Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Financial Year Ended December 31, 2015
& Auditor's Report

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For the Financial Year Ended December 31, 2015
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AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Telecom Egypt Company as of December 31, 2015, and of its consolidated financial performance and cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of Matters

Without qualifying our opinion, we draw attention to the following:

1- As explained in note no. (36-1) of the notes to the consolidated financial statements, which describes the dispute between the company and both companies Mobinil and Vodafone (Mobile Operators) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, the Mobile Operators filed lawsuits and arbitral litigations for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and the dispute parties, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

   According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between the Mobile Operators, and that the company's position is based on the relevant agreements and laws, and there are several arbitral and judicial stages to finalize this dispute. It is difficult, in the meantime to determine the outcome of the above mentioned lawsuits and arbitral litigations till the final ruling of the judicial and arbitral bodies is issued.

2- As explained in note no. (36-2) of the notes to the consolidated financial statements, which describes the dispute between the company and one of its investee in which Telecom Egypt company owns 25%, in regards to an agreement that is concluded between the company and the investee, the company has filed an arbitration case against the investee, claiming compensation and the termination of the agreement as the investee breached the obligations stated in the agreement.In addition to, the investee has filed a counter arbitration case against the company claiming compensation according to the obligations of the same agreement. The arbitral tribunal issued an award to depute an expert to express his technical opinion for all the financial claims submitted by the both parties.

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On August 31,2015 the arbitral tribunal issued it's award regarding the above mentioned arbitral litigations rejecting the company's claim for a compensation, accepting the arbitral litigation filed by the investee, terminating the agreement concluded with the company and it's amendments and awarded compensation to the investee. Telecom Egypt started to take the necessary legal actions to cease the implementation of the award and annulling it.

According to the opinion of the company's legal consultant, the company's management is of the opinion that it has sufficient legal corroboration which provide preponderance to it's position before the legal bodies regarding ceasing the implementation of the award and annulling it, it's difficult, in the meantime to determine the final outcome of the above mentioned legal actions till the final ruling of the competent legal bodies is issued.

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, March 6, 2016

KPMG Hazem Hassan
Public Accountants and Consultants
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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Consolidated Balance Sheet As of:

	Note No.	31/12/2015 L.E. (000)	31/12/2014 Restated L.E. (000)
Long Term Assets			
Fixed assets	(4)	11 839 332	11 069 724
Projects in progress	(5)	2 077 482	1 210 051
Investments in associates	(6-1)	10 462 026	9 375 318
Available-for-sale investments	(6-2)	98 639	99 014
Other assets	(8)	933 047	1 045 662
Total Long Term Assets		**25 410 526**	**22 799 769**
Current Assets			
Inventories	(9)	556 880	438 050
Trade and notes receivables	(10)	4 611 579	3 748 571
Debtors and other debit balances	(11)	1 412 071	1 497 051
Held-to-maturity investments-treasury bills		173 338	1 093 688
Cash and cash equivalents	(12)	2 413 451	2 716 259
Total Current Assets		**9 167 319**	**9 493 619**
Current Liabilities			
Loans and facilities installments due within one year	(13)	62 476	83 574
Creditors and other credit balances	(14-1)	4 189 290	3 939 758
Provisions	(15)	1 017 686	558 341
Total Current Liabilities		**5 269 452**	**4 581 673**
Working Capital		**3 897 867**	**4 911 946**
Total Investments		**29 308 393**	**27 711 715**
Financed as follows:			
Equity and Long Term Liabilities			
Equity			
Capital	(17)	17 070 716	17 070 716
Reserves	(18)	6 380 134	6 349 762
Retained earnings		2 511 527	2 653 587
Net profit for the year		2 997 413	1 416 683
Interim dividends		-	(736 209)
Foreign entites translation reserve		4 310	3 009
Total Equity attributable to the equity holders of the holding company		**28 964 100**	**26 757 548**
Non - controlling interest		**10 330**	**16 623**
Total Equity		**28 974 430**	**26 774 171**
Long Term Liabilities			
Loans and credit facilities	(13)	326 914	382 544
Creditors and other credit balances	(14-2)	182	2 953
Deferred tax liabilities	(19-1)	6 867	552 047
Total Long Term Liabilities		**333 963**	**937 544**
Total Shareholders' Equity and Long Term Liabilities		**29 308 393**	**27 711 715**

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

Financial Director	**Chief Financial officer**	**Senior vice President, For Financial affairs**	**Managing Director & Chief Executive Officer**
Shaher Shokry	M.Shamroukh	Hassan Helmy	Osama
" Shaher Shokry "	" Mohamed Shamroukh "	" Hassan Helmy "	" Osama Yassin "

Board of Directors approval

Chairman

" Waleed Gad "

Auditor's Report "attached"

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

	Note No.	For the finacial year ended: 31/12/2015 L.E.(000)	31/12/2014 Restated L.E.(000)
Operating revenues	(20)	12 184 202	12 157 528
Operating costs	(21)	(7 035 421)	(6 786 784)
Gross Profit		**5 148 781**	**5 370 744**
Other income	(22)	192 295	163 051
Selling and distribution expenses	(23)	(1 356 696)	(1 325 371)
General and administrative expenses	(24)	(1 945 471)	(1 802 015)
Other expenses	(25)	(502 151)	(382 622)
Operating profit		**1 536 758**	**2 023 787**
Finance income	(26)	347 417	397 164
Finance cost	(26)	(47 231)	(166 660)
Finance income		**300 186**	**230 504**
Share of profit of equity accounted investees	(27)	**1 118 169**	**829 480**
Profit before tax		**2 955 113**	**3 083 771**
Income tax expense		(500 830)	(787 374)
Deferred tax	(19-1)	545 180	(876 602)
Total income tax		**44 350**	**(1 663 976)**
profit for the year		**2 999 463**	**1 419 795**
Profit attributable to :			
Owners of the company		2 997 413	1 416 683
Non-controlling interest		2 050	3 112
Profit for the year		**2 999 463**	**1 419 795**
Basic earnings per share (LE \ Share)	(29)	1.48	0.53

