

telecomegypt



*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Separate Financial Statements**  
**For the Financial Year Ended December 31, 2020**  
**And Auditor's Report**

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## **Hazem Hassan**

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### **AUDITOR'S REPORT**

#### **TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY**

##### ***Report on the Separate Financial Statements***

We have audited the accompanying separate financial statements of Telecom Egypt Company S.A.E, which comprise the separate statement of financial position as at December 31, 2020 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

##### ***Management's Responsibility for the Separate Financial Statements***

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

##### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate 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 separate financial statements.

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



Hazem Hassan

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***Opinion***

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Telecom Egypt Company as of December 31, 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

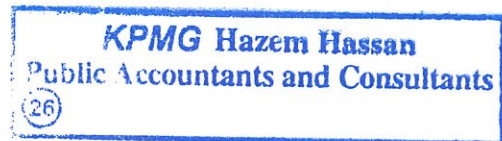
***Report on Other Legal and Regulatory Requirements***

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the separate financial statements are in agreement thereto, the inventory was counted by management in accordance with methods in practice.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

**KPMG Hazem Hassan  
Public Accountants & Consultants**

Cairo, February 23, 2021



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

	Note No.	31/12/2020 L.E. (000)	31/12/2019 Reclassified L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(13)	37 237 301	29 829 655
Projects in progress	(14)	6 483 385	6 763 708
Investments in subsidiaries and associates	(15)	6 645 125	6 644 879
Available-for-sale investments	(16)	74 856	78 561
Other assets	(17)	9 159 291	9 801 690
Deferred tax assets	(28-1)	131 209	212 816
<b>Total Non Current Assets</b>		<b>59 731 167</b>	<b>53 331 309</b>
<b>Current Assets</b>			
Inventories	(18)	1 961 580	1 839 458
Trade receivables	(19)	5 733 086	4 374 060
Debtors and other debit balances	(20)	5 905 409	5 194 549
Debit balances with subsidiaries and associates	(32)	310	41 539
Cash and cash equivalents	(21)	1 587 143	791 558
<b>Total Current Assets</b>		<b>15 187 528</b>	<b>12 241 164</b>
<b>Total Assets</b>		<b>74 918 695</b>	<b>65 572 473</b>
<b>Equity</b>			
Capital	(26)	17 070 716	17 070 716
Reserves	(27)	4 903 361	4 640 565
Retained earnings		8 058 960	7 265 622
<b>Total Equity</b>		<b>30 033 037</b>	<b>28 976 903</b>
<b>Non Current Liabilities</b>			
Loans and credit facilities	(22)	3 278 144	4 785 550
Creditors and other credit balances	(23)	5 083 404	4 975 712
Deferred tax liabilities	(28-1)	1 279 686	822 478
<b>Total Non Current Liabilities</b>		<b>9 641 234</b>	<b>10 583 740</b>
<b>Current Liabilities</b>			
Loans and credit facilities installments due within one year	(22)	16 975 203	11 651 026
Creditors and other credit balances	(23)	12 021 786	10 061 096
Credit balances due to subsidiaries and associates	(32)	5 395 234	3 631 704
Provisions	(24)	852 201	668 004
<b>Total Current Liabilities</b>		<b>35 244 424</b>	<b>26 011 830</b>
<b>Total Liabilities</b>		<b>44 885 658</b>	<b>36 595 570</b>
<b>Total Equity and Liabilities</b>		<b>74 918 695</b>	<b>65 572 473</b>

The attached notes on pages from (8) to (43) are an integral part of these separate financial statements.

Director of Financial Affairs




" Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director  
& Chief Executive Officer



"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Auditor's Report "attached"

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

	Note No.	<u>For the financial year ended</u>	
		31/12/2020	31/12/2019
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Operating revenues	(3)	24 595 916	20 384 129
Operating costs	(4)	(16 766 744)	(14 056 715)
<b>Gross Profit</b>		<b>7 829 172</b>	<b>6 327 414</b>
Other income	(5)	531 898	509 708
Selling and distribution expenses	(6)	(2 263 161)	(1 881 015)
General and administrative expenses	(7)	(2 850 355)	(4 219 698)
Other expenses	(8)	( 358 993)	( 134 624)
<b>Operating profit</b>		<b>2 888 561</b>	<b>601 785</b>
Finance income	(9)	21 538	1 531 835
Finance cost	(9)	(1 503 061)	(1 383 226)
<b>Net finance cost / (income)</b>	(9)	<b>(1 481 523)</b>	<b>148 609</b>
<b>Income from investments in subsidiaries and associates</b>	(10)	<b>1 334 417</b>	<b>5 348 779</b>
<b>Profit before income tax</b>		<b>2 741 455</b>	<b>6 099 173</b>
Income tax		( 42 344)	( 398 140)
Deferred tax	(28-1)	( 538 815)	( 264 550)
<b>Total income tax</b>	(28-3)	<b>( 581 159)</b>	<b>( 662 690)</b>
<b>Net profit for the year</b>		<b>2 160 296</b>	<b>5 436 483</b>
Basic and diluted earning per share for the year (L.E. / Share)	(12)	<b>0.88</b>	<b>2.79</b>

The attached notes on pages from (8) to (43) are an integral part of these separate financial statements.

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

	<u>For the financial year ended:</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the year	2 160 296	5 436 483
<b><u>Other Comprehensive Income Items</u></b>		
Other Comprehensive Income Items	-	-
<b>Total Comprehensive Income</b>	<b><u>2 160 296</u></b>	<b><u>5 436 483</u></b>

The attached notes on pages from (8) to (43) are an integral part of these separate financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Separate Statement of Changes In Equity**  
**For The Financial Year Ended December 31, 2020**

Note	Capital	Legal reserve	Other reserves	Retained earnings	Total
No.	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
<b>Balance as of January 1, 2019</b>	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
<b><u>Comprehensive income</u></b>					
Net profit for the year	-	-	-	5 436 483	5 436 483
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	5 436 483	5 436 483
<b><u>Transactions with shareholders</u></b>					
Transferred to legal reserve	-	62 533	-	( 62 533)	-
Dividends for year 2018 (Shareholders)	-	-	-	( 426 768)	( 426 768)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	( 634 701)	( 634 701)
<b>Total transactions with shareholders</b>	-	62 533	-	( 1 124 002)	( 1 061 469)
<b>Balance as of December 31, 2019</b>	<b>17 070 716</b>	<b>1 843 987</b>	<b>2 796 578</b>	<b>7 265 622</b>	<b>28 976 903</b>
<b>Balance as of January 1, 2020</b>	<b>17 070 716</b>	<b>1 843 987</b>	<b>2 796 578</b>	<b>7 265 622</b>	<b>28 976 903</b>
<b><u>Comprehensive income</u></b>					
Net profit for the year	-	-	-	2 160 296	2 160 296
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	2 160 296	2 160 296
<b><u>Transactions with shareholders</u></b>					
Transferred to legal reserve	-	271 824	-	( 271 824)	-
Dividends for year 2019 (Shareholders)	-	-	-	( 426 768)	( 426 768)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	( 668 366)	( 668 366)
Fixed assets evaluation disposals (Lands & Buildings)	-	-	( 9 028)	-	( 9 028)
<b>Total transactions with shareholders</b>	-	271 824	( 9 028)	( 1 366 958)	( 1 104 162)
<b>Balance as of December 31, 2020</b>	<b>17 070 716</b>	<b>2 115 811</b>	<b>2 787 550</b>	<b>8 058 960</b>	<b>30 033 037</b>

The attached notes on pages from (8) to (43) are an integral part of these separate financial statements.



