

telecomegypt



**Telecom Egypt Company
Consolidated Financial Statements
Prepared in Accordance with IFRSs
For The Financial Year Ended December 31, 2020
And Independent Auditor's Report**

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Index

<u>Explanation</u>	<u>Page Number</u>
- Independent Auditor's Report	1:2
- Consolidated statement of financial position	3
- Consolidated statement of profit or loss and other comprehensive income	4
- Consolidated statement of changes in equity	5
- Consolidated statement of cash flows	6
- Notes to the consolidated financial statements	7:49



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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Telecom Egypt Company

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Telecom Egypt Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 opinion section of our report, we conducted our audit in accordance with Egyptian Standards on Auditing. 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 of 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 our 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, we consider 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.

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



Hazem Hassan

Basis for Opinion

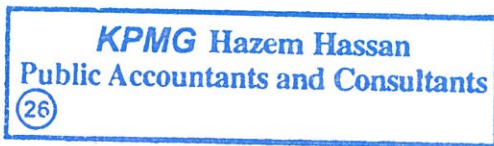
As explained in note no. (15) of the notes to the consolidated financial statements, the company has investments in Vodafone Egypt (Associate company) which is accounted for by the equity method in the consolidated financial statements, the company's share in the equity of the associate company was determined as of December 31, 2020, based on unaudited financial information prepared by the management of the associate company.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

KPMG Hazem Hassan

Cairo, August 9, 2021



Telecom Egypt Company
Consolidated statement of financial position

In thousands of Egyptian Pound	Note	31 December 2020	31 December 2019 <u>Restated</u>
Assets			
Property, plant and equipment	13,38c	44 175 044	36 301 170
Intangible assets	14,38d	10 551 905	10 786 627
Equity-accounted investees	15,38a	12 270 440	10 763 157
Available-for-sale investments	16,38f	14 856	19 811
Other financial assets	17	53 334	60 072
Deferred tax assets	18,38r	131 959	213 188
Non-current assets		67 257 538	58 204 025
Inventories	19,38g	2 092 242	2 353 882
Held-to-maturity investment (treasury bills)		-	25 829
Trade and other receivables	20	12 610 163	10 812 176
Cash and cash equivalents	21	2 003 432	1 433 184
Current assets		16 705 837	14 625 071
Total assets		83 963 375	72 829 096
Equity			
Share capital	22,38i	17 070 716	17 070 716
Reserves	22,38j	5 003 828	4 752 002
Retained earnings		15 551 451	12 502 431
Equity attributable to owners of the company		37 625 995	34 325 149
Non-controlling interests	38a	15 095	14 904
Total equity		37 641 090	34 340 053
Liabilities			
Loans and borrowings	24	3 278 144	4 785 550
Trade and other payables	25	5 482 961	5 376 579
Deferred revenue	26	273 577	308 313
Deferred tax liabilities	18,38r	2 371 968	1 458 093
Non-current liabilities		11 406 650	11 928 535
Loans and borrowings	24	17 009 238	11 666 363
Trade and other payables	25	14 253 280	12 267 825
Deferred revenue	26	1 218 721	804 068
Credit accounts due to associates		1 331 920	1 049 642
Provisions	27,38n	1 102 476	772 610
Current liabilities		34 915 635	26 560 508
Total liabilities		46 322 285	38 489 043
Total equity and liabilities		83 963 375	72 829 096

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"

Independent auditor's report " attached "

The notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Telecom Egypt Company
Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

In thousands of Egyptian Pound	Note	2020	2019
			<u>Restated</u>
Continuing operations			
Revenue	4,38o	31 783 338	25 751 580
Operating costs	5	(20 080 971)	(16 654 324)
Gross profit		11 702 367	9 097 256
Other income	6	462 103	470 936
Selling and distribution expenses	7	(3 077 287)	(2 719 284)
Administrative expenses	8	(3 637 579)	(4 874 492)
Impairment loss on trade and other receivables		(223 582)	(236 836)
Other expenses	9	(531 968)	(150 045)
Operating profit		4 694 054	1 587 535
Finance income	11	94 217	1 679 338
Finance costs	11	(1 466 653)	(1 468 260)
Net finance (cost) income	11	(1 372 436)	211 078
Share of profit of equity-accounted investees, net of tax		2 150 501	2 772 260
Profit before tax		5 472 119	4 570 873
Income tax	12,38r	(1 722 095)	(1 029 736)
Profit		3 750 024	3 541 137
Other comprehensive income			
Foreign operations - foreign currency translation differences		(14 866)	(183 277)
Other comprehensive income , net of tax		(14 866)	(183 277)
Total comprehensive income		3 735 158	3 357 860
Profit attributable to:			
Owners of the company		3 744 318	3 535 283
Non - controlling interests		5 706	5 854
		3 750 024	3 541 137
Total comprehensive income attributable to:			
Owners of the company		3 729 452	3 352 006
Non - controlling interests		5 706	5 854
		3 735 158	3 357 860
Earning per share			
Basic earnings per share (LE)	23,38s	2.19	2.07
Diluted earnings per share (LE)	23,38s	2.19	2.07

The notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Attributable to owners of the company

	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 January 2019	17 070 716	1 899 028	176 729	2 796 578	9 531 918	31 474 969	14 967	£ 489 936
Impact of reclassification on comparative figures	-	519	(4 075)	-	3 556	-	-	-
Reclassified balance at 1 January 2019	17 070 716	1 899 547	172 654	2 796 578	9 535 474	31 474 969	14 967	£ 489 936
Total comprehensive income for the year (Restated)	-	-	-	-	3 535 283	3 535 283	5 854	£ 541 137
Profit for the year (Restated)	-	-	-	-	3 535 283	3 535 283	5 854	£ 541 137
Other comprehensive income for the year	-	-	(183 277)	-	-	(183 277)	-	(183 277)
Total comprehensive income (Restated)	-	-	(183 277)	-	3 535 283	3 352 006	5 854	3 557 860
Transactions with owners of the company								
Contributions and distribution								
Transferred to reserves	-	66 500	-	-	(66 500)	-	-	-
Dividends	-	-	-	-	(426 768)	(426 768)	(5 917)	(432 685)
Restatements on retained earnings in associates	-	-	-	-	(75 058)	(75 058)	-	(75 058)
Total transactions with owners of the company	-	66 500	-	-	(568 326)	(501 826)	(5 917)	507 743
Restated balance as at 31 December 2019	17 070 716	1 966 047	(10 623)	2 796 578	12 502 431	34 325 149	14 904	34 340 053
Balance at 1 January 2020	17 070 716	1 966 047	(10 623)	2 796 578	12 502 431	34 325 149	14 904	£ 340 053
Total comprehensive income for the year								
Profit for the year	-	-	-	-	3 744 318	3 744 318	5 705	£ 750 024
Other comprehensive income for the year	-	-	(14 866)	-	-	(14 866)	-	(14 866)
Total comprehensive income	-	-	(14 866)	-	3 744 318	3 729 452	5 705	3 735 158
Transactions with owners of the company								
Contributions and distribution								
Transferred to reserves	-	275 720	-	-	(275 720)	-	-	-
Dividends	-	-	-	-	(426 768)	(426 768)	(5 515)	(432 283)
Restatements on retained earnings in associates	-	-	-	-	7 190	7 190	-	7 190
Excluded of landing & building	-	-	-	(9 028)	-	(9 028)	-	(9 028)
Total transactions with owners of the company	-	275 720	-	(9 028)	(695 298)	(428 606)	(5 515)	434 121
Balance as at 31 December 2020	17 070 716	2 241 767	(25 489)	2 787 550	15 551 451	37 625 995	15 055	37 641 090

The notes on pages 7 to 49 are an integral part of these consolidated financial statements.