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

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

	Note No.	For the Financial year ended: 31/12/2015 L.E. (000)	31/12/2014 Restated L.E. (000)
Cash flows from operating activities			
Cash receipts from customers		8 730 173	8 309 148
Sales tax collected from customers		224 444	253 500
Stamp tax and fees collected (from third party)		31 375	31 579
Deposits returned to customers		(1 951)	(4 225)
Cash paid to suppliers		(1 125 443)	(589 937)
Payments of NTRA license fees		(409 869)	(452 869)
Payments of financial lease obligations		-	(15)
Dividends paid to employees		(527 887)	(690 595)
Cash paid to employees		(2 920 122)	(2 486 033)
Cash paid on behalf of employees to third party		(538 604)	(444 040)
Cash provided by operating activities		**3 462 116**	**3 926 513**
Interest paid		(9 037)	(8 920)
Payments to Tax Authority - income tax		(709 356)	(658 114)
Payments to Tax Authority - sales tax		(561 945)	(774 519)
Payments to Tax Authority - other taxes		(468 784)	(423 173)
Other Payments		(116 110)	(265 820)
Net cash provided by operating activities		**1 596 884**	**1 795 967**
Cash flows from investing activities			
Payments for purchase of fixed assets, other assets and projects in progress		(2 609 234)	(1 584 313)
Proceeds from sale of fixed assets and other assets		350	726
Acquisition of investements		(8 849)	(2 500)
Payments for purchase of held-to-maturity investment -treasury bills		(514 377)	(2 192 191)
Interest received		34 849	32 029
Dividends collected from investments		32 516	36 659
Proceeds from sale of held-to-maturity investment -treasury bills		1 424 522	1 111 137
Proceeds from securities (treasury bills - mutual fund)		181 768	300 065
Net cash used in investing activities		**(1 458 455)**	**(2 298 388)**
Cash flows from financing activities			
Payment for loans and other facilities		(78 222)	(94 454)
proceeds from loans and other facilities		-	10 173
Dividends paid to shareholders		(357 410)	(2 354 812)
Net cash used in financing activities		**(435 632)**	**(2 439 093)**
Net change in cash and cash equivalents during the year		**(297 203)**	**(2 941 514)**
Translation differences of foreign entities		2 249	(3 826)
Cash and cash equivalents at the beginning of the year	(12)	2 698 964	5 644 304
Cash and cash equivalents at the end of the year	(12)	**2 404 010**	**2 698 964**

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

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity

For the Financial Year Ended December 31, 2015

	Capital	Legal reserve	Other reserves	Retained earnings	Net profit	Interim dividends	Foreign entities translation reserve	Total equity attributable to owners of the company	Non-controlling interest	Total equity
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Balance as of January 1, 2014 (restated)	17 070 716	1 377 564	4 810 362	2 072 279	2 958 449	-	10 088	28 299 458	16 493	28 315 951
Transferred to retained earnings	-	-	-	2 958 449	(2 958 449)	-	-	-	-	-
Transferred to legal reserves	-	118 925	-	(118 925)	-	-	-	-	-	-
Adjustments to general reserve	-	-	(13 784)	-	-	-	-	(13 784)	-	(13 784)
Dividends for year 2013 (Shareholders)	-	-	-	(1 707 072)	-	-	-	(1 707 072)	-	(1 707 072)
Dividends from retained earnings	-	-	-	(3 472)	-	-	-	(3 472)	(750)	(4 222)
Dividends for year 2013 (Board of Directors & Employees)	-	-	-	(525 649)	-	-	-	(525 649)	(2 202)	(527 851)
Dividends paid to Subsidiaries (Board of Directors & Employees)	-	-	-	(22 023)	-	-	-	(22 023)	-	(22 023)
Net profit for the year (restated)	-	-	-	-	1 416 683	-	-	1 416 683	3 112	1 419 795
Interim dividends	-	56 695	-	-	-	(736 209)	-	(679 514)	-	(679 514)
Translation differences of foreign entities	-	-	-	-	-	-	(7 079)	(7 079)	(30)	(7 109)
Balance as of December 31, 2014 (restated)	**17 070 716**	**1 553 184**	**4 796 578**	**2 653 587**	**1 416 683**	**(736 209)**	**3 009**	**26 757 548**	**16 623**	**26 774 171**
Transferred to retained earnings	-	-	-	1 416 683	(1 416 683)	-	-	-	-	-
Transferred to legal reserves	-	29 236	-	(85 931)	-	56 695	-	-	-	-
Dividends for year 2014 (Shareholders)	-	-	-	(952 977)	-	611 563	-	(341 414)	(1 430)	(342 844)
Dividends for year 2014 (Board of Directors & Employees)	-	-	-	(512 025)	-	67 951	-	(444 074)	(230)	(444 304)
Dividends paid to Subsidiaries (Board of Directors & Employees)	-	-	-	(4 497)	-	-	-	(4 497)	-	(4 497)
Acquisition of non-controlling interest on subsidiary	-	1 136	-	(3 313)	-	-	11	(2 166)	(6 683)	(8 849)
Net profit for the year	-	-	-	-	2 997 413	-	-	2 997 413	2 050	2 999 463
Translation differences of foreign entities	-	-	-	-	-	-	1 290	1 290	-	1 290
Balance as of December 31, 2015	**17 070 716**	**1 583 556**	**4 796 578**	**2 511 527**	**2 997 413**	**-**	**4 310**	**28 964 100**	**10 330**	**28 974 430**

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

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the Financial Year Ended December 31, 2015

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 Consolidated Financial Statements of the Company for the year ended Dec 31, 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.
- 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 London Stock Exchange.