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

	Note No.	<b>For the financial year ended:</b>	
		<b>31/12/2020</b>	<b>31/12/2019</b>
		<b>L.E.(000)</b>	<b>Reclassified L.E.(000)</b>
<b><u>Cash flows from operating activities</u></b>			
Cash receipts from customers		15 367 628	14 922 732
Cash receipts from related party		7 235 282	4 696 285
Value added tax collected from customers		469 426	400 409
Stamp tax and fees collected (from third party)		38 687	34 285
Deposits collected from customers		2 111	2 936
Cash paid to suppliers		(7 577 423)	(7 339 896)
Payments of NTRA license fees		( 722 978)	( 535 338)
Dividends paid to employees and Board of Directors		( 8 525)	( 5 619)
Cash paid to employees and Board of Directors		(4 264 609)	(5 721 203)
Cash paid on behalf of employees to third party		( 846 011)	( 869 634)
<b>Cash provided by operating activities</b>		<b>9 693 588</b>	<b>5 584 957</b>
Interest paid		(1 053 214)	(1 007 591)
Payments to Tax Authority - value added tax		(1 035 003)	( 898 120)
Payments to Tax Authority - other taxes		(1 073 302)	(1 019 230)
Other payments		( 96 322)	( 312 616)
<b>Net cash provided by operating activities</b>		<b>6 435 747</b>	<b>2 347 400</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets , project in progress and other assets		(9 587 416)	(9 046 417)
Payments for purchase of other assets		( 730 953)	( 747 097)
Payments for acquisition of investments		( 246)	-
Interest received		12 450	16 770
Dividends collected from investments		1 270 467	5 084 495
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	100 051
Proceeds from income of securities ( treasury bills interest)		-	9 749
<b>Net cash used in investing activities</b>		<b>(9 035 698)</b>	<b>(4 582 449)</b>
<b><u>Cash flows from financing activities</u></b>			
Payments for loans and other facilities		(1 470 544)	(4 248 748)
Proceeds from loans and credit facilities		5 350 276	7 408 680
Dividends paid to shareholders		( 426 768)	( 426 768)
<b>Net cash provided by financing activities</b>		<b>3 452 964</b>	<b>2 733 164</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>853 013</b>	<b>498 115</b>
Cash and cash equivalents at the beginning of the year	(21)	685 719	187 604
<b>Cash and cash equivalents at the end of the year</b>	<b>(21)</b>	<b>1 538 732</b>	<b>685 719</b>

The attached notes on pages from (8) to (43) are an integral part of these separate financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Notes to the Separate Financial Statements**  
**For the Financial Year Ended December 31, 2020**

## **1. BACKGROUND**

### **1-1 Legal Entity**

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

### **1-2 Purpose of the company**

The main purpose of the company represents in the following:

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

### **1-3 Issuance of the separate financial statements**

These separate financial statements as of December 31,2020 were approved by the company's Board of Directors for issuance on February 23, 2021.

## **2. BASIS OF PREPERATION OF THE SEPARATE FINANCIAL STATEMENTS**

### **2-1 Statement of compliance**

- Separate financial statements as of December 31,2020 have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations related to.
- The company has subsidiaries and associates and according to the Egyptian Accounting Standard No. (42) "the consolidated financial statements" and the article by Law No.188 of executive regulation for Law No.159 of 1981 "the company prepares the Consolidated Financial Statements for the group which can referred to it to obtain a position reflect the financial position, business results, and cash flows for the group as a whole".

## **2-2 Basis of measurement**

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

For presentational purposes, the current/non-current distinction has been used for the statement of financial position, while expenses are analyzed in the separate statement of income using a classification based on their functions. The direct method has been selected to present the separate statement of cash flows.

## **2-3 Functional and presentation currency**

These separate financial statements are presented in Egyptian pound (L.E), which is the Company's functional currency. All financial information presented in "L.E" has been rounded to the nearest L.E Thousands unless otherwise stated.

## **2-4 Use of estimates and assumptions**

The preparation of the separate financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

## **2-5 Fair value measurement**

- The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the separate financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

- In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.

- When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

## **2-6 Segment reporting**

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

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

**3. OPERATING REVENUES**

	<b>For the financial year ended:</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Home and personal communications	4 441 269	3 454 562
Enterprise	2 049 039	2 143 248
Domestic wholesale	10 171 017	8 253 659
International carriers	4 395 547	4 383 205
International cables and networks	3 539 044	2 149 455
	<b><u>24 595 916</u></b>	<b><u>20 384 129</u></b>

**4. OPERATING COSTS**

	<b>Note No.</b>	<b>For the financial year ended:</b>	
		<b>31/12/2020</b>	<b>31/12/2019</b>
		<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Interconnection cost		5 584 788	4 831 623
Depreciation of fixed assets	(13)	3 982 648	2 722 958
Amortization of other assets	(17)	671 913	660 458
Salaries and wages*		2 163 675	1 962 690
Company's social insurance contribution*		232 672	264 947
Employees vacations allowance		4 000	5 000
Frequencies and licences charges (NTRA)		1 105 394	663 966
Fuel		841 678	786 503
Right of use (IRU) outside Egypt		237 161	404 967
Leased circuits & satellite subscriptions		282 495	250 966
Cost of merchandise available for sale		66 614	46 454
Spare parts		203 142	169 356
Maintenance		498 226	460 570
Organizations services cost		429 917	271 073
Company's call costs		96 246	86 750
Electricity and water		73 038	70 868
Transportation cost		66 183	105 674
Materials, supplies and miscellaneous printed		93 308	47 012
Other operating costs		133 646	244 880
		<b><u>16 766 744</u></b>	<b><u>14 056 715</u></b>

\*Reclassification was made to comparative figures as shown in Note no (35-2).

**5. OTHER INCOME**

	<b>For the financial year ended:</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Fines and earned delay interest	80 583	94 574
Unoperational assets revenues	44 254	39 003
Sundry revenues	407 061	376 131
	<b><u>531 898</u></b>	<b><u>509 708</u></b>

**6. SELLING AND DISTRIBUTION EXPENSES**

	<b>Note No</b>	<b>For the financial year ended:</b>	
		<b>31/12/2020</b>	<b>31/12/2019</b>
		<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Salaries and wages *		788 427	676 696
Company's social insurance contribution		85 085	82 579
Employees vacations allowance		1 000	1 600
Depreciation	(13)	7 257	6 868
Tax and duties		97 282	94 280
Advertising and Marketing		424 744	439 701
Organizations services cost		401 051	303 397
Commissions		350 780	196 355
Other selling and distribution expenses*		107 535	79 539
		<b><u>2 263 161</u></b>	<b><u>1 881 015</u></b>

\*Reclassification was made to comparative figures as shown in Note no (35-2).