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019 Reclassified
Cash flows from operating activities			
Cash receipts from customers		29 669 206	24 394 037
Value added tax collected from customers		519 613	493 921
Stamp tax and fees collected (from third party)		38 700	34 285
Deposits collected from customers		2 111	2 936
Cash paid to suppliers		(9 767 685)	(8 395 379)
Payments of NTRA license fees		(888 077)	(736 585)
Dividends paid to employees and Board of Directors		(170 126)	(96 288)
Cash paid to employees and Board of Directors		(5 508 892)	(7 060 502)
Cash paid on behalf of employees to third party		(1 084 120)	(1 051 627)
Interest paid		(1 056 128)	(1 010 484)
Payments to Tax Authority - income tax		(356 246)	(127 983)
Payments to Tax Authority - value added tax		(1 410 957)	(1 635 336)
Payments to Tax Authority - other taxes		(1 464 812)	(1 491 021)
Provision Used		-	(11 746)
Other payments		(225 267)	(316 856)
Net cash from operating activities		8 297 320	2 991 372
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		(11 037 767)	(9 664 893)
Payments for purchase of intangible assets		(730 953)	(747 744)
Proceeds from sale of property, plant and equipment and intangible assets		21	48
Payments for acquisition of investments		-	(56 867)
Payments for purchase of held-to-maturity investment - treasury bills		(9 566)	(34 358)
Proceeds from sale of investments		36 972	-
Interest received		16 364	55 538
Dividends of profit collected from investments		621 900	5 067 193
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	108 957
Proceeds from income of securities (treasury bills - mutual fund)		11 094	10 702
Net cash used in investing activities		(11 091 935)	(5 261 424)
Cash flows from financing activities			
Payments for loans and other facilities		(1 470 544)	(4 248 748)
Proceeds from loans and other facilities		5 368 974	7 410 702
Dividends paid to shareholders		(479 457)	(432 683)
Net cash from financing activities		3 418 973	2 729 271
Net increase in cash and cash equivalents		624 358	459 219
Cash and cash equivalents at 1 January	21	1 311 391	873 555
Effect of movements in exchange rate on cash hold		1 194	(21 383)
Cash and cash equivalents at 31 December	21	1 936 943	1 311 391

The notes on pages 7 to 49 are an integral part of these consolidated financial statements.

1. Reporting entity

- 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 consolidated interim financial statements of the Company for the financial year ended December 31, 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.

- 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.
 - Real estate investment for serving its purposes and executing its projects.

- The registered office of the Company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and London Stock Exchange.

2. Basis of preparation

a. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS. They were approved by the company’s Board of Directors for issuance on August 9, 2021.

Details of the Group’s accounting policies are included in Note. (38)

b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

For presentational purposes, the current/non-current distinction has been used for the financial position, while expenses are analyzed in the profit or loss using a classification based on their function. The direct method has been selected to present the cash flow statement.

c. Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d. Use of judgements and estimates

- In preparing the consolidated financial statements in accordance with IFRS, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis.
- The recognition of the change in accounting estimates in the period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

I. Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

Revenue recognition: revenue is recognized as detailed in the accounting policies applied.

Equity-accounted investees (associates Companies): whether the Company has significant influence over an investee.

Lease contracts classification.

II. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at December 31, 2020 that might have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Measurement of ECL for cash at banks, trade and notes receivables and other financial assets.

III. Measurement of fair value

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective applicable to the Group's consolidated financial statements but not expected to have a significant impact are listed below:

- a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reforms (Phase 2)
- b) Amendments to IFRS 3 – Reference to the conceptual framework.
- c) Amendments to IAS 1 – Classification of liabilities as current or non-current.
- d) Annual improvements to IFRS Standards 2018-2020.

Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

4. Revenue

In thousands of Egyptian Pound	For the year ended 31 December	
	2020	2019 <u>Restated</u>
Home and personal communications	14 250 676	10 420 847
Enterprise*	3 933 017	3 808 797
Domestic wholesale	4 669 581	4 154 647
International carrier	4 395 547	4 383 205
International cables and networks	4 534 517	2 984 084
	31 783 338	25 751 580

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

5. Operating costs

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019 <u>Restated</u>
Interconnection cost		5 584 788	4 831 623
Fuel		841 678	786 503
Spare parts		204 108	170 323
Maintenance		487 318	472 264
Leased circuits & satellite subscriptions		286 511	272 998
Property, plant and equipment depreciation*	13	4 360 534	2 740 066
Amortization of intangible assets*	14	879 610	739 211
Salaries and wages*	10	2 832 260	2 505 562
Company's social insurance contribution*		304 737	310 386
Employee's compensated absence		15 556	5 000
Employees' share in profit		420 296	430 054
Frequencies and licenses		1 363 380	931 612
Cost of merchandise available for sale		208 782	673 664
(IRU) outside Egypt		237 161	385 268
Organizations service cost		1 219 045	753 585
Other operating costs*		835 207	646 205
		20 080 971	16 654 324

* Restatement and Reclassification were made to the comparative figures as shown in note no .(37 - 2).

6. Other income

In thousands of Egyptian Pound	For the year ended 31 December	
	2020	2019
Grants	-	-
Fines and delay interest collected	82 034	94 574
Others	380 069	376 362
	462 103	470 936

7. Selling and distribution expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019 Restated
Salaries & wages*	10	1 095 206	952 739
Company's social insurance contribution		110 368	107 033
Employees' compensated absence		28 435	1 600
Employees' share in profit		162 524	160 673
Property, plant & equipment depreciation*	13	7 603	7 226
Amortization of intangible assets*	14	5 889	6 075
Tax & fees		179 523	173 836
Rent		57 651	29 403
Advertisements		838 605	844 495
Organizations service cost		117 607	60 967
Sales and collection commissions		387 708	259 110
Others selling and distribution expenses		86 168	116 127
		3 077 287	2 719 284

* Restatement and Reclassification were made to the comparative figures as shown in note no . (37 - 2).

8. Administrative expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019 Restated
Salaries & wages*	10	2 019 905	2 159 400
Company's social insurance contribution		152 448	161 775
Employees' compensated absence		20 042	10 600
Early retirement compensations	10	101 672	1 266 549
End of service benefits	10	180 000	276 182
Employees' & BOD share in profit		318 159	229 159
Property, plant & equipment depreciation	13	93 081	94 738
Amortization of intangible assets*	14	5 599	1 422
Organizations service cost		252 012	209 701
Tax & duties		141 579	122 331
Takaful contribution expense		99 029	85 211
Bank charges		17 539	20 831
Other administration expenses		236 514	236 593
		3 637 579	4 874 492

* Restatement and Reclassification were made to the comparative figures as shown in note no . (37 - 2).