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 consolidated financial statements

These Consolidated Financial Statements were approved by the Board of Directors on March 6, 2016.

2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

These Consolidated Financial Statements as of December 31, 2015 have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.

2-2 Basis of measurement

These Consolidated Financial Statements have been prepared under the historical cost basis, except for certain financial investments, which are evaluated at fair value in according to the Egyptian Accounting Standard. For presentational purposes, the current/non-current classification has been used for the consolidated balance sheet, while expenses are analyzed in the consolidated income statement using a classification based on their function. The direct method has been used in prepairing the consolidated statement of cash flows.

2-3 Functional and presentation currency

These Consolidated Financial Statements are presented in Egyptian pound (L.E.), which is the Group's functional currency. All financial information presented in "L.E" has been rounded to the nearest thousand unless otherwise stated.

2-4 Use of estimates

The preparation of the Consolidated Financial Statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of 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 an going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in the Consolidated Financial Statements on December 31, 2015.

Certain comparative amounts have been restated and reclassified to conform with the current presentation of the Consolidated Financial Statements (note no.37).

3-1 Basic of consolidation

3-1-1 Subsidiaries

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

3-1-2 Non-controlling interests

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

3-1-3 Loss of control

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

3-1-4 Investments in associates (equity accounted investees)

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

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

3-1-5 Transactions eliminated for consolidation

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

3-2 Foreign currency translations

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at 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 at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at that date of the transaction. Foreign currency differences arising on retranslation are recognized in consolidated income statement.

3-3 Foreign operation

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

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

3-4 Fixed assets and depreciation

(A) Recognition and measurement

- Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses (see accounting policy 3-12).
- The cost of fixed assets include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
  Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items.
  Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the assets and they are recognized in consolidated income statement.

(B) Subsequent costs

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

(C) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. Land is not depreciated.
The estimated useful lives for the current and comparative years are as follows:

	Estimated useful Life/year
Buildings and Infrastructure	10 - 50
Technical equipment and information technologies	5 - 20
Vehicles	5 - 10
Furniture	3 - 16.67
Tools and supplies	1 - 8
Decoration and fixtures	5
Fixtures on trunk radio network	8

3-5 Other assets

Other assets are non-monetary intangible assets which the company can be controlled and capable of generate future economic benefits.
Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of other assets from the date that they are available for use.

3-5-1 Licenses

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

3-5-2 Right of way and right of use

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

3-5-3 Other intangible assets

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

3-6 Projects in Progress

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

3-7 Available - for - sale investments

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

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

3-8 Financial asset at fair value through profit or loss (Held for trading investments)

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

3-9 Investments held –to- maturity (Treasury bills)

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

3-10 Inventories

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

3-11 Trade receivables, debtors and other debit balances

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

3-12 Impairment loss on assets

(A) *Financial assets*

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

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

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

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

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

(B) *Non-financial assets*

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

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

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.

3-13 Provisions

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

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

3-14 Cash and cash equivalents

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

3-15 Grants

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

3-16 Creditors and other credit balances

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

3-17 Revenue recognition

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

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

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

3-18 Expenses

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

3-18-1 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.

3-18-2 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 loss.

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

3-19 Employees benefits

The Group contributes inside Egypt the social insurance under the Authority for the benefit of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions are recorded in the "Wages and Salaries account" in addition to the early retirement scheme applied from September 1, 2001 (Note no. 28).

3-20 Capital lease agreements

The accrued lease payments, repair and maintenance expenses of leased assets under the capital leasing agreements are recognized according to the regulations of capital lease law no. 95 of 1995 as an expense in the consolidated income statement for the year according to the accrual basis.

At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

3-21 Earnings per share

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

3-22 Reserves

- Legal Reserve: According to the company's Article of Associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital, 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.

3-23 Income tax

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the consolidated income statement 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 consolidated balance sheet 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.

3-24 **Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

3-24-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.
This risk is mainly resulting from the Group's trade and other debtors.

Trade receivable & other debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.
Most of Group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

Cash and cash equivalents

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

3-24-2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.
The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

3-24-3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

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

Interest rate risk

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

Other market prices risk

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

3-24-4 Capital management

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

3-25 New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, while taking into consideration that the early implementation of these standards is not permissible.

* In the following table, we shall review the most prominent amendments on the Egyptian Accounting Standards (EAS) that may have a significant impact on the consolidated financial statements of the company at the beginning of the implementation thereof:

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
EAS (1) **Presentation of Financial Statements**	***Financial Position Statement*** • The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. • A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity. *Income Statement (Profit or Loss)/Statement of Comprehensive Income* The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (*Income Statement*) and the other one starts with the profit or loss and presents the other comprehensive income items *(Statement of Comprehensive Income)*.	• Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the Standard. • Adding a new statement, *Statement of Comprehensive Income*, for the current and comparative period.
EAS (10) **Property, Plant and Equipment *(PPE)***	• The option of using the revaluation model in the subsequent measurement of PPE has been canceled.	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
EAS (10) **Property, Plant and Equipment (PPE)** ***(continued)***	• The financial shall disclose a reconciliation of the carrying amount – movement of the PPE and its depreciations- in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period. • The strategic (major) spare parts and stand-by equipment can be classified as PPE when the entity expects to use them for more than one period (when the definition of PPE applies thereto).	Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.
EAS (14) **Borrowing Costs**	Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset.	The entity shall apply this Standard to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after the date of the implementation of this Standard.
EAS (18): **Investments in Associates**	The accounting treatment of the joint ventures shall be added to this standard accordingly, the Investments in associates and joint ventures shall be accounted for that investments using the equity method in the Consolidated and Individual Financial Statements.	Retroactive amendment to all the comparative figures and financial information presented.
	• The entity shall discontinue to use the Equity method from the date when its investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and the difference shall be recognized in the Income Statement . • If an investment in an associate becomes an investment in a joint venture or vice versa, the entity continue to apply the Equity Method and does not re-measure the retained Interest. • If an entity's ownership interest in an associate or a joint venture reduced, but the entity continues to apply the Equity Method, the entity shall reclassify to profit or loss the proportions of the gain or loss that previously been recognized in OCI relating to that reduction in Ownership interest.	Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.
EAS (23) **Intangible Assets**	The option of using the revaluation model in the subsequent measurement of intangible assets has been canceled.	The amendment on the standard has no impact on the figures presented in the financial statements.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
EAS (29) **Business Combination**	The purchase method was cancelled and replaced by the acquisition method; as results: 1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date. 2- Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as a part of consideration transferred. 3- Changing the method of measuring goodwill in case of Step Acquisition is made. • The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity as debt instruments directly related to the acquisition process.	Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.
EAS (38) **Employee Benefits**	Actuarial Gains and Losses • All the accumulated actuarial gains and losses shall be immediately recognized as part of the defined benefit liabilities and charged to the Other Comprehensive Income items. The Cost of Past Service An entity shall recognize past service cost as an expense at the earlier of the following dates: (a) When the plan amendment or curtailment occurs; and (b) When the entity execute a significant restructuring plan ; it should recognize the related restructuring costs that include paying the termination benefits (Provisions Standard).	Retroactive amendments on the employee benefits that that exist on the date of implementing this amended Standard and on all presented comparative figures.
EAS (40) **Financial Instruments Disclosures**	• A new Egyptian Accounting Standard No.(40) *"Financial Instruments: Disclosures"* was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became *"Financial Instruments: Presentation"* instead of "Financial Instruments: Presentation and Disclosure"	Retroactive amendment to all the comparative figures of the presented disclosures shall be carried out.
EAS (42): **The Consolidated Financial Statements**	• The new Egyptian Accounting Standard No. (42) *"The Consolidated Financial Statements"* was issued and accordingly Egyptian Accounting Standard No. (17) *"The Consolidated and Separate Financial Statements"* has changed to	Retroactive amendment to all the comparative figures of the consolidated financial statements and financial information presented.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
EAS (42): **The Consolidated Financial Statements** ***(continued)***	become *"The Separate Financial Statements"*. Pursuant to the new Egyptian Accounting Standard No. (42) *"The Consolidated Financial Statements"* The control model has changed to determine the investee entity that must be consolidated. • Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. • Any Investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement. • Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances.	Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.
EAS (44): Disclosure of Interests in Other Entities	• A new Egyptian Accounting Standard No.(44) "**Disclosure of Interests in Other Entities**" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements, and the unconsolidated Structured Entities. • The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows.	Retroactive amendment to all the comparative figures for the disclosures presented.
EAS (45) **Fair Value Measurement**	The new Egyptian Accounting Standard No. (45) *"Fair Value Measurement"* was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value. This Standard aims the following: (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements.	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.

4- FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment &information technologies	Vehicles	Furniture	Tools & supplies	Decoration & fixtures	Fixtures on trunk radio network	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at January 1, 2015	2 375 092	19 977 330	21 025 820	130 354	428 103	84 444	113 293	315	44 134 751
Reclassification	(1 670)	1 253	(30 196)	-	(2 737)	-	-	-	(33 350)
Additions during the year	601	1 503 337	703 213	4 435	6 858	52 938	9 478	-	2 280 860
Disposals during the year	-	(3 901)	(13 157)	(4 860)	(1 135)	(8 843)	(6 039)	-	(37 935)
Translation differences of foreign entities	-	-	(252)	4	-	221	76	-	49
Cost as at December 31, 2015	**2 374 023**	**21 478 019**	**21 685 428**	**129 933**	**431 089**	**128 760**	**116 808**	**315**	**46 344 375**
Accumulated depreciation as at January 1, 2015	-	13 408 850	19 067 074	108 224	340 073	59 785	80 706	315	33 065 027
Reclassification	-	(417)	(30 553)	-	(1 487)	-	(893)	-	(33 350)
Depreciation for the year	-	831 009	618 317	6 940	4 487	31 442	13 080	-	1 505 275
Accumulated depreciation for disposals	-	(801)	(13 149)	(4 694)	(1 136)	(8 496)	(4 083)	-	(32 359)
Translation differences of foreign entities	-	-	273	5	-	135	37	-	450
Accumulated depreciation as at December 31, 2015	**-**	**14 238 641**	**19 641 962**	**110 475**	**341 937**	**82 866**	**88 847**	**315**	**34 505 043**
Net carrying amounts as at December 31, 2015	**2 374 023**	**7 239 378**	**2 043 466**	**19 458**	**89 152**	**45 894**	**27 961**	**-**	**11 839 332**
Net carrying amounts as at December 31, 2014	**2 375 092**	**6 568 480**	**1 958 746**	**22 130**	**88 030**	**24 659**	**32 587**	**-**	**11 069 724**

- Cost of fixed assets include an amount of L.E. 23 160 million relating to fully depreciated assets and still in use.

Depreciation for the year is charged to income statement as follows:	L.E. (000)
Operating costs	1 432 301
Selling and distribution expenses	8 573
General and administrative expenses	64 401
	1 505 275

5. PROJECTS IN PROGRESS

	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Land	14 420	8 542
Buildings and Infrastructure	731 589	268 881
Centrals and information technologies equipment*	700 790	508 878
Furniture	8 881	11 349
Other Assets	501 665	343 922
Advanced payments	120 137	68 479
	2 077 482	**1 210 051**

* Technical equipment and information technologies has been decreased by an amount of L.E. 4 160 K represents the impairment loss on this item.