**7. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Note No.</b>	<b>For the financial year ended:</b>	
		<b>31/12/2020</b>	<b>31/12/2019</b>
		<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Salaries and wages*		1 657 893	1 829 341
Company's social insurance contribution		133 418	143 514
End of service compensation - (early retirement scheme)	(11-1)	101 672	1 266 549
Employees vacations allowance		11 000	10 600
The company's contribution in loyalty and belonging fund	(11-2)	180 000	276 182
Fixed assets depreciation	(13)	31 773	36 847
Tax and duties		134 982	111 591
Organization services and consulting cost		413 501	369 815
Bank charges		15 141	15 564
Other general and administrative expenses		168 975	159 695
		<b><u>2 848 355</u></b>	<b><u>4 219 698</u></b>

\*Reclassification was made to comparative figures as shown in Note no (35-2.)

**8. OTHER OPERATING EXPENSES**

	Note No.	For the financial year ended:	
		31/12/2020 L.E. (000)	31/12/2019 L.E. (000)
Provisions	(24)	184 197	31 418
Capital losses		19 798	25 467
Sale of slow moving		21 465	979
Donations		133 533	76 760
		<u>358 993</u>	<u>134 624</u>

**9. NET FINANCE (COST) / INCOME**

	Note No.	For the financial year ended:	
		31/12/2020 L.E. (000)	31/12/2019 L.E. (000)
<b><u>Finance income</u></b>			
Interest income		15 638	18 444
Treasury bills income		-	7 541
Reversal of impairment loss on financial assets		-	53 158
Net translation gain of foreign currencies balances and transactions		-	1 441 753
<b><u>Income from available for sale Investment</u></b>			
Civil Information Technology Co.		620	562
Egyptian Company for tracking services & information technology		2 237	2 677
Arabsat		3 043	7 700
<b>Total finance income</b>		<u>21 538</u>	<u>1 531 835</u>
<b><u>Finance costs</u></b>			
Interest expense		(1 083 111)	(1 068 900)
Finance cost for credit contracts		(259 654)	(314 326)
Impairment loss on financial assets	(25)	(140 487)	-
Impairment loss on available-for-sale investments	(25)	(3 705)	-
Net translation loss of foreign currencies balances and transactions		(16 104)	-
<b>Total finance cost</b>		<u>(1 503 061)</u>	<u>(1 383 226)</u>
<b>Net finance (cost) / income</b>		<u>(1 481 523)</u>	<u>148 609</u>

## 10. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the financial year ended:</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt Telecommunications Company (VFE)	651 714	5 330 567
WE Data	600 000	10 000
Middle East Radio Communications (Merc)	5 513	5 915
The Egyptian Telecommunication Company for information systems (Xceed)	62 500	1 562
Centra Technology Company (Centra)	14 690	735
	<u>1 334 417</u>	<u>5 348 779</u>

This income is represented in the company's share in the cash dividends from investment in associates and subsidiaries according to the resolutions of the General Assembly of investees.

## 11. EMPLOYEE'S BENEFITS

### 11-1 Early retirement scheme

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

#### First: The important conditions of the optional early retirement

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

#### Second: The most important benefits of an optional early retirement

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

- Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is the earliest.
- Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the earliest.

The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme. Currently, the said committee is completing the study of the remaining applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its work and all the liabilities that the company had born as a result of the application of the optional early retirement scheme by an amount of L.E 1 368 221 K charge to income statement for the year 2019 and 2020 by an amount of L.E 1 266 549 K and L.E 101 672 K (Note no. 7).

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

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

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents contribution to be determined annually according to a board of directors decree and the company had contributed by an amount of L.E 180 000 K for the period ended in December 31, 2020 (against an amount of L.E. 276 182 K for the same period of year 2019) stated in the general and administrative expenses as shown in (Note no. 7).

#### **12. BASIC AND DILUTED EARNING PER SHARE**

	<b>For the financial year ended</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>
Net profit for the year (L.E. (000))	2 160 296	5 436 483
<b>Less:</b>		
Employees share in interim dividends (L.E. (000))	657 093	659 841
Employees' share in profit (L.E. (000)) *	8 525	8 525
<b>Net profit for the year available for distribution (L.E. (000))</b>	<b>1 494 678</b>	<b>4 768 117</b>
Number of shares available during the year (share)	1 707 071 600	1 707 071 600
<b>Basic and diluted earning per share for the year (L.E. / share)</b>	<b>0.88</b>	<b>2.79</b>

\* According to Board of Directors proposal to be presented in the General Assembly for approval.



Notes to the separate financial statements  
For the financial year ended December 31, 2020 (continued)

13- FIXED ASSETS

	Land L.E. (000)	Buildings & Infrastructure L.E. (000)	Technical equipment & information technologies L.E. (000)	Vehicles L.E. (000)	Furniture L.E. (000)	Tools & supplies L.E. (000)	Total L.E. (000)
Cost as at January 1, 2019	2 344 437	28 141 487	27 318 911	139 415	347 001	141 930	58 433 181
Additions during the year	4 990	6 848 029	3 847 084	32 740	40 654	12 129	10 785 626
Disposals during the year	-	( 812 452)	( 1 572 519)	( 4 171)	( 3 068)	( 1 204)	( 2 393 414)
<b>Cost as at December 31, 2019</b>	<b>2 349 427</b>	<b>34 177 064</b>	<b>29 593 476</b>	<b>167 984</b>	<b>384 587</b>	<b>152 855</b>	<b>66 825 393</b>
Additions during the year	21	4 910 568	6 516 092	51 249	63 058	65 254	11 606 242
Disposals during the year	( 10 475)	( 893 175)	( 776 882)	( 13 820)	( 4 688)	( 2 190)	( 1 701 230)
<b>Cost as at December 31, 2020</b>	<b>2 338 973</b>	<b>38 194 457</b>	<b>35 332 686</b>	<b>205 413</b>	<b>442 957</b>	<b>215 919</b>	<b>76 730 405</b>
Accumulated depreciation as at January 1, 2019	-	15 273 649	20 594 977	103 605	257 943	82 605	36 312 779
Depreciation for the year	-	1 234 571	1 482 848	6 980	28 106	14 168	2 766 673
Accumulated depreciation for disposals	-	( 511 278)	( 1 564 157)	( 4 008)	( 3 068)	( 1 203)	( 2 083 714)
<b>Accumulated depreciation as at December 31, 2019</b>	<b>-</b>	<b>15 996 942</b>	<b>20 513 668</b>	<b>106 577</b>	<b>282 981</b>	<b>95 570</b>	<b>36 995 738</b>
Depreciation for the year	-	1 697 915	2 261 939	9 066	29 930	22 828	4 021 678
Accumulated depreciation for disposals	-	( 736 921)	( 766 846)	( 13 667)	( 4 688)	( 2 190)	( 1 524 312)
<b>Accumulated depreciation as at December 31, 2020</b>	<b>-</b>	<b>16 957 936</b>	<b>22 008 761</b>	<b>101 976</b>	<b>308 223</b>	<b>116 208</b>	<b>39 493 104</b>
<b>Net carrying amounts as at December 31, 2020</b>	<b>2 338 973</b>	<b>21 236 521</b>	<b>13 323 925</b>	<b>103 437</b>	<b>134 734</b>	<b>99 711</b>	<b>37 237 301</b>
<b>Net carrying amounts as at December 31, 2019</b>	<b>2 349 427</b>	<b>18 180 122</b>	<b>9 079 808</b>	<b>61 407</b>	<b>101 606</b>	<b>57 285</b>	<b>29 829 655</b>