9. Other expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019
Provisions formed	27	362 553	43 841
Net loss on disposal of property plant & equipment		10 474	25 444
Donations		137 293	79 781
Others		21 648	979
		531 968	150 045

10. Personnel expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019 Reclassified
Salaries and wages:			
Operating cost*	5	2 832 260	2 505 562
Selling and distribution expenses*	7	1 095 206	952 739
Administrative expenses*	8	2 019 905	2 159 400
		5 947 371	5 617 701
Compulsory social security contributions		567 553	579 194
Early retirement compensations	8	101 672	1 266 549
End of service benefits	8	180 000	276 182
Employees compensated absence		64 033	17 200
Employees' & BOD share in profit		900 979	819 886
		7 761 608	8 576 712

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

Employees' Benefits

(i) Early Retirement Scheme (Telecom Egypt Company)

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

First: The important conditions of the optional early retirement

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

Second: The important benefits of an optional early retirement

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
 - Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.
 - Payment of compensation for unused leaves in accordance with the regulations in force.
 - Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the earliest.
 - Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is the earliest.
 - Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the earliest.
- The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme. Currently, the said committee is completing the study of the remaining applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its work and all the liabilities that the company had borne as a result of the application of the optional early

(ii) End of service Benefits (The company's contribution in loyalty and belonging fund)

- The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of annual raise of employees.
- The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents contribution to be determined annually according to a Board of directors decree and the company had contributed by an amount of L.E 180 000 K for the financial year ended in December 31, 2020 (against an amount of L.E. 276 182 K for the comparative year 2019) stated in the general and administrative expenses as shown in (Note no. 8).

11. Net finance (Cost) income

In thousands of Egyptian Pound	For the year ended 31 December	
	2020	2019 <u>Restated</u>
Interest income	44 230	91 463
Divided income from available for sale investment	5 900	10 939
Income from prepaid tax	6 224	-
Translation gain of foreign currencies balances and transactions	37 863	1 576 936
Finance income	94 217	1 679 338
Interest expense	(1 086 022)	(1 071 788)
Impairment loss on available-for-sale investments	(3 705)	-
Finance costs of deffered payments contracts*	(376 926)	(396 472)
Finance costs	(1 466 653)	(1 468 260)
Net finance (Cost) income	(1 372 436)	211 078

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

12. Income tax

In thousands of Egyptian Pound	For the year ended 31 December	
	2020	2019 <u>Restated</u>
Amounts recognised in profit or loss		
Current tax expense		
Current year	(726 991)	(835 398)
Deferred tax		
Origination and reversal of temporary differences	(995 104)	(194 338)
Tax expense	(1 722 095)	(1 029 736)



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Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

13. Property, plant and equipment

In thousands of Egyptian Pound	Land, buildings & infrastructure	Technical equipments & information technologies & fixtures on trunk radio network	Vehicles	Office furniture & fixtures	Tools & supplies	Under construction	Total
Cost							
Balance at 1 January 2019	29 801 919	28 111 213	187 339	989 308	142 649	5 353 980	64 591 408
Additions	6 853 019	4 360 755	37 523	164 088	12 381	12 641 997	24 067 763
Disposals	(790 022)	(1 572 522)	(4 576)	(4 922)	(1 204)	(11 427 766)	(13 801 312)
Transfer to assets	(53 888)	(21 387)	(49)	(4 844)	-	-	(80 458)
Balance at 31 December 2019	35 811 028	30 878 059	220 237	1 143 630	153 826	6 573 211	74 779 591
Balance at 1 January 2020	35 811 028	30 878 059	220 237	1 143 630	153 826	6 573 211	74 779 591
Additions	4 912 731	7 791 545	60 189	210 855	65 338	12 501 922	25 542 580
Disposals	(903 650)	(777 501)	(13 820)	(4 713)	(2 190)	(13 040 658)	(14 742 552)
Effect of movements in foreign exchange	(2 205)	7 276	94	2 839	-	-	8 004
Balance at 30 December 2020	39 817 904	37 899 379	266 700	1 352 611	216 974	6 034 475	85 588 043

Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

13. Property, plant and equipment (continued)

In thousands of Egyptian Pound	Land, buildings & infrastructure	Technical equipments & information technologies & fixtures on trunk radio network	Vehicles	Office furniture & fixtures	Tools & supplies	Under construction	Total
Balance at 1 January 2019	15 539 076	21 223 364	149 745	783 062	82 974	-	37 778 221
Depreciation charge for the year	1 122 345	1 606 317	7 922	91 133	14 313	-	2 842 030
Disposals	(506 685)	(1 564 160)	(4 413)	(4 805)	(1 203)	-	(2 081 266)
Effect of movements in foreign exchange	(46 878)	(10 184)	(49)	(3 053)	-	-	(60 164)
Balance at 31 December 2019	16 107 858	21 255 337	153 205	866 337	96 084	-	38 478 821
Balance at 1 January 2020	16 107 858	21 255 337	153 205	866 337	96 084	-	38 478 821
Depreciation charge for the year	1 640 300	2 659 805	11 677	126 526	23 010	-	4 461 218
Disposals	(736 921)	(771 793)	(13 667)	(4 705)	(2 190)	-	(1 529 276)
Effect of movements in foreign exchange	(2 255)	2 221	94	2 176	-	-	2 236
Balance at 31 December 2020	17 008 882	23 145 570	151 309	990 334	116 904	-	41 412 999
Carrying amounts							
At 1 January 2019	14 262 843	6 887 849	37 594	206 246	59 675	5 358 980	26 813 187
At 31 December 2019	19 703 170	9 622 722	67 032	277 293	57 742	6 573 211	36 301 170
At 31 December 2020	22 809 022	14 753 809	115 391	362 277	100 070	6 034 475	44 175 044

Fully depreciated property, plant and equipment (PPE)

PPE cost includes an amount of L.E. 21 724 million relating to fully depreciated PPE that are still in use.

Depreciation

The depreciation charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2020	2019 Restated
Operating costs	5	4 360 534	2 740 066
Selling and distribution expenses	7	7 603	7 226
Administrative expenses	8	93 081	94 738
		4 461 218	2 842 030



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Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