6. LONG TERM INVESTMENTS

	Note no.	31/12/2015 Ownership %	31/12/2015 LE(000)	31/12/2014 Ownership %	31/12/2014 LE(000)
*6-1 **Investments in associates***					
- Vodafone Egypt Telecommunication company *		44.95	10 461 257	44.95	9 374 385
- Wataneya for Telecommunication **		50.00	125	50.00	125
- International Telecommunication Consortium Limited (ITCL) **		50.00	54	50.00	54
- Egypt Trust**		35.71	7 500	35.71	7 500
- Consortium Algerian de Telecommunications (CAT) **		33.00	133	33.00	133
- Sofisat		25.00	-	25.00	-
			10 469 069		9 382 197
Payments for investments purchase					
- Egypt Trust***			769		933
Less					
- Impairment loss on investments in associates	(16)		(7 812)		(7 812)
			10 462 026		**9 375 318**

* The investments in Vodafone Egypt on December 31, 2015 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March, 31, the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the Consolidated Financial Statements as of December 31, 2015 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 31, 2015 that were authorized by the Company's management which presents the 12 months from the 1st of April 2014 till March 31, 2015, less the movements for the period from the 1st of April 2014 till December 31, 2015 extracted from the Financial Statements for Vodafone Egypt as of December 31, 2014. plus the movements for the period from the 1st of April 2015 till December 31, 2015 extracted from the Financial Statements for Vodafone Egypt as of December 31, 2015 to determine the share of financial period from January 1 to December 31, 2015 of business results.

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

*** The balance is represented in Subscription of the remaining 25% of the company's share in Egypt Trust capital after deduction the company's share in the associate accumulated losses, the commercial registration related to is in process.

6-2 *Available-for-sale investments*

	Note No.	31/12/2015 LE (000)	31/12/2014 LE (000)
- Participations in foreign satellite companies and organizations*		26 683	26 683
- Investments in other companies		94 705	94 705
		121 388	121 388
Less:			
Impairment loss on available-for-sale investments	(16)	22 749	22 374
		98 639	**99 014**

* 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 pro - rata - with their shares accordingly telecom egypt contribution in Arab Sat capital remains as the same at 1.5937%.

7. DEBIT BALANCES – LONG TERM

Long-term debit balances in December 31,2015 amounting to L.E. 453 902 K represented the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, this company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of CAT held on July 1, 2009 approved the dissolution and liquidation of CAT. in the light of these circumstances, since there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

8- OTHER ASSETS

	Right of way (ALITAR)	Right of way (FLAG)	Right of way (SMW)	Right of way (IMEWE)	Right of way (EIG)	Right of way (FALCON)	Right of use (ROU)	Internet license	Licenses and programs	Land (possession)	Land (Usufruct)	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at 1/1/2015	67 853	172 269	206 771	138 910	209 883	48 432	148 026	21 497	69 092	440 683	1	1 523 417
Additions during the year		10 023		-	185	-	3 063	-	-	-	-	13 271
Disposals during the year	-	(11 197)	(30 865)	(7 031)	(13 597)	-	(3 148)	-	-	-	-	(65 838)
Translation differences of foreign entities	-	-	-	-	-	-	124	86	-	-	-	210
Cost as at 31/12/2015	**67 853**	**171 095**	**175 906**	**131 879**	**196 471**	**48 432**	**148 065**	**21 583**	**69 092**	**440 683**	**1**	**1 471 060**
Accumulated amortization and impairment as at 1/1/2015	55 715	109 829	58 462	32 862	34 354	8 880	116 582	20 767	40 304	-	-	477 755
Amortization for the year	3 642	5 750	12 954	9 560	14 341	3 229	5 481	104	28 788	-	-	83 849
Accumulated amortization for disposals	-	(78)	(13 715)	(3 383)	(3 323)	-	(3 148)	-	-	-	-	(23 647)
Translation differences of foreign entities	-	-	-	-	-	-	26	30	-	-	-	56
Accumulated amortization and impairment as at 31/12/2015	**59 357**	**115 501**	**57 701**	**39 039**	**45 372**	**12 109**	**118 941**	**20 901**	**69 092**	**-**	**-**	**538 013**
Net carrying amounts as at 31/12/2015	**8 496**	**55 594**	**118 205**	**92 840**	**151 099**	**36 323**	**29 124**	**682**	**-**	**440 683**	**1**	**933 047**
Net carrying amounts as at 31/12/2014	**12 138**	**62 440**	**148 309**	**106 048**	**175 529**	**39 552**	**31 444**	**730**	**28 788**	**440 683**	**1**	**1 045 662**

- Accumulated amortization and impairment losses as of December 31, 2015 include an amount of L.E 79 825 K represents the impairment on right of use of international circuits (ROU) and license for internet service for one of the company's subsidiaries - Note no. (16).

Depreciation for the year is charged to income statement as follows:	L.E. (000)
Operating costs	83 793
Selling and distribution expenses	28
General and administrative expenses	28
	83 849

9. INVENTORIES

	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Spare parts	390 707	349 719
Material supplies	1 012	1 004
Computers and Pc's components	6 132	15 358
Merchandise for sale-telecommunication equipment and computers	49 143	4 526
Others – cables and supplies	78 794	47 020
	525 788	417 627
Add:		
Letters of credit	31 092	20 423
	556 880	**438 050**

Inventory's value was written down by L.E. 28 128 K (against L.E. 27 309 K at December 31, 2014) for obsolete and slow moving items deducted directly from the cost of each type of inventory.

10. TRADE AND NOTES RECEIVABLES

	Note No.	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Trade Receivables - National		4 581 254	3 826 008
Trade Receivables - International		2 421 243	2 477 677
		7 002 497	6 303 685
Less:			
Impairment loss on trade receivables	(16)	2 391 151	2 557 852
		4 611 346	3 745 833
Add:			
Notes Receivables		233	2 738
		4 611 579	**3 748 571**

11. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2015 L.E. (000)	31/12/2014 Reclassified L.E. (000)
Suppliers – debit balances		47 204	55 337
Deposits with others		30 650	22 754
Employees' imprest		761	572
Customs Authority - deposits		3 043	3 043
Accrued revenues		29 858	45 324
Tax Authority – withholding tax		162 976	62 013
Due from organizations and companies		119 128	174 170
Due from ministries		177 051	58 199
Payments on the account of dividends - Employees		282 428	196 256
Debts and restricted amounts at banks		2 173	2 310
In advance payments under the account of corporate tax		104 636	144 272
Other debit balances*		651 040	860 704
		1 610 948	1 624 954
Less:			
Impairment loss on debtors and other debit balances	(16)	198 877	127 903
		1 412 071	**1 497 051**

* Reclassification was made on other debit balances item by an amount of L.E. 485 K as shown in Note no. (37-1).

12. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2015 LE (000)	31/12/2014 Reclassified LE (000)
Banks - time deposits (less than 3 months)		1 862 855	2 204 161
Banks - current accounts		(20 322)	82 119
Cash on hand		50 845	24 152
Treasury bills (less than 3 months)		102 170	246 568
Money market funds (less than 3 months)		417 903	159 259
Cash and cash equivalents		**2 413 451**	**2 716 259**
Less:			
Restricted time deposits	(31)	9 441	17 295
Cash and cash equivalents as per cash flows statement		**2 404 010**	**2 698 964**

Reclassiffication was made on cash and cash equivalents – treasury bills (less than 3 months) by an amount of L.E. 197 977 K to held to maturity investment item – treasury bills as shown in Note No. (37 – 1).

13. LOANS AND FACILITIES

Description	Loan Currency	Long term loan installments due within one year	Long term loan installments due within more than one year	Balance as of 31/12/2015	Balance as of 31/12/2014	Effective interest rate	Repayment schedule
		L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	%	
Governmental Loans	U.S.$	38 318	46 230	84 548	114 350	4 %	Annual installments ending on 24/1/2018
Foreign Loans	EURO	18 431	280 684	299 115	330 133	0.75 - 5.5%	Semi-annual installments ending on 30/6/2036
Total loans		56 749	326 914	383 663	444 483		
Foreign suppliers' facilities	EURO	675	-	675	689	5.50%	
Local facility - subsidiary company	LE	5 052	-	5 052	20 946		Average corridor price +0.1%
Total facilities		5 727	-	5 727	21 635		
Total loans and facilities		**62 476**	**326 914**	**389 390**	**466 118**		

- Foreign suppliers' facilities in Euro amounting to L.E. 675 K equivalent to Euro 79 K are against letters of guarantee issued by National Bank of Egypt in favor of Siemens as a guarantee for this facility settlement, there are no other guarantees for the remaining of loans and facilities.

14. CREDITORS AND OTHER CREDIT BALANCES

14 – 1 CREDITORS AND OTHER CREDIT BALANCES

	31/12/2015	31/12/2014
		Reclassified
	L.E. (000)	L.E. (000)
Suppliers and notes payables	330 006	214 364
Tax Authority-Income Tax	472 807	752 652
Tax Authority (taxes other than income tax)	247 983	191 038
Deposits from others	696 702	670 599
Fixed assets creditors	978 601	583 279
Dividends payable	22 559	6 694
Accrued expenses	349 583	344 517
Customers - credit balances	334 223	307 644
Credit balances - organizations and companies	72 592	231 510
Prepaid revenues	134 722	108 425
National Telecommunication Regulatory Authority (NTRA)	166 356	179 571
Social Insurance Authority	40 838	36 077
Accrued interest	3 175	4 320
Deferred revenues*	2 438	11 360
Customers credit balances - Submarine Cables	-	304
Credit balance for social, cultural and sportive activities	610	10 000
Other credit balances **	336 277	290 357
	4 189 472	3 942 711
Less:		
Credit balances due within more than one year	182	2 953
	4 189 290	**3 939 758**

*The deferred revenues amounting to L.E. 2 438 K which are represented in grant given by the USAID and Submarine Cables Project Management for the construction of a building in Alexandria and the right of use for submarine (against L.E. 11 360 K at December 31, 2014, the short term portion amounting to L.E. 8 922 K).

**Reclassification was made on creditors and other credit item by an amount of L.E. 485 K as shown in Note no. (37-1).

14-2 Creditors and other credit balances (long-term)

	31/12/2015	31/12/2014
	L.E. (000)	L.E. (000)
Deferred revenues	-	2 438
Due to suppliers of purchasing communications machinery and equipment	182	515
	182	**2 953**

15. PROVISIONS

	Balance as of 1/1/2015	Reclassification	Charged to income statement	Used during the year	Balance as of 31/12/2015
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Provision for liabilities, claims and others					
Tax provision	536 279	(45 824)	122 623	(119 970)	493 108
Claims provision*	22 062	180 958	322 000	(442)	524 578
	558 341	**135 134**	**444 623**	**(120 412)**	**1 017 686**

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

16. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2015	Reclassification	Impairment on income statement	Reversal of impairment on income statment	Translation differences	Balance as of 31/12/2015
		LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Impairment loss on projects in progress	(5)	4 160	-	-	-	-	4 160
Impairment loss on investments in associates	(6-1)	7 812	-	-	-	-	7 812
Impairment loss on available-for-sale investment	(6-2)	22 374	-	375	-	-	22 749
Impairment loss on long-term debit balances	(7)	453 902	-	-	-	-	453 902
Impairment loss on other assets	(8)	79 825	-	-	-	-	79 825
Impairment loss on inventories	(9)	27 309	-	819	-	-	28 128
Impairment loss on trade receivables	(10)	2 557 852	(180 958)	13 736	-	521	2 391 151
Impairment loss on debtors and other debit balances	(11)	127 903	45 824	27 532	(2 389)	7	198 877
		3 281 137	**(135 134)**	**42 462**	**(2 389)**	**528**	**3 186 604**

17. 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.