- Cost of fixed assets includes an amount of L.E. 20 824 Million fully depreciated assets and still in

**Depreciation for the year is the charged to income statement as follow:**

	Note	2020 L.E. (000)	2019 Reclassified L.E. (000)
Operating costs	( 4)	3 982 648	2 722 958
General and administrative expenses	( 7)	31 773	36 847
Selling and distribution expenses	( 6)	7 257	6 868
		<b>4 021 678</b>	<b>2 766 673</b>

**14. PROJECTS IN PROGRESS**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b><u>LE (000)</u></b>	<b><u>LE (000)</u></b>
Land	37 845	11 894
Buildings and Infrastructure	1 437 326	1 107 310
Furniture	12 016	19 404
Tools and suppliers	11 139	56 940
Centrals and information technology equipment	2 835 618	4 556 746
Other Assets (cables)	547 625	255 420
Advance payments - Fixed assets	1 601 816	755 994
	<b><u>6 483 385</u></b>	<b><u>6 763 708</u></b>

The balance of projects in progress is represented in the part that has been executed from capital and contracts commitments, and the advanced payment until December 31, 2020.

**15. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

	Note No.	31/12/2020		31/12/2019	
		Ownership %	LE (000)	Ownership %	LE (000)
<b>15-1 Investments in subsidiaries</b>					
- Telecom Egypt France (TE France)		100.00	69 220	100.00	69 220
- WE Data		99.99	252 461	99.99	252 461
- Egyptian international submarine cables company (Eiscc)		99.00	267 578	99.00	267 578
- TE Investment Holding		99.99	39 998	99.99	39 998
- Egyptian Telecommunication for Information System (Xceed)		97.66	31 250	97.66	31 250
- Centra Technology		58.76	14 737	58.76	14 737
- Middle East Radio Communication (Merc)		49.00	7 350	49.00	7 350
- Egyptian telecommunication integrated services company		98.00	246	-	-
<b>15-2 Investments in associates</b>					
- Vodafone Egypt Telecommunications Company (VFE)		44.95	5 960 054	44.95	5 960 054
- Egypt Trust		35.71	10 000	35.71	10 000
- Wataneya for Telecommunications		50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)		-	-	50.00	133
- Consortium Algerian Telecommunications		-	-	33.00	54
			<b><u>6 653 019</u></b>		<b><u>6 652 960</u></b>
<b>Less:</b>					
Impairment loss on investments of subsidiaries and associates*	(25)		7 894		8 081
			<b><u>6 645 125</u></b>		<b><u>6 644 879</u></b>

\*Impairment loss on investments of subsidiaries and associates is formed for Consortium Algerian de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France.

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Translation from Arabic

<b>16. Available-for-sale investments</b>	<b>Note</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>No.</b>	<b>LE (000)</b>	<b>LE (000)</b>
- Participations in foreign satellite companies and organizations*		26 676	26 676
- Investments in other companies		87 205	87 205
		<u>113 881</u>	<u>113 881</u>
<b><u>Payment for purchase Available-for-sale investments</u></b>			
Egyptian company for tracking services and information technology		1 000	1 000
		<u>114 881</u>	<u>114 881</u>
<b><u>Less:</u></b>			
Impairment loss on available for sale investments	(25)	40 025	36 320
		<u>74 856</u>	<u>78 561</u>

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

## 17- OTHER ASSETS

	Fourth generation Network license	Administrative Capital Right of use	Submarine cables (right of way)	Land (Possession)	Right of traffic local	Land (Usufruct)	Licenses and programs	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at January 1, 2019	8 633 330	-	1 818 948	440 683	522 722	1	56 382	11 472 066
Additions during the year	-	-	110 628	-	-	-	104 465	215 093
Disposals during the year	-	-	(13 075)	-	-	-	-	(13 075)
Cost at December 31, 2019	8 633 330	-	1 916 501	440 683	522 722	1	160 847	11 674 084
Additions during the year	-	34 296	23 649	-	21 174	-	86	79 205
Disposals during the year	-	-	(55 028)	-	(2 801)	-	(56 382)	(114 211)
Cost at December 31, 2020	8 633 330	34 296	1 885 122	440 683	541 095	1	104 551	11 639 078
Accumulated amortization as at January 1, 2019	590 870	-	552 950	-	13 068	-	56 382	1 213 270
Amortization for the year	459 569	-	113 795	-	52 272	-	34 822	660 458
Accumulated amortization for disposals	-	-	(1 334)	-	-	-	-	(1 334)
Accumulated amortization as at December 31, 2019	1 050 439	-	665 411	-	65 340	-	91 204	1 872 394
Amortization for the year	459 569	764	116 839	-	59 862	-	34 879	671 913
Accumulated amortization for disposals	-	-	(7 438)	-	(700)	-	(56 382)	(64 520)
Accumulated amortization as at December 31, 2020	1 510 008	764	774 812	-	124 502	-	69 701	2 479 787
Net carrying amounts as at December 31, 2020	7 123 322	33 532	1 110 310	440 683	416 593	1	34 850	9 159 291
Net carrying amounts as at December 31, 2019	7 582 891	-	1 251 090	440 683	457 382	1	69 643	9 801 690

- Other assets amortization is charged to operating costs.

- Other assets cost includes at December 31, 2020 an amount of L.E 168 Million, other assets fully amortized and still in use in operating.

## 18. INVENTORIES

	31/12/2020 L.E. (000)	31/12/2019 L.E. (000)
Spare parts	1 170 518	1 011 876
Material supplies	977	977
Merchandise for sale	92 531	35 695
Others – project cables and supplies	534 697	638 654
	<b>1 798 723</b>	<b>1 687 202</b>
<b>Add:</b>		
Letters of credit	162 857	152 256
	<b>1 961 580</b>	<b>1 839 458</b>

Inventory's value was written down by L.E. 13 561 K (against L.E. 20 586 K at December 31, 2019) for obsolete and slow-moving items deducted directly from the cost of each type of inventory (Note no. 25).