14. Intangible assets

In thousands of Egyptian Pound	Fourth generation license	Administrative Capital	Right of way	Right of using ROU	Soft ware license	Internet service license	Land possession	Land usufruct	Under construction	Lease ROU	Goodwill	Total
Cost												
Balance at 1 January 2019	8 633 330	-	2 023 533	880 876	56 382	22 997	440 683	1	70 776	555 010	15 839	2 699 427
Additions	-	-	102 728	13 908	104 465	-	-	-	184 644	-	-	405 745
Disposals (Restated)	-	-	(13 075)	-	-	-	-	-	-	(35 634)	-	(48 709)
Effects of movements in foreign exchange	-	-	(16 556)	(12 771)	-	(259)	-	-	-	-	-	(29 586)
Balance at 31 December 2019 (Restated)	8 633 330	-	2 096 630	882 013	160 847	22 738	440 683	1	255 420	519 376	15 839	3 026 877
Balance at 1 January 2020	8 633 330	-	2 096 630	882 013	160 847	22 738	440 683	1	255 420	519 376	15 839	3 026 877
Additions	-	34 296	23 651	21 174	86	-	-	-	330 542	335 678	-	745 427
Disposals	-	-	(55 028)	(2 801)	(56 382)	-	-	-	(38 337)	-	-	(152 548)
Effects of movements in foreign exchange	-	-	(6 068)	(1 051)	-	(50)	-	-	-	-	-	(7 169)
Balance at 31 December 2020	8 633 330	34 296	2 059 185	899 335	104 551	22 688	440 683	1	547 625	855 054	15 839	3 612 587
Amortization												
Balance at 1 January 2019	590 870	-	615 503	174 743	56 382	21 936	-	-	-	58 434	-	1 517 868
Amortization for the year (Restated)	459 569	-	122 143	80 642	34 822	159	-	-	-	49 373	-	746 708
Disposals	-	-	(1 334)	-	-	-	-	-	-	-	-	(1 334)
Effects of movements in foreign exchange	-	-	(13 161)	(9 672)	-	(159)	-	-	-	-	-	(22 992)
Balance at 31 December 2019	1 050 439	-	723 151	245 713	91 204	21 936	-	-	-	107 807	-	2 240 250
Balance at 1 January 2020	1 050 439	-	723 151	245 713	91 204	21 936	-	-	-	107 807	-	2 240 250
Amortization for the year	459 569	764	122 487	85 953	34 879	149	-	-	-	187 297	-	891 098
Disposal	-	-	(7 437)	(700)	(56 382)	-	-	-	-	-	-	(64 519)
Effect of movements in foreign exchange	-	-	(5 779)	(325)	(9)	(34)	-	-	-	-	-	(6 147)
Balance at 31 December 2020	1 510 008	764	832 422	330 641	69 692	22 051	-	-	-	295 104	-	3 060 682
Carrying amounts												
At 1 January 2019 (Restated) *	8 042 460	-	1 408 030	706 133	-	1 061	440 683	1	70 776	496 576	15 839	1 165 720
At 31 December 2019	7 582 891	-	1 373 479	636 300	69 643	802	440 683	1	255 420	411 569	15 839	1 078 627
At 31 December 2020	7 123 322	33 532	1 226 763	568 694	34 859	637	440 683	1	547 625	559 950	15 839	1 051 905

- Intangible assets costs included L.E 192 Million intangible assets fully amortized and still in used.

- The goodwill have been resulted from the acquisition of Middle East and North Africa Submarine Cables (MENA) – Subsidiary company.

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

14. Intangible assets (continued)

- Accumulated amortization and impairment loss as at December 31, 2020 include an amount of LE 79 825 K represented in impairment loss on Right of Use (ROU) and Internet Services Licensing by one of the subsidiaries.

Amortization charge

The amortization charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		0	Restated
			<u>Restated</u>
Operating costs	5	879 610	739 211
Selling and distribution expenses	7	5 889	6 075
Administrative expenses	8	5 599	1 422
		891 098	746 708

15. Equity-accounted investees

The Group has the following investment in associates:

In thousands of Egyptian Pound	Ownership		Carrying amount	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Wataneya for Telecommunication **	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	12 269 190	10 763 003
Egypt Trust **	35.71%	35.71%	-	154
New matrix for technology **	25.50%	0.00%	1 250	-
			12 270 440	10 763 157

- Investment in Wataneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.

* Investment in Vodafone – Egypt

-The investments in Vodafone Egypt on December 31, 2020 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, 2020 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 2020 that were authorized by the Company's management which presents the 12 months from the 1st of April 2019 till March 31, 2020, less the movements for the from the 1st of April 2019 till December 31, 2019 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2019. Plus, the movements for the period from the 1st of April 2020 till December 31, 2020 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 2020, to determine the share of financial period from January 1 to December 31, 2020 of business results.

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

Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

Summary of financial information for equity accounted investees, not adjusted by the percentage of ownership held by the group

In million of Egyptian Pound

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Profit</u>
31-12-2019:					(For the 9 months)
Vodafone Egypt	31 621	17 843	13 778	18 900	4 794
31-3-2020:					(For the financial year)
Vodafone Egypt	32 252	17 469	14 783	27 094	5 996
31-12-2020:					(For the 9 months)
Vodafone Egypt	35 401	18 279	17 122	16 388	3 781

16. Available-for-sale investments

In thousands of Egyptian Pound

	31 December 2020	31 December 2019
Equity securities available-for-sale – Foreign*	26 676	26 676
Investment in other companies	88 205	87 205
Payment for purchase available for sale investments	-	2 250
	114 881	116 131
<u>Less:</u>		
Impairment loss on investment in other companies	40 025	36 320
	74 856	79 811

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

17. Other financial assets

In thousands of Egyptian Pound

	31 December 2020	31 December 2019
Due from associate account investees *	453 902	453 902
Prepaid expenses	53 334	60 072
	507 236	513 974
<u>Less:</u>		
Impairment loss on other financial assets	453 902	453 902
	53 334	60 072

* The amount represented in the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, This company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT) . an impairment loss was formed for the full balance in the light of these circumstances, since there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

18. Deferred tax assets and liabilities

18.1 Recognized deferred tax assets and liabilities

Deferred tax assets \ (liabilities) are attributable to the following:

In thousands of Egyptian Pound	Assets		Liabilities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Property, plant and equipment	-	-	(956 646)	(568 539)
Intangible assets	-	-	(347 408)	(261 408)
Write-down of inventory	3 052	4 632	-	-
Impairment loss on trade & other receivables	80 988	160 849	-	-
Provisions	14 661	14 643	-	-
Accrued liabilities	29 445	30 084	-	-
Net gain of translation of foreign currencies balances	-	-	(243)	(117)
Losses of Re-valuation of available for sale financial investment	3 813	2 980	-	-
Undistributed profit in subsidiaries and associates	-	-	(1 067 671)	(628 029)
Total deferred tax assets (liability)	131 959	213 188	(2 371 968)	(1 458 093)

18.2 Unrecognized deferred tax assets

In thousands of Egyptian Pound	31 December 2020	31 December 2019
Impairment loss on trade and other receivables	482 721	550 400
Provision for liabilities and claims	30 852	17 395
Other	5 296	5 301
	518 869	573 096

- 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.

18.3 Reconciliation of effective tax rate

In thousands of Egyptian Pound	31 December 2020	31 December 2019
Net profit for the year before income tax *	5 472 119	4 570 873
Income tax according to the current tax law (22.5%)	1 231 227	1 028 446
Tax on dividends from subsidiaries and associates	68 348	268 007
Add / (Less):		
Tax rate difference for subsidiaries outside Egypt	1 100	(515)
Provisions and impairment	124 524	60 509
Exempted investments income	(241 607)	(1 210 647)
foreign tax paid outside Egypt	(946)	(4 321)
Adjustments on other items	(3 649)	794 993
Previous years tax difference	103 456	(248)
Tax on undistributed profit in subsidiaries and associates	439 642	93 512
	422 520	(266 717)
Income tax	1 722 095	1 029 736
Effective tax rate	31.47%	22.53%

* Restatement and Reclassification were made to the comparative figures as shown in note no . (37 - 2).