18. RESERVES

	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Legal reserve	1 583 556	1 553 184
General reserve*	4 771 654	4 771 654
Revaluation reserve-available-for-sale investments	6 814	6 814
Capital reserve	18 110	18 110
	6 380 134	6 349 762

* General reserve amounting to L.E. 4 771 654 K as at December 31, 2015 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.

19. DEFERRED TAX

19-1 Recognized Deferred tax assets and liabilities

	31/12/2015		31/12/2014	
	Assets	Liabilities	Assets	Liabilities Restated
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Fixed assets	16 159	-	21 173	-
Other assets	-	(8 328)	-	(6 151)
Inventories	5 993	-	6 465	-
Trade receivables, debtors and other debit balances	204 135	-	258 526	-
Provisions	88 783	-	49 117	-
Accrued liablities	35 693	-	39 609	-
Undistributed profit in Subsidiaries and Associates*	-	(349 302)	-	(920 786)
Total deferred tax asset \ (liabilities)	350 763	(357 630)	374 890	(926 937)
Net deferred tax liabilities	-	(6 867)	-	(552 047)
Deferred tax charged to the consolidated income statement for the year (restated)	545 180		(876 602)	

*Deferred tax liability recognition of the undistributed dividends for subsidiaries & associates in accordance with the presidential decree no. (53) for the year 2014 which is amended by presidential decree no. (96) for the year 2015 imposing income Tax on dividends as shown Note no.(32).

- Amendments were made on income tax law during 2014, 2015 and the most important of these amendments is tax rate reduction to be 22.5% Note no (32).

*Adjustments were made on comparative figures by an amount of L.E. 613 884 K as shown Note no (37-1).

19-2 Unrecognized deferred tax assets

	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Impairment loss on trade recivables	341 788	428 646
Impairment loss on debtors & other debit balances	137 446	135 951
Provision for liabilities and claims	90 314	90 649
Fixed assets	51 377	45 532
Other	6 390	1 402
	627 315	702 180

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.

20. OPERATING REVENUES

	For the financial year ended 31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Home	3 567 580	3 128 554
Enterprise	1 905 466	1 879 455
Domestic wholesale	2 926 575	2 702 822
International carriers	2 977 380	3 066 664
International cables and networks	807 201	1 380 033
Total Operating Revenues	**12 184 202**	**12 157 528**

21. OPERATING COSTS

	Note No.	For the financial year ended 31/12/2015 L.E. (000)	31/12/2014 Reclassified L.E. (000)
Interconnection cost		2 404 539	2 349 588
Fuel		270 377	173 981
Spare parts*		82 825	77 942
Maintenance*		310 461	286 293
Leased circuits & satellite subscriptions		137 786	102 924
Depreciation and Amortization*		1 516 094	1 527 541
Other operating costs*	(21-1)	2 313 339	2 268 515
		7 035 421	6 786 784

*Reclassification was made as shown in Note no. (37-2).

21-1 OTHER OPERATING COSTS

	For the financial year ended 12/31/2015	12/31/2014 Reclassified
	L.E. (000)	L.E. (000)
Salaries and wages	1 198 286	1 211 848
Company's social insurance contribution	129 635	126 080
Employees vacations allownace	5 600	5 794
Electricity and water	36 875	27 491
Other supplies	26 893	25 575
Transportation cost*	62 486	52 501
Company's call costs	68 741	61 197
Cost of merchandise available for sale	164 205	106 355
Right of use (IRU) outside Egypt	57 922	42 405
Rent	13 347	7 531
Frequencies and license charges (NTRA)	380 892	459 472
Others*	168 457	142 266
	2 313 339	2 268 515

*Reclassification was made as shown in Note no. (37-2).

22. OTHER INCOME

	For the financial year ended 31/12/2015	31/12/2014
	L.E. (000)	L.E. (000)
Deferred revenues (year 2015 portion)	8 922	8 922
Fines and earned delay interest on company's receivables	112 817	73 943
Provisions no longer required	-	14 485
Others	70 556	65 701
	192 295	163 051

23. SELLING AND DISTRIBUTION EXPENSES

	For the financial year ended 31/12/2015	31/12/2014 Reclassified
	L.E. (000)	L.E. (000)
Salaries & wages*	811 742	790 958
Company's social insurance contribution	90 602	82 862
Employees vacations allowance	3 827	3 979
Depreciation and Amortization*	8 601	9 156
Discount allowed	198 373	180 666
Advertising and marketing*	136 661	167 384
Tax and duty	14 554	15 316
Rent	19 631	23 002
Others*	72 705	52 048
	1 356 696	1 325 371

*Reclassification was made as shown in Note no. (37-2).

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended 31/12/2015 L.E. (000)	31/12/2014 Reclassified L.E. (000)
Salaries and wages		1 180 449	1 100 379
Company's social insurance contributions		104 433	78 771
End of service compensation - early retirement program	(28-1)	1 843	1 809
The company's contribution in loyalty and belonging fund	(28-2)	188 636	171 487
Employees vacations allowance		6 416	6 100
Depreciation & Amortization*		64 429	55 444
Organizations service cost		94 081	98 845
Bad debts		22 237	8 088
Tax and duty		176 658	187 320
Bank charges		6 185	5 093
Others		100 104	88 679
		1 945 471	**1 802 015**

* Reclassification was made as shown in Note no. (37-2).

25. OTHER EXPENSES

	Note No.	For the financial year ended 31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Provisions	(15)	444 623	336 517
Capital losses		3 165	10 584
Donations		49 765	33 791
Others		4 598	1 730
		502 151	**382 622**

26. NET FINANCE INCOME

	Note No.	For the financial year ended 31/12/2015 LE (000)	31/12/2014 LE (000)
Finance income			
Interest income		38 062	48 448
Foreign exchange		124 942	72 497
Treasury bills revenue		160 032	257 693
Income from money market funds		16 164	12 760
Divdends from available for sale investment		8 217	5 766
Total finance income		**347 417**	**397 164**
Finance costs			
Interest expense		(7 977)	(9 358)
Impairment loss on financial assets	(16)	(38 879)	(155 997)
Impairment loss on available-for-sale	(16)	(375)	(1 305)
Total finance cost		**(47 231)**	**(166 660)**
Net finance income		**300 186**	**230 504**

27. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE

	For the financial year ended	
	31/12/2015	31/12/2014
	L.E. (000)	L.E. (000)
Investee		
Vodafone Egypt Telecommunication company	1 118 333	831 047
Egypt Trust	(164)	(1 567)
	1 118 169	829 480

28. EMPLOYEES' BENEFITS

28-1 Early retirement scheme

The Company has an early retirement scheme whereby employees who wish to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women.