Notes to the separate financial statements  
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Translation from Arabic

## 19. TRADE RECEIVABLES

	Note No.	31/12/2020 <u>L.E. (000)</u>	31/12/2019 Reclassified <u>L.E. (000)</u>
Trade Receivables - National*		3 607 743	3 955 449
Trade Receivables - International		3 864 720	2 345 236
		<u>7 472 463</u>	<u>6 300 685</u>
<b>Less:</b>			
Impairment loss on trade receivables	(25)	1 739 377	1 926 625
		<u>5 733 086</u>	<u>4 374 060</u>

\*Reclassification was made to comparative figures as shown in (Note no. 35-1.)

## 20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2020 <u>L.E. (000)</u>	31/12/2019 <u>L.E. (000)</u>
Suppliers – advanced payments		878 736	595 086
Deposits with others		269 252	242 622
Customs Authority - deposits		2 204	1 630
Accrued revenues		1 119	16 452
Tax Authority – value added tax		1 483 623	1 826 670
Tax Authority – withholding tax		826 976	527 885
Payments on the account of income tax		29 552	29 481
Debts amounts at banks		23 396	8 802
Due from Ministries, organizations and companies		871 415	717 083
Temporary debts due from employees		657 093	659 841
Other debit balances		907 242	633 334
		<u>5 960 608</u>	<u>5 258 886</u>
<b>Less:</b>			
Impairment loss on debtors and other debit balances	(25)	55 199	64 337
		<u>5 905 409</u>	<u>5 194 549</u>

## 21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2020 <u>L.E. (000)</u>	31/12/2019 <u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		1 064 991	174 042
Banks - current accounts		520 809	616 040
Cash on hand		1 343	1 476
<b>Cash and cash equivalents</b>		<u>1 587 143</u>	<u>791 558</u>
<b>Less:</b>			
Restricted cash and cash equivalents at banks	(30)	48 411	105 839
<b>Cash and cash equivalents as per cash flows statement</b>		<u>1 538 732</u>	<u>685 719</u>

Translation from Arabic

Notes to the separate financial statements  
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## 22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Long term loan		Balance as of 31/12/2020	Balance as of 31/12/2020 currency (000)	Balance as of 31/12/2019	Annual interest rate	Repayment schedule
		installments due within one year	installments due within more than one year					
Foreign Loans	U.S.\$	1 416 455	2 832 909	4 249 364	2 70 316	5 781 153	Variable interest rate	Quarter installments ending on 18/10/2023
Foreign loans	EURO	37 926	445 235	483 161	25 012	484 983	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 527	-	1 527	79	1 422	5.50%	
Bank facilities	LE	6 556 979	-	6 556 979	6 556 979	4 891 538	Variable interest rate	
Bank facilities	U.S.\$	7 576 907	-	7 576 907	481 992	5 277 480	Variable interest rate	
Bank facilities	EURO	1 385 409	-	1 385 409	71 720	-	Variable interest rate	
		<u>16 975 203</u>	<u>3 278 144</u>	<u>20 253 347</u>		<u>16 436 576</u>		

**23. CREDITORS AND OTHER CREDIT BALANCES**

	<u>Note</u>	31/12/2020	31/12/2019
	<u>No.</u>	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Suppliers		1 364 820	906 333
Tax Authority-Income Tax		-	130 618
Tax Authority (taxes other than income tax)		190 311	534 813
Deposits from others		528 022	490 793
Assets creditors		11 085 577	9 965 501
Dividends creditors		770	770
Accrued interest		108 762	119 308
Accrued expenses		707 863	644 086
Social Insurance Authority		54 666	52 965
Customers - credit balances *		725 028	646 813
Liabilities of early retirement scheme	(11-1)	67 140	108 262
Credit balances - organizations and companies		355 651	233 350
Deferred revenues**		632 650	345 817
National Telecommunication Regulatory Authority (NTRA)		661 203	452 925
Other credit balances		622 727	404 454
		17 105 190	15 036 808
<b><u>Less balances due within more than one year:</u></b>			
Other assets creditors		5 055 227	4 944 717
Deferred revenues		28 177	30 995
<b>Non current creditors and other credit balances</b>		<b>5 083 404</b>	<b>4 975 712</b>
<b>Current creditors and other credit balances</b>		<b>12 021 786</b>	<b>10 061 096</b>
<b>Total creditors and other credit balances</b>		<b>17 105 190</b>	<b>15 036 808</b>

\*Reclassification was made to comparative figures as shown in (Note no. 35-1.)

\*\*The deferred revenues amounting to L.E.632 650 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 280 375 K (against L.E 12 945 K at December 31, 2019) and deferred revenues for mobile services by an amount of L.E 241 102 K (against L.E 209 075 K at December 31, 2019) and revenues from operating services and maintenance cables by an amount of L.E 35 101 K (against 45 545 K at December 31, 2019) and deferred revenues for hiring cables by an amount of L.E 76 072 K ( against 78 270 at December 31 , 2019 ) .

**24. PROVISIONS**

<u>Note No.</u>	<u>Balance as of 1/1/2020</u> <u>L.E. (000)</u>	<u>Used during the year</u> <u>L.E. (000)</u>	<u>Charged to income statement the year</u> <u>L.E. (000)</u>	<u>Balance as of 31/12/2020</u> <u>L.E. (000)</u>
(8)	668 004	-	184 197	852 201
	<b>668 004</b>	<b>-</b>	<b>184 197</b>	<b>852 201</b>

Claims and liabilities provision\*

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

**25. IMPAIRMENT LOSS ON ASSETS**

<u>Note No.</u>	<u>Balance as of 1/1/2020</u> <u>L.E. (000)</u>	<u>charged to income statement for the year</u> <u>L.E. (000)</u>	<u>Reversal of impairment</u> <u>L.E. (000)</u>	<u>Used during the year</u> <u>L.E. (000)</u>	<u>Balance as of 31/12/2020</u> <u>L.E. (000)</u>
(15)	8 081	-	-	(187)	7 894
(16)	36 320	3 705	-	-	40 025
(32)	453 968	-	-	(453 968)	-
(18)	20 586	-	(7 025)	-	13 561
(19)	1 926 625	139 430	-	(326 678)	1 739 377
(20)	64 337	1 057	-	(10 195)	55 199
	<b>2 509 917</b>	<b>144 192</b>	<b>(7 025)</b>	<b>(791 028)</b>	<b>1 856 056</b>

Impairment loss on investments in subsidiaries and associates

Impairment loss on available-for-sale investment

Debit balances with subsidiaries and associates

Write-down of Inventories

Impairment loss on trade receivables

Impairment loss on debtors and other debit balances



**26. CAPITAL**

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

**27. RESERVES**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Legal reserve	2 115 811	1 843 987
General reserve*	2 762 626	2 771 654
Revaluation reserve available for sale investments	6 814	6 814
Capital reserve	18 110	18 110
	<b><u>4 903 361</u></b>	<b><u>4 640 565</u></b>

- \* General reserve amounting to L.E. 2 762 626 K as at December 31, 2020 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 916 530 K which represents the net adjustments on the fixed assets for land item during the years from 2005 to 2014 and transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings according to Ordinary General Assembly decree which was held on March 20, 2016 in addition to an amount of L.E. 9 028 K which represents fixed assets evaluation disposals (lands & Buildings).