19. Inventories

In thousands of Egyptian Pound	31 December 2020	31 December 2019
Spare parts	1 171 477	1 012 846
Merchandise for sale telecommunication equipment and computers	221 393	534 207
Project cables and supplies	534 697	638 654
Others	164 675	168 175
	2 092 242	2 353 882

- The value of inventory was written down by LE 16 351 K (against LE 23 375 K as at December 31, 2019) for obsolete and slow moving items deducted directly from the cost of each type of inventory

20. Trade and other receivables

In thousands of Egyptian Pound	31 December 2020	31 December 2019
		<u>Restated</u>
Trade receivables - National	2 870 924	2 968 398
Trade receivables - International	3 901 085	2 326 926
Notes Receivable	7	1 215
Other trade and notes receivable	6 772 016	5 296 539
Advance payments to suppliers	984 539	788 389
Deposits with others	283 411	256 206
Due from ministries & organizations and companies and franchises	887 114	993 908
Payments on the account of corporate tax	175 563	111 687
Tax authority - withholding tax	896 466	575 122
Tax authority - value added tax	1 608 903	2 341 449
Other receivables	1 002 151	448 876
Other receivables and pre-payments	5 838 147	5 515 637
	12 610 163	10 812 176

* Restatement and Reclassification were made to the comparative figures as shown in note no . (37-1).

21. Cash and cash equivalents

In thousands of Egyptian Pound	Note	31 December 2020	31 December 2019
Bank balances		659 812	967 140
Time deposits (less than 3 months)		1 205 037	295 061
Cash on hand		4 373	4 322
Treasury bills (less than 3 months)		55 982	66 579
Money market funds (less than 3 months)		78 228	100 082
Cash and cash equivalents		2 003 432	1 433 184
Restricted Cash	31	(66 489)	(121 793)
Cash and cash equivalents in the statement of cash flows		1 936 943	1 311 391

22. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at December 31, 2020 based on the profit attributable to owners of the company of L.E. 3 744 318 K (December 31, 2019: L.E. 3 535 283 K) and a number of ordinary shares outstanding during the period ended December 31, 2020 of 1 707 071 600 (December 31, 2019: 1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the year ended 31 December	
	2020	2019 Restated
Profit for the year *	3 750 024	3 541 137
Profit attributable to owners of the company	3 744 318	3 535 283
Number of ordinary shares		
In thousands		
Issued ordinary shares at 1 January	1 707 072	1 707 072
Number of ordinary shares at 31 December	1 707 072	1 707 072
Basic earnings per share (L.E./share)	2.19	2.07
Diluted earnings per share (L.E./share)	2.19	2.07

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

Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk and interest rate risk, see note 28 (iii), (v).

In thousands of Egyptian Pound	31 December 2020	31 December 2019
Non-current liabilities		
Unsecured bank loans:		
Foreign loans	3 278 144	4 785 550
	3 278 144	4 785 550
Current liabilities		
Current portion of unsecured bank loans:		
Foreign loans	1 454 381	1 480 586
Local bank facilities	6 591 014	4 906 875
Local banks foreign facilities	8 962 316	5 277 480
Foreign suppliers facilities	1 527	1 422
Total current liabilities	17 009 238	11 666 363

Repayment							
In thousands of Egyptian Pound	Loan Currency	Effective Interest Rate	Total	12 months or less	1-2 Years	3-5 Years	More than 5 years
Foreign loans	U.S.\$	Variable interest rate	4 271 170	1 416 455	1 809 427	1 045 288	-
Foreign loans	EURO	0.75 - 5.5%	461 355	37 926	71 929	95 895	255 605
Total foreign loans			4 732 525	1 454 381	1 881 356	1 141 183	255 605
Foreign suppliers' facilities - foreign	EURO	5.50%	1 527	1 527	-	-	-
Total suppliers' facilities			1 527	1 527	-	-	-
Local bank facilities	U.S.\$	variable interest rate	7 576 907	7 576 907	-	-	-
Local bank facilities	EURO	variable interest rate	1 385 409	1 385 409	-	-	-
Local bank facilities	LE	variable interest rate	6 591 014	6 591 014	-	-	-
Total bank facilities			15 553 330	15 553 330	-	-	-
			20 287 382	17 009 238	1 881 356	1 141 183	255 605

25. Trade and other payables

In thousands of Egyptian Pound	31 December 2020	31 December 2019
		<u>Restated</u>
Local suppliers	2 133 255	1 983 339
Notes payable	17 961	17 440
Accrued expenses	957 436	874 600
Assets creditors	11 102 296	9 993 357
Due to organizations and companies	374 658	315 657
Trade payables	14 585 606	13 184 393
Tax Authority - income tax	689 922	565 080
Tax Authority (taxes other than income tax)	373 670	623 018
Deposits from others	538 467	495 610
Customers advances*	973 138	958 211
Dividends payable	3 763	3 392
Liabilities of early retirement scheme	67 140	108 262
Due to National Telecommunication Regulatory Authority (NTRA)	1 001 733	701 182
Lease obligation*	660 289	461 945
Other credit balances	842 513	543 311
Other payables	5 150 635	4 460 011
	19 736 241	17 644 404
Non current	5 482 961	5 376 579
Current	14 253 280	12 267 825
	19 736 241	17 644 404

* Restatement and Reclassification were made to the comparative figures as shown in note no . (37 - 1) .

26. Deferred revenue

In thousands of Egyptian Pound	31 December 2020	31 December 2019
		<u>Restated</u>
Internet and telecommunications services	587 570	462 065
Operating Services and maintenance	382 926	427 989
Mobile Services	241 427	209 382
Mobile Transmission	280 375	12 945
	1 492 298	1 112 381
Non current	273 577	308 313
Current	1 218 721	804 068
	1 492 298	1 112 381

27. Provisions

In thousands of Egyptian Pound		31 December 2020	31 December 2019
	Note	Provision for liabilities	Provision for liabilities, Claims
Balance at 1 January		772 610	740 529
Provisions formed	9	362 553	43 841
Provisions used		(32 693)	(11 746)
Translation differences		6	(14)
Balance at end of the period		1 102 476	772 610

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

28. Financial instruments

The Group's principal financial instruments comprise of cash and cash equivalents, available-for-sale investments, borrowings, finance lease obligations and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from operations.

The Group does not enter into derivative transactions for the purpose of trading or hedging exposure to fluctuations in the foreign exchange rates or interest rates.

