currency can recognize within items of other comprehensive income the debit and credit currency differences resulting from the retranslation of the balances of monetary items at the end of December 31, 2022 or at the end of the closing date of the financial statements for the financial period to apply this special accounting treatment if it was previously using the exchange rate used on that date, minus any currency translation differences that were recognized within the cost of assets in accordance with paragraph (7) of this Appendix. Considering these differences mainly caused by abnormal foreign exchange rate movements.



Notes to the consolidated financial statements
For the financial year ended December 31, 2022 (continued)

Translation from Arabic

<u>Item</u>	Before applying the accounting transaction	The impact of applying the accounting transaction	After applying the accounting transaction
	Debit / (credit)	Debit / (credit)	Debit / (credit)
	<u>L.E(000)</u>	<u>L.E(000)</u>	<u>L.E(000)</u>
	<u>31/12/2022</u>		<u>31/12/2022</u>
<u>1- Financial Position</u>			
Fixed assets	47 355 046	2 429 633	49 874 679
Project in progress	13 482 607	526 969	14 009 576
Other assets	14 847 806	701 281	15 549 087
Deferred tax assets	(3 436 561)	1 954 351	(1 482 210)
Retained earnings	(18 117 399)	4 828 075	(23 289 323)
<u>2- Statement of Income</u>			
Finance cost	(12 154 829)	9 887 656	(2 267 173)
Depreciation and Amortization	(7 505 712)	231 171	(7 274 541)
<u>Statement of comprehensive income</u>			
Translation differences of foreign currency balances	-	(6 229 773)	(6 229 773)
Realized incom tax	-	25 837	25 837
Deferred tax on translation on differences of foreign currency balances	-	1 375 861	1 375 861

40. 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, 2022.

Certain comparative figures have been reclassified to conform to the current presentation of the Consolidated Financial Statements (note no.38).



40-1 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.

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.



40-2 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.

40-3 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

40-4 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.



40-4-1 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.

40-4-2 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.

40-5 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.

40-6 Investments in associate companies

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

40-7 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.

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



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.



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.

40-8 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.

40-9 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.



40-10 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.

40-11 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.

40-12 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.



40-13 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.

40-14 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.

40-15 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.

40-16 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.

40-17 Expenses

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

40-18 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.

40-19 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).

40-20 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.

40-21 Revenue from contracts with customers

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.



40-22 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.

40-23 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.

40-24 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.

40-25 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.



40-25-1 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.

40-25-2 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.

40-25-3 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.



40-25-4 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.