**28. DEFERRED TAX****28-1 Recognized deferred tax assets and liabilities**

	<b>31/12/2020</b>		<b>31/12/2019</b>	
	Assets	(Liabilities)	Assets	(Liabilities)
	<b><u>L.E.</u></b>	<b><u>L.E. (000)</u></b>	<b><u>L.E.</u></b>	<b><u>L.E. (000)</u></b>
	<b><u>(000)</u></b>		<b><u>(000)</u></b>	
Fixed assets	-	(932 278)	-	(563 906)
Other assets	-	(347 408)	-	(258 572)
Impairment loss on available for sale investments	3 813	-	2 980	-
Write-down of inventories	3 052	-	4 632	-
Impairment loss on trade receivables and other debit balances	80 274	-	160 495	-
Provisions	14 625	-	14 625	-
Accrued liabilities	29 445	-	30 084	-
<b>Total deferred tax asset \ liability</b>	<b><u>131 209</u></b>	<b><u>(1 279 686)</u></b>	<b><u>212 816</u></b>	<b><u>(822 478)</u></b>
<b>Net deferred tax asset \ liability</b>	<b><u>-</u></b>	<b><u>(1 148 477)</u></b>	<b><u>-</u></b>	<b><u>(609 662)</u></b>
<b>Deferred tax charged to the income statement for the year</b>		<b><u>(538 815)</u></b>		<b><u>(264 550)</u></b>

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Translation from Arabic

### 28-2 Unrecognized deferred tax assets

	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Impairment loss on trade receivables	369 508	393 833
Impairment loss on debtors & other debit balances	12 420	116 603
	<u>381 928</u>	<u>510 436</u>

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

### 28-3 Reconciliation of effective tax rate

	<u>For the financial year ended</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Net profit for the year before income tax	2 741 455	6 099 173
Income tax according to the current tax law (22.5%)	616 827	1 372 314
Tax on dividends from subsidiaries and associates	66 805	267 522
<b>Add / (Less):</b>		
Exempted investments income	( 234 317)	(1 205 936)
Provisions and Fixed assets Impairment	( 29 074)	( 17 884)
Adjustments on other items	185 379	246 674
Adjustments on previous year tax	( 24 461)	-
	<u>( 35 668)</u>	<u>( 709 624)</u>
<b>Income tax</b>	<u>581 159</u>	<u>662 690</u>
<b>Effective tax rate</b>	<u>21.20%</u>	<u>10.87%</u>

### 29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2020 L.E 271 Million (against L.E. 738 Million as at December 31, 2019). These commitments include installments for contributions to the capital of invested companies that have not yet been requested at an amount of 1 million Egyptian pounds. These commitments are expected to be settled in the subsequent period, except for the installments for contributions to the capital of invested companies, which will be settled upon request for payment through these boards of directors. Companies.

### 30. CONTINGENT LIABILITIES

In addition to the amounts included in the separate statement of financial position as the following contingent liabilities:

	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	1 773 804	982 252
- Letters of credit	1 858 140	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 (Note no.21).

### **31. TAX POSITION (Telecom Egypt)**

#### **31-1 Corporate tax**

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

#### **31- 2 Value Added Tax \ Sales Tax**

- Tax inspection for the years 2010 until 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it, and the company requested over take it according to low 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.

#### **31- 3 Salary Tax**

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

#### **31- 4 Stamp Tax**

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

#### **31- 5 Real Estate Tax**

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates.

Provisions were formed to meet any tax liabilities that may arise from the tax inspection

Notes to the Separate financial statements  
For the financial year ended December 31, 2020 (continued)

Transactions with subsidiaries & associates

	Amount of transactions during the year stated in the income statement L.E.,000	Movement during the year Debit L.E.,000	Credit L.E.,000	Balance as of 31/12/2020 Debit/(Credit) L.E.,000	Balance as of 31/12/2019 Debit/(Credit) L.E.,000
<b>Debit balances due from subsidiaries and associates</b>					
- Consortium Algerien de Telecommunications (CAT)**	-	-	453 902	-	453 902
- International Telecommunication Consortium Limited (ITCL)*	-	-	66	-	66
- Egyptian Telecommunication Company for Information Systems	-	39 033	-	-	(39 033)
- Egyptian Telecommunication Company for Information Systems	-	-	80 572	-	80 572
- TE Data Jordan	44 910	-	-	-	41 539
		53 660	53 350	310	-
		53 660	53 350	310	-
<b>Credit balances due to subsidiaries and associates</b>					
- WFE Data	29 083	11 650 953	12 869 143	(1 387 728)	(1 609 538)
- WFE Data	5 821 308	8 546 618	8 860 532	(1 289 583)	(975 669)
		20 197 571	21 729 675	(2 677 311)	(1 145 207)
- Centra for Technologies	382 080	689 937	524 168	(477 535)	(643 304)
- Centra for Electronic Industries	4 037	3 145	4 609	(3 660)	(2 196)
- Egyptian Telecommunication Company for Information Systems	442 342	1 238 578	1 553 060	(314 482)	-
- Egyptian Telecommunication Company for Information Systems	43 842	147 882	13 502	134 380	-
- Egyptian Telecommunication Company for Information Systems		1 386 460	1 566 562	(180 102)	-
- Middle East Radio Communication (MERC)	3 627	4 105	4 135	(30)	-
- TE investment Holding	150 656	183 219	182 212	(13 379)	(14 416)
- TE investment Holding	18	20	15	5	-
- Jordanian Egyptian Company for data transfer	-	183 269	182 227	(13 374)	(14 416)
- TE France	27 108	1 898	-	(1 898)	(1 898)
- Egyptian International Submarine Cables Company (EISCC)	20	30 686	39 444	(80 528)	(71 770)
- Egyptian International Submarine Cables Company (EISCC)	-	17 306	3 851	(625 160)	(638 615)
- Egyptian International Submarine Cables Company (EISCC)	-	4 408	-	4 408	-
- Egyptian International Submarine Cables Company (EISCC)	-	21 734	3 871	(620 752)	(638 615)
- Memu Cable	6 738	41 989	35 204	(4 174)	(10 959)
- Memu Cable	132	105	138	(33)	-
- Memu Cable	-	113 419	103 793	(16 282)	(25 908)
- Memu Cable	-	8 880	-	8 880	-
- Memu Cable	-	35 278	-	-	(35 278)
- Memu Cable	3 173	2 410	6 684	1 572	5 846
- Vodafone Egypt Telecommunications Company	1 949 958	202 081	145 819	(10 037)	(66 299)
- Vodafone Egypt Telecommunications Company	1 288 567	5 158 483	5 442 389	(1 331 905)	(1 047 999)
		27 879 369	29 642 899	(5 395 234)	(3 631 704)

\*Long-term debit balances amounted to L.E. 453 902 K are represented in the value of the finance provided by Telecom Egypt to Consortium Algerien de Telecommunications Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, accordingly, impairment has been made for the full balance (Note no. 25).