The main risks arising from the Group's operations are credit risk, liquidity risk, foreign currency risk and interest rate risk

(i) Credit risk

In thousands of Egyptian Pound	Note	Carrying amount	
		31 December 2020	31 December 2019 <u>Restated</u>
Trade and other receivables*	20	12 610 163	10 812 176
Held-to-maturity investment (treasury bills)		-	25 829
Cash at banks and cash equivalents	21	1 999 059	1 428 862
		14 609 222	12 266 867

* The following table shows the movement in the allowance for impairment of trade and other receivables:

In thousands of Egyptian Pound	31 December 2020	31 December 2019 <u>Restated</u>
At January 1	2 416 374	2 228 778
(Reversal) Impairment charged to statement of profit or loss and other comprehensive income	223 582	236 836
Impairment used	(336 874)	(49 240)
	2 303 082	2 416 374

(ii) Liquidity risk

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining years at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

In thousands of Egyptian Pound	Carrying Amount	From 1-2 Years	From 2-3 Years	From 3-5 Years	More than five years
December 31, 2020					
Trade and other payables	19 736 241	14 253 280	2 456 783	2 797 515	228 663
Borrowings	20 287 382	17 009 238	1 881 356	1 141 183	255 605
	40 023 623	31 262 518	4 338 139	3 938 698	484 268
December 31, 2019 (Restated)					
Trade and other payables	17 644 404	12 267 825	2 500 558	2 649 498	226 523
Borrowings	16 451 913	11 666 363	2 961 174	1 551 183	273 193
	34 096 317	23 934 188	5 461 732	4 200 681	499 716



telecom egypt

Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

(iii) Foreign currency risk

The group's exposure to foreign currency risk was as follows based on notional amount :

Details

In thousands	U.S. Dollars	Sterling Pound	Euro	Canadian Dollar	Swedish krona	Moroccan Dirham	Jordanian Dinar	Mauritius robia	Total L.E.
December 31, 2020									
Trade and other receivables	213,262	-	16,821	7,424	-	96,720	113	31,005	5,951,822
Cash on hand & at banks	101,053	3	245	1	-	22,358	3,296	3,995	706,448
Total assets	314,315	3	17,066	7,425	-	119,078	3,409	35,004	5,658,270
Trade and other payables	377,155	5	178,892	-	5	59,668	29,540	7,912	1,142,428
Foreign loans & facilities	-	-	25,090	-	-	-	1,639	-	520,775
Total liabilities	377,155	5	203,982	-	5	59,668	31,179	7,912	1,663,203
Risk surplus (deficit)	(62,840)	(2)	(186,916)	7,425	(5)	59,410	(27,770)	27,092	(5,004,932)
Equivalent in Egyptian Pound	(987,845)	(43)	(3,610,638)	91,550	(10)	103,373	(611,387)	10,566	(5,004,932)
December 31, 2019 (Restated)									
Trade and other receivables	321,694	-	26,765	3,563	-	75,801	151	-	5,814,152
Cash on hand & at banks	47,229	171	1,819	-	-	2,053	2,940	-	863,512
Total assets	368,923	171	28,584	3,563	-	77,854	3,091	-	6,677,664
Trade and other payables	395,487	5	101,739	-	5	27,902	29,540	-	5,884,797
Foreign loans & facilities	185,597	-	27,055	-	-	-	639	-	5,500,316
Total liabilities	581,084	5	128,794	-	5	27,902	31,179	-	12,385,113
Risk surplus (deficit)	(212,161)	166	(100,210)	3,563	(5)	49,952	(28,088)	-	(5,707,449)
Equivalent in Egyptian Pound	(3,403,062)	3,494	(1,801,625)	43,754	(9)	82,920	(632,921)	-	(5,707,449)

The exchange rates applied in relation to the L.E. are as follows:

	Average exchange rate during the year ended:		Closing exchange rate as at:	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
U.S. Dollar	15.8092	16.8207	15.7200	16.0400
Sterling Pound	20.3741	21.5130	21.4517	21.0494
Euro	18.0816	18.8846	19.3169	17.9785
Canadian Dollar	11.7400	12.6800	12.3300	12.2800
Swedish Krona	17.2960	1.7896	1.9216	1.7164
Moroccan Dirham	1.6500	1.7400	1.7400	1.6600
Jordanian Dinar	22.2838	23.8275	22.0341	22.5335
Mauritius robia	0.3900	0.4300	0.3900	0.4300

Notes to the consolidated Financial Statements Prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

(iv) **Sensitivity analysis**

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2020 may lead to losses increase by an amount of L.E 501 551 K (L.E. 570 745 K as of December 31, 2019). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2020

And a 10% weakening of the foreign currencies against L.E. at December 31, 2020 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

(v) **Interest rate risk**

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

Description	31/12/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<u>Financial instruments with variable interest rate</u>		
Financial assets – deposits	1 205 037	295 061
Financial liabilities (loans-credit facilities-Lease)	20 947 671	16 913 858

29. Fair value of 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.

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs except for investments in Vodafone Egypt, Consortium Algerian de Telecommunications (CAT) and Egypt Trust which were accounted for using the equity method of accounting and are not listed in the Stock Exchange.

Interest-bearing loans

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Interest rates used for determining fair value.

The entity uses the government yield curve as of December 31, 2020 plus an adequate constant credit spread to discount financial instruments. The discount rate for minimum lease liabilities and receivables is 15.87 %.

30. Capital commitments

The group's capital commitments for the unexecuted parts of contracts until December 31, 2020 amounted to L.E 274 Million (against L.E. 781 Million for the year ended December 31, 2019).

31. Contingencies

In addition to the amounts included in the consolidated statement of financial position as of December 31, 2020, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	31 December 2020	31 December 2019
Letters of guarantee issued by banks on behalf of the Group	2 008 421	1 100 298
Letters of credit	1 773 804	2 796 897

- Letters of guarantee, which were issued by banks on behalf of the company and for the benefits of others include letters of guarantee, have been issued against restricted cash and cash equivalent at banks

32. Related parties

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates

During the financial year ended December 31, 2020, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 1 954 446 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 1 288 567 K and the balance due to Vodafone Egypt at December 31, 2020 amounted to LE L.E. 1 331 920 K.

33. Tax Position (Telecom Egypt company)

33-1 Corporate tax

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

33- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it, and the company requested overtake it according to law no. 173 for the year 2020.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

33- 3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014 and the Company was notified with tax differences and all due taxes were settled, the company disputed for one item and has been transferred to the Internal Committee and the dispute is being followed up.
- Tax inspection for the year 2015 and 2016 is in process.

33- 4 Stamp Tax

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

33- 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

34. Group entities

Parent company's direct and indirect share in subsidiaries companies on December 31, 2020, which were included in the consolidated financial statements, is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/12/2020</u>	<u>31/12/2019</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
WE 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 %	-
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 (Eisce)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company (MENA CABLE)	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company (MENA CABLE ITALY)	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

35. Significant Claims And Litigations

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

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

where the claiming companies claim that Telecom Egypt implemented The process of replacing and installing the modern fiber-optic cable "MSAN" network suddenly replaces and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators , and at the 28 May 2019 case session, the court decided to reserve the lawsuit for the judgment for the 25th of June 2019 session, so that the court issued a preliminary ruling delegating a tripartite experts committee which has been finalized and submitted its report officially to the court on the second half of January 2021, and still now the lawsuit is before the Economic Court in Cairo. On August 17,2021, the session has been determined to consider before another experts committee.

The legal advisor of the TE's believes that it is not possible to stand up to date on the legal position in the lawsuit, As there are still several appealing procedures on the total amounts of indemnifications and to prepare the legal response to the tripartite committee desecion and submit it to the court and will ask the court to return the file back to the committee.