\*\* On February 2020 the board of director of the company had taken the decision to write off debit balance due from associate companies mentioned above.

\*\* On February 2020 the board of director of the company had taken the decision to write off debit balance due from Algerian Project

**33. FINANCIAL INSTRUMENTS****33-1 Credit risk**

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the separate financial statements date as follows:

<u>Description</u>	<u>Note No.</u>	<u>31/12/2020</u> <u>L.E. (000)</u>	<u>31/12/2019</u> <u>L.E. (000)</u>
Available-for-sale investments	(16)	74 856	78 561
Trade receivables	(19)	5 733 086	4 374 060
Debtors and other debit balances - short term	(20)	5 905 409	5 194 549
Cash and cash equivalents	(21)	1 585 800	790 082
		<u>13 299 151</u>	<u>10 437 252</u>

\*Reclassification was made to comparative figures as shown in (Note no. 35-1.)

**33-2 Liquidity risk**

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

<u>Description</u>	<u>Carrying Amount</u> <u>L.E. (000)</u>	<u>One year or less</u> <u>L.E. (000)</u>	<u>From 1-2 years</u> <u>L.E. (000)</u>	<u>From 3-5 years</u> <u>L.E. (000)</u>	<u>More than 5 years</u> <u>L.E. (000)</u>
<b><u>December 31, 2020</u></b>					
Loans and credit facilities	20 253 347	16 975 203	2 908 761	113 778	255 605
Creditors and other credit balances	17 105 190	12 021 786	2 207 383	2 649 498	226 523
	<u>37 358 537</u>	<u>28 996 989</u>	<u>5 116 144</u>	<u>2 763 276</u>	<u>482 128</u>
<b><u>December 31, 2019</u></b>					
Loans and credit facilities	16 436 576	11 651 026	2 961 257	1 555 056	269 237
Creditors and other credit balances	15 036 808	10 061 096	2 099 691	2 649 498	226 523
	<u>31 473 384</u>	<u>21 712 122</u>	<u>5 060 948</u>	<u>4 204 554</u>	<u>495 760</u>

\*Reclassification was made to comparative figures as shown in (Note no. 35-1.)

Notes to the Separate financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

33-3 Currency risk

Description	U.S. Dollar (000)	Sterling Pound (000)	Euro (000)	Swedish Krona (000)	Total LE (000)
<b>December 31, 2020</b>					
Trade receivables	105 830	-	-	-	1 663 648
Accrued interest for time deposits	66	-	-	-	1 038
Banks-current accounts & time deposits	96 920	3	69	-	1 524 980
<b>Total assets in currency</b>	<b>202 816</b>	<b>3</b>	<b>69</b>	<b>-</b>	<b>3 189 666</b>
Creditors & other credit balances	354 136	5	163 832	5	8 731 853
Foreign loans & facilities	-	-	25 091	-	484 679
<b>Total liabilities in currency</b>	<b>354 136</b>	<b>5</b>	<b>188 923</b>	<b>5</b>	<b>9 216 532</b>
<b>Risk surplus (deficit)</b>	<b>(151 320)</b>	<b>( 2)</b>	<b>(188 854)</b>	<b>( 5)</b>	<b>(6 026 866)</b>
<b>Equivalent in Egyptian Pound</b>	<b>(2 378 750)</b>	<b>( 43)</b>	<b>(3 648 063)</b>	<b>( 10)</b>	<b>(6 026 866)</b>
<b>December 31, 2019</b>					
Trade receivables - International Clearance	163 546	-	-	-	2 623 278
Accrued interest for time deposits	2	-	-	-	32
Banks-current accounts & time deposits	42 505	171	1 127	-	705 641
<b>Total assets in currency</b>	<b>206 053</b>	<b>171</b>	<b>1 127</b>	<b>-</b>	<b>3 328 951</b>
Creditors & other credit balances	365 183	5	78 569	5	7 270 202
Foreign loans & facilities	185 597	-	27 055	-	3 463 384
<b>Total liabilities in currency</b>	<b>550 780</b>	<b>5</b>	<b>105 624</b>	<b>5</b>	<b>10 733 586</b>
<b>Risk surplus (deficit)</b>	<b>(344 727)</b>	<b>166</b>	<b>(104 497)</b>	<b>( 5)</b>	<b>(7 404 635)</b>
<b>Equivalent in Egyptian Pound</b>	<b>(5 529 421)</b>	<b>3 494</b>	<b>(1 878 699)</b>	<b>( 9)</b>	<b>(7 404 635)</b>

Exchange rates for currencies against Egyptian pound:

	<u>Average exchange rate during:</u>		<u>Closing exchange rate as at:</u>	
	<u>2020</u>	<u>2019</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
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
Swedish Krona	1.7296	1.7896	1.9216	1.7164

### 33-4 Sensitivity analysis

A 10% power of the foreign currencies against the EGP as of December 31, 2020, may lead to losses increase by an amount of L.E. 602 688 K (against L.E. 740 464 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 2019.

### 33-5 Interest rate risk

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

<b>Description</b>	<b>Note</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>No.</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
<u>Financial instruments with fixed interest rate</u>			
Financial assets – deposits	(21)	1 064 991	174 042
Financial liabilities (loans-credit facilities)	(22)	20 253 347	16 436 576

### 33-6 Fair values for financial instruments

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

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

## 34-SIGNIFICANT CLAIMS AND LITIGATION:

### 34-1 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.

The legal advisor of the TE's believes that based on the legal position in the previous lawsuit referred to, that there are explicit appeals procedures against the report of the tripartite committee and to prepare the legal response to the tripartite committee decision and submit it to the court and will ask the court to return the file back to the committee.

*Notes to the Separate financial statements*

*For the financial year ended December 31, 2020 (continued)*

*Translation from Arabic*

**34-2 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 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 TEDATA, accordingly the claimming company requested the court to ask for the “Experts” decesion 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 , The Lawsuit is still pending before Cairo Economic Court

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



### 35. Comparative figures

Reclassification was made to some of the comparative figures of the separate statement of financial position and the separate statement of income and separate statement of cashflow to conform to the current presentation of the separate financial statements as follows.