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

On February 20, 2019, Orange Egypt filed a lawsuit number 167 for the judicial year number 11 in the “Economic Court” against Telecom Egypt “TE” and “WE-Data” , This is based on the decision of the Egyptian Competition Protection Authority “ECA” on March 8, 2016, where the claiming companies had filed a complaint with the ECA against TE on the basis that the TE’s has carried out practices that restrict competition in the Egyptian market. and the ECA decision to prove the violation of Telecom Egypt on the basis that Telecom Egypt is the only company in Egypt that have the license to provide fixed landline telephone services Accordingly Telecom Egypt has a legal obligation to allow the claiming company to use its infrastructure, so that the claiming company can provide Internet service to Their customers where the claiming company (Orange Egypt) claiming that TE developed a plan to swap and replace PSTN network “land-line network” outdoor cabinet which using copper cables network with new fiber optic cable network “MSAN cabins” and began implementing them, resulting in the cessation of Internet (Fixed broadband) service for the claiming telecom operators (Orange Misr and link.net) customers In order to force (Orange Misr and link.net) customers to enter into contractual relationship and to engage with WE DATA, accordingly the claiming company requested the court to ask for the “Experts” decision after examining the all the aspects of the above mentioned case.

On June 3, 2020, the court issued a decision delegating a panel of experts from the Egyptian Competition Protection Authority “ECA”. A request was submitted for the response of the expert committee, as it had previously ruled on the matter, and on August 6 the session set to consider the request for the dismissal of the experts committee, and none of the litigants attended, and we implemented the court’s decision in the previous session regarding the announcement of the parties to the case. On November 3, 2020, the court issued a preliminary ruling replacing the delegated committee by the previous preliminary ruling with a five member committee including three employees of the Egyptian competition authority “ ECA ”who were suggested by the ECA according to a letter has been issued to the court and also with two experts registered in the list of experts of the economic court. The court set a supplementary experts’ secretariat, and in case of the non-payment of such amount a session was set on December 8, 2020, another session on January 3, 2021 for the oath of the experts appointed by ECA and a session on February 3, 2021 to submit the report.

Moreover, the Legal Adviser of the TE’s It has been agreed to end the dispute in full and final consent of the case.

36. Segment information

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.

**For the financial year ended
December 31,2020**

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue	20 093 393	10 685 394	969 524	35 027	31 783 338
Operating costs	(16 373 131)	(3 202 606)	(475 690)	(29 544)	(20 080 971)
Gross profit	3 720 262	7 482 788	493 834	5 483	11 702 367
Credit interest	34 349	5 557	494	3 830	44 230
Debit interest and Finance cost	(1 465 833)	-	-	(820)	(1 466 653)
Depreciation and amortization	(4 983 275)	(294 261)	(69 753)	(5 027)	(5 352 316)
Share of profit of equity-accounted investees, net of tax	-	-	-	2 150 501	2 150 501
Non cash items					
Impairment loss on financial assets	(77 224)	(146 358)	-	-	(223 582)
Provisions	-	(362 553)	-	-	(362 553)
Total assets	79 663 038	3 304 662	641 365	354 310	83 963 375
Total liabilities	42 571 464	2 252 048	351 206	1 147 567	46 322 285

**For the financial year ended
December 31,2019**

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue*	16 083 704	8 553 269	776 069	338 538	25 751 580
Operating costs *	(13 052 416)	(2 688 309)	(618 624)	(294 975)	(16 654 324)
Gross profit *	3 031 288	5 864 960	157 445	43 563	9 097 256
Credit interest*	26 183	40 918	2 884	21 478	91 463
Debit interest and Finance cost*	(1 434 293)	(31 223)	-	(2 744)	(1 468 260)
Depreciation and amortization *	(3 374 234)	(162 760)	(48 235)	(3 509)	(3 588 738)
Share of profit of equity-accounted investees, net of tax	-	-	-	2 772 260	2 772 260
Non cash items					
Impairment loss on financial assets*	(5 995)	(230 815)	(600)	1 022	(236 388)
Provisions	31 418	11 403	218	802	43 841
Total assets *	69 384 303	2 550 698	495 735	398 360	72 829 096
Total liabilities *	35 715 993	1 877 205	271 155	624 690	38 489 043

* Restatement and reclassification were made to the comparative figures as shown in note no . (37).

37. Comparative figures

- Restatement was made to some of the comparative figures of the consolidated statement of financial position and consolidated statement of profit or loss, as a result of correction related to the application of the following standards (IFRS9,15,16) to conform to the current presentation of the consolidated financial statements.
- Reclassification was made to some of the comparative figures of the consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows to conform to the current presentation of the consolidated financial statements.
- The following is the effect of restatement and reclassification on the consolidated financial statements:

37-1 Effect on the consolidated statement of financial position

	<u>31/12/2019</u>	<u>Restatement</u>	<u>31/12/2019</u>
	<u>As previously reported</u>		<u>Restated</u>
	<u>debit / (credit)</u> <u>L.E.(000)</u>	<u>debit / (credit)</u> <u>L.E.(000)</u>	<u>debit / (credit)</u> <u>L.E.(000)</u>
Intangible assets	10 823 421	(36 794)	10 786 627
Deferred tax assets	341 223	(128 035)	213 188
Trade and other receivables	10 515 202	296 974	10 812 176
Reserves	(4 755 558)	3 556	(4 752 002)
Retained earnings	(12 437 757)	(64 674)	(12 502 431)
Trade and other payables	(17 472 820)	(171 584)	(17 644 404)
Deferred revenue	(1 112 056)	(325)	(1 112 381)
Deferred tax liabilities	(1 558 975)	100 882	(1 458 093)

37-2 Effect on the consolidated statement of profit or loss and other comprehensive income

	<u>For the financial year ended</u>	<u>Restatement</u>	<u>For the financial year ended</u>
	<u>31/12/2019</u>	<u>(debit)/credit</u>	<u>31/12/2019</u>
	<u>as previously reported</u> <u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>Restated</u> <u>L.E. (000)</u>
Revenue	25 751 905	(325)	25 751 580
Operating cost	(17 240 498)	586 174	(16 654 324)
Selling and distribution expenses	(2 918 812)	199 528	(2 719 284)
Administrative expenses	(4 216 505)	(657 987)	(4 874 492)
(Impairment loss) Reversal on trade and other receivables	(177 235)	(59 601)	(236 836)
Finance cost	(1 488 742)	20 482	(1 468 260)
Income tax	(1 002 583)	(27 153)	(1 029 736)

37-3 Effect on the consolidated statement of cash flows

	<u>For the financial year ended</u>	<u>Reclassification</u>	<u>For the financial year ended</u>
	<u>31/12/2019</u>		<u>31/12/2019</u>
	<u>as previously reported</u> <u>LE(000)</u>	<u>LE(000)</u>	<u>Reclassified</u> <u>LE(000)</u>
Cash receipts from customers	21 793 626	2 600 411	24 394 037
Cash paid to suppliers	(5 794 968)	(2 600 411)	(8 395 379)

38. Significant accounting policy

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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

a. Basis of consolidation

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

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

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

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

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

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

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

(i) Business combinations

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses 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.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

Available-for-sale equity investments (except for impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy i).

Cost includes 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 property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and they are recognised in profit or loss and are recognized within other income/expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets.

The estimated useful lives for the fixed assets are as follows :

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

d. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(i) Licenses

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

(ii) Right of way and Right of use

The Group recognises an intangible asset arising from a Right of Way and Right of Use of an assets when it has the exclusive right for using that asset and deriving the benefits of that uses. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortisation 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.