#### 35-1 Effect on Separate statement of financial position

	For the financial year ended 31/12/2019 as previously reported <u>debit / (credit)</u> <u>LE(000)</u>	Reclassification  <u>debit / (credit)</u>	For the financial year ended 31/12/2019 Reclassified <u>debit / (credit)</u> <u>LE(000)</u>
Trade receivables	4 095 375	278 685	4 374 060
Creditors and other credit balances	(9 782 411)	( 278 685)	(10 061 096)

#### 35-2 Effect on Separate income statement

	For the financial year ended 31/12/2019 as previously reported <u>(debit) / credit</u> <u>LE(000)</u>	Reclassification  <u>(debit) / credit</u>	For the financial year ended 31/12/2019 Reclassified <u>(debit) / credit</u> <u>LE(000)</u>
Operating costs	(14 550 072)	493 357	(14 056 715)
Selling and distribution expenses	(2 048 709)	167 694	(1 881 015)
General and administrative expenses	(3 558 647)	( 661 051)	(4 219 698)

#### 35-3 Effect on Separate Statement of Cash Flows

	For the financial year ended 31/12/2019 as previously reported <u>debit/ (credit)</u> <u>LE(000)</u>	Reclassification  <u>LE(000)</u>	For the financial year ended 31/12/2019 Reclassified <u>debit/ (credit)</u> <u>LE(000)</u>
Cash receipts from customers	12 322 321	2 600 411	14 922 732
Cash paid to suppliers	(4 739 485)	(2 600 411)	(7 339 896)

### 36- SIGNIFICANT EVENTS

The financial period ended on December 31, 2020, included a major global event through the outbreak of Coronavirus (Covid-19) which its effects still exists and it advocated the company to take into consideration performing the precautionary measures to protect its employees and customers from the risk of spreading the virus, The Company's executive management assigned an overall plan and precautionary measures for dealing with the pandemic.

**Firstly: Actions taken by the company to Employees**

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

**Secondly: Actions taken by the company to Customers**

The company has been taking the customer safety in consideration during this exceptional circumstances by extending the repayment periods for the January and April invoices until the middle of June, with the availability for all electronic means of payments through Telecom Egypt website or the digital wallet (WE Pay).

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

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

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

1- The risks of collection, deposit and credit liquidity

- The company collects debts from its clients normally, with consideration extend the time of payment for the January and April invoices to the middle of June 2020 regarding the fixed voice, whereas the fixed voice revenue represents the ineffective ratio of the total revenue. The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a financial position heavy and balanced supported by the company's cash sales and collections from the market, and the company has a distinct credit rating with Egyptian and international banks.

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

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

3- Selling and distribution risks

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

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's separate financial statements, for the financial year ended December 31, 2020 as well as during the subsequent periods of that date.

### **37. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the Separate financial statements.

Certain comparative figures have been reclassified to conform to the current presentation of separate financial statements (Note no. 35).

#### **37-1 Foreign currencies translation**

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

#### **37-2 Fixed assets and depreciation**

##### **(A) Recognition and measurement**

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses (see accounting policy 35-11).

The cost of the fixed assets 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 labor, any

other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items. Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the assets and they are recognized in statement of income.

##### **(B) Subsequent costs**

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

##### **(C) Depreciation**

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

The useful lives for the fixed assets are as follows:

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

### **37-3 Other assets**

Other assets are licenses, submarine cables, right of way and right of use, land (usufruct) and land (possession) which can be controlled and capable of generate future economic benefits.

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

#### **37-3-1 Licenses**

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

#### **37-3-2 Right of way and right of use**

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

#### **37-4 Projects in Progress**

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

#### **37-5 Investments in subsidiaries and associates**

Investments in subsidiaries and associates are stated at cost. In case of the existence of impairment in the carrying amounts of these investments, the related investment is reduced by this impairment loss, and charged to the statement of income for each investment.

**37-6 Available - for - sale investments**

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

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

**37-7 Financial asset at fair value through profit or loss (Held for trading investments)**

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

**37-8 Investments held- to- maturity (Treasury bills)**

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

**37-9 Inventories**

- Inventories are measured at the lower of cost or net realizable value at the date of statement of financial position.
- Cost of materials, supplies, spare parts and merchandise for sale are determined using the moving average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.

**37-10 Trade receivables, debtors and other debit balances**

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

**37-11 Impairment loss of assets**

**(i) Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to statement of income.

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*For the financial year ended December 31, 2020 (continued)*

*Translation from Arabic*

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and financial assets that are debt securities, the reversal is recognized in statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the statement of income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**37-12 Provisions**

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

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

**37-13 Cash and cash equivalents**

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

**37-14 Grants**

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

**37-15 Creditors and other credit balances**

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

**37-16 Revenue recognition**

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

*Notes to the Separate financial statements*

*For the financial year ended December 31, 2020 (continued)*

*Translation from Arabic*

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

**37-17 Expenses**

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

**37-17-1 Operating lease payments**

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

**37-17-2 Net financing (costs) / income**

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

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

**37-18 Employees benefits**

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

**37-19 lease agreements**

**Financial lease**

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

**Operating lease**

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

### **37-20 Earnings per share**

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

### **37-21 Reserves**

Legal Reserve: According to the company's Article of Associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid-up capital, however, if the reserve falls below the defined level, then the company is required to resume setting aside 5% of the net profit.

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

### **37-22 Income tax**

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

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

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is measured based on the method expected to measure the values of assets and liabilities using tax rates enacted at the balance sheet 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.

### **37-23 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The company risk management policies are established to identify and analyze the risks faced by the company, 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 company's activities. The company, 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.



### **36-23-1 Credit risk**

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

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

#### **Trade receivable and other debtors**

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

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

#### **Cash and cash equivalents**

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

### **37-23-2 Liquidity risk**

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

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

### **37-23-3 Market risk**

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

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

#### **Currency risk**

The company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the company, primarily the U.S. Dollars (USD) and Euro.

In respect of monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

#### **Interest rate risk**

The Company 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 company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company 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 company's perception of future interest rate movements.

**Other market prices risk**

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

**37-23-4 Capital management**

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

**38- New issues and amendments issued to the Egyptian Accounting Standards:**

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	<p>1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice.</p> <p>2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	<p>Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.</p>

## Notes to the Separate financial statements

For the financial year ended December 31, 2020 (continued)

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New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>cash flow characteristics of the financial asset.</p> <p>3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event</p> <p>4. Pursuant to the requirements of this standard, the following criteria have been amended:</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019</li> <li>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows"</li> <li>- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation"</li> <li>- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement"</li> <li>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</li> </ul>		<p>These amendments shall be effective from the date of application of the standard 47.</p>
<p>New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"</p>	<p>1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria:</p> <p>(A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015;</p> <p>(B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015;</p> <p>2. The control model was used to recognize revenue instead of the benefit and risk model.</p> <p>3. The incremental costs of obtaining a contract with a customer</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.</p>

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New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met.</p> <p>4. The standard requires that the contract has commercial substance in order for revenue to be recognized.</p> <p>5. Expanding disclosure and presentation requirements.</p>		
New Egyptian Accounting Standard (49) "Leases"	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it.</p> <p>2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease.</p> <p>3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.</p> <p>4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract.</p> <p>5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.</p>	management is currently assessing the potential impact on the financial statements in case of applying this standard.	<p>Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021 regarding to the operating lease contracts.</p> <p>Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018</p>

## Notes to the Separate financial statements

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New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	There is no effect on the current separate financial statement.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. 17 "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "interim Financial Statements" - Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities "	There is no effect on the current separate financial statement.	Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42 "Consolidated Financial Statements", and amended 2019.  On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the application of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.