(iii) Other intangible assets

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

(iv) Goodwill

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

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

e. Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

f. Financial instruments – initial recognition, subsequent measurement and derecognition

Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses:

The subsequent measurement of financial assets depends on their classification, as described below:

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 consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.
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Notes to the consolidated Financial Statements Prepared in accordance with (IFRSs)
For the year ended December 31, 2020 (continued)

Financial assets at FVOCI- Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to consolidated statement of profit or loss.
Financial assets at FVOCI - Equity investments at	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to consolidated statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

The rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- (i) the Group has transferred substantially all the risks and rewards of the asset, or
- (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, accounts receivable and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the

risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Group considers the default in case of trade receivables occurs when a customer balance moves into the "Inactive" category based on its debt age analysis.

For all other financial assets, the Group considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions

in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the percentage of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Group recognizes an impairment loss or reversals in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for

investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(v) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in consolidated statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated

impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to general and administrative in the consolidated statement of profit or loss.

(vi) Financial assets classified as available for sale

For available for sale (AFS) investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective

evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

(vii) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are recognized in consolidated statement of profit or loss as incurred.

g. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Work in progress is valued at cost at the latest production process reached. Finished goods are valued at the manufacturing cost.

h. Cash and cash equivalent

Cash and cash equivalent comprise cash balances, banks current accounts, treasury bills, time deposits which do not exceed three months, money market funds and bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from proceeds.

j. Reserves

(i) Legal Reserves

As per the Company's statutes 5% of net profit for the year is set aside to form a legal reserve, the transfer to such reserve ceases once it reaches 50% of the Company's paid in share capital. The reserve can be utilized for covering losses or for increasing the Company's share capital. If the reserve falls below the said 50%, the Company should resume setting aside 5% of its annual net profit until the reserve reaches 50% of the Company's paid in share capital.

(ii) Other Reserves

The General Assembly may form other reserves based on the Board of Directors' recommendation.

k. Employee benefits

Pension

The Group contributes to the government social insurance system for the benefits of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into

the system on a fixed percentage - of - salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to profit or loss using accrual basis of accounting.

l. Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that it will be received and that the Group will comply with the associated conditions. Grants that compensate the

Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

m. Dividends

Dividends recognized as a liability in the statement of financial position in the financial period in which the dividends are approved for distribution by the ordinary meeting of the shareholders.

n. Provisions

A provision is recognized if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

o. Revenue

The Group is in the business of providing telecommunication services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(i) Service

Revenue from services comprises airtime usage, text messaging, data service (fixed, mobile and internet) and other telecom services. The Group offers services in fixed term contracts and short term arrangement. Revenue from service is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Group allocates transaction price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If performance obligations are not distinct, revenue is recognized over the contract term. In arrangements, where Group is acting as agent, revenue from service is at net off amount transferred to third party. Revenue from additional consumption is recognized when services are rendered.

(ii) Sale of devices

Revenue from sale of devices is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the devices, the amount invoiced is recognized as revenue. Devices sales may be separate from or bundled with a service offering. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated based on respective standalone selling price. When devices sale is bundled with service offering and identified as distinct performance obligation, the amount allocated to devices is recognized as revenue at the point in time when control of the asset is transferred to the customer. When devices sale is bundled with service offering and identified as combined performance obligation, revenue is recognized over contract term.

(iii) Installation and activation services

Revenue from sale of SIM is recognized at the point in time upon activation when end customer takes control of the SIM.

The Group provides installation services that are bundled together with the sale of devices to a customer. Contracts for bundled sales of devices and installation services are comprised of one performance obligations because the promises to transfer devices and provide installation services are not capable of being distinct. Accordingly, the Group recognizes revenue from bundled sales of devices and installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(iv) Loyalty points program

Customer loyalty scheme give rise to a separate performance obligation because it generally provides a material right to the customer. The Group allocates a portion of the transaction price to the loyalty scheme liability based on relative standalone selling price of loyalty point and liability is recognized as revenue when points are redeemed or expired.

(v) Service offering to carrier (wholesale)

Interconnect revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage, text messaging and the provision of other mobile telecommunications services for the billing period as per the agreed rate.

Roaming revenue is recognized on the basis of the gross value of invoices raised on other roaming partners based on actual traffic delivered during the billing period.

Revenue from other wholesales service is recognized on the basis of gross value over contract term.

(vi) Determination of Transaction Price

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. If the Group receives long-term advances from customers, the transaction price for such contracts is

discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Non-cash consideration

The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the devices.

Consideration payable to the customer

Consideration payable to the customer includes cash amount that the Group pays or expect to pay to the customers and is accounted for as reduction of transaction price.

When contract include contractual clause covering commercial discount or free offers, the Group defers these discounts or free offers over the contract term

p. Costs and expenses

(i) Cost of services and sales

Represent the cost of services and sales incurred during the period which include the costs of goods sold, inventory obsolescence, direct labor, governmental charges, interconnection costs and other overheads related to the revenues recognized.

(ii) Governmental charges

Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves' fees and costs charged to the Group against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which these fees are incurred and included under cost of services in the consolidated statement of profit or loss.

(iii) Interconnection costs

Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption in the consolidated statement of profit or loss.

(v) Selling and marketing expenses

Represent expenses resulting from the Group's management efforts with regard to the marketing function or the selling and distribution function. Selling and marketing expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between selling and marketing expenses and cost of revenues, when required, are made on a consistent basis.

(vi) General and administrative expenses

Represent expenses relating to the administration and not to the revenue earning function or the selling and distribution functions. General and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

q. Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend income;
- Dividend expense on preference shares issued classified as financial liabilities;
- The net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- The net gain or loss on financial assets at FVTPL;
- The foreign currency gain or loss on financial assets and financial liabilities;
- Impairment losses (and reversals) on investments in debt securities carried at amortized cost or FVOCI;
- The gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- The fair value loss on contingent consideration classified as a financial liability;
- Hedge ineffectiveness recognised in profit or loss; and the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings. Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
 - The gross carrying amount of the financial asset; or
 - The amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

r. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the profit or loss except to the extent that it relates to business combination, or items recognized directly in equity, or other comprehensive income.

Current tax is the expected tax payable or the taxable income for the period, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the financial position asset & liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the 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.

s. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for owned shares held.

t. Financial risk management

The Group is exposed 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 risk, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

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

The Group risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) 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.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

In general Trade & other receivables included in current assets relate to a variety of smaller amounts due from a wide range of counterparties, therefore, the Group does not consider that it has a significant concentration of credit risk.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents 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, wherever possible the Group conducts transactions and deposits funds with financial institutions with high investment grade.

The maximum exposure to credit risk is disclosed in note (28 i).

(ii) **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 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 reputation.

The Group monitors and mitigates liquidity risk arising from the uncertainty of cash inflows and outflows by maintaining sufficient liquidity of cash balances as well as undrawn credit lines and by diversifying its sources of finance. In general, liquidity risk is monitored at entity level whereby each subsidiary is responsible for managing and monitoring its cash flows and rolling liquidity reserve forecast in order to ensure that it has sufficient committed facilities to meet its liquidity needs.

The table included in note (28–ii) analyzes the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group 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 optimizing 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 other 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 match non long term balance.

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. In particular, the risk monitored relates to the impact of movements in floating rate indices on the Group's finance costs.

Other market prices 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.

u. Capital management

The Board's 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 profit from operating activities divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

w. Segment information

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.
-