Compensations relating to early retirement amounted to L.E. 1 843 K for the financial year ending December 31, 2015 (against LE 1 809 K for the year 2014) are included in general and administrative expenses Note no. (24).

28-2 End of service benefits (contribution of the company in loyalty and belonging fund)

The employees are granted an end of service benefits through a Loyalty and belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2005 increasing at a compound rate of 5%. The subscription for employees hired after January 1, 2005, is calculated according to a subscription schedule for new hires and increasing at a compound rate of 5% starting from the next year of hiring.

The contribution of the employees is a predetermined subscription based on the same salary of which the benefits are paid. The Company's contribution during the year ended December 31, 2015 amounts to L.E. 188 636 K (against L.E. 171 487 K for the year ended December 31, 2014). The Company's contribution is included in general and administrative expenses (Note no. (24).

29. BASIC EARNINGS PER SHARE

Basic EPS in determined as follow:-

	For the financial year ended 31/12/2015	31/12/2014 Restated
The holding company owner's equity:-		
Net profit for the year (L.E.(000)) *	2 997 413	1 416 683
Less:		
Employees' share in interim dividends (L.E.(000))	-	67 951
Employees' share in profit (L.E.(000)) **	465 400	438 545
Board of Directors share (L.E.(000))**	8 910	9 001
Net profit for the year for distribution (L.E.(000))	2 523 103	901 186
Number of the available shares during the year (share)	1 707 071 600	1 707 071 600
Basic earnings per share for the year (LE / share)	**1.48**	**0.53**

* Adjustments were made on net profit item as shown in Note no. (37)

**Share for both of employees and the Board of Directors from profit according to the Board of Directors suggestion to be viewing on company's General Assembly and its subsidiaries.

30. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2015 approximately amounted to L.E 124 million against approximately L.E. 269.7 million for the financial year ended December 31, 2014 include uncalled installments of investees' share in capital by an amount of L.E. 1 million. These commitments are expected to be settled in the following financial year except the uncalled installments of investees' share capital, which shall be settled when required by the Boards of Directors for those investees companies.

31. CONTINGENT LIABILITIES

In addition to the amounts included in the consolidated balance sheet as of December 31, 2015, the company has the following contingent liabilities:

	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	184 687	122 548
- Letters of credit	305 718	171 252

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at December 31,2015 including letters of guarantee have been issued against cash margin (restricted cash and cash equivalent) (Note no.12)

32. TAX POSITION (Telecom Egypt)

32-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2013 and all due taxes were settled.
- Tax returns for the years till 2014 were submitted on the due dates and payments were made accordingly.
- Tax inspection for the year 2014 is in process.

32- 2 Amendments on important laws issued during year 2014

- On June 4, 2014, law no. 44 of 2014 was issued, imposing temporary additional 5% increase in the tax rate for three years on individuals and corporate entities whose annual income exceeds one million egyptian pounds. This tax will be calculated and collected according to the provisions of the income tax law, and shall come into force on 5 June 2014.
- And on June 30, 2014, a presidential decree no. 53 of 2014 was issued, amending certain provisions of the income tax Law No. 91 of 2005, the main amendments are:

1. Imposing income tax on dividends.
2. Imposing income tax on capital gains from selling shares and securities.

- On April 6, 2015 Ministerial Decree No. 172 of 2015 was issued, amending certain provisions of the excutive regulations for the Income Tax Law issued by the Minister of Finance decree No. 991 for the year 2005.

32- 3 Amendments of important laws issued during 2015

- On August 20, 2015, Presidential Decree was issued with Law No. (96) of 2015 amending certain provisions of the Income Tax Law No. (91) of 2005 and the decree no (44) of 2014 to impose temporary additional income tax, the decree will be effective from the day following its publication, the following are the most significant changes that were mentioned in the decree:

1-Decreasing the income tax rate to be 22.5% of the net annual profits.
2-Amending the period of imposing the temporary tax 5%.
3-Amending the tax on dividends.
4-Suspend the adoption of the capital tax imposed on the income from dealing in listed securities for two years starting from May 17,2015.

32- 4 Sales Tax

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 till 2013 is in process.
- The company submitting monthely returns and paying taxes regulary, according to the law No.11 for the year 1991 and its edits.

32- 5 Salary Tax

- Tax inspection was performed for the years till December 31 ,2012, and the Company was notified and all due taxes were settled.
- Tax inspection for the year 2013 is in process.

32- 6 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, the company objected on the disputed items on the due dates and the related provisions were formed to meet the disputed tax liabilities.
- 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 during the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 and due taxes were settled, disputed amounts were forwarded to the internal committee.
- Tax inspection for the years 2010 till 2014 was performed and the disputed items were resolved with the exception of the relative stamp on salaries and wages which have been forworded to the appeal committee.

32- 7 Real estate taxes

- All taxes are paid according to the addition notices received by the company. The company's Legal Affairs Department follows up the disputes according to the Real Estate Tax Law.
- Tax returns were submitted according to the 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.

33. RELATED PARTY TRANSACTIONS

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

	Nature of transactions during the year	Amount of transactions during the year recorded in the income statement L.E. 000	Transaction volume during the year Debit L.E. 000	Transaction volume during the year Credit L.E. 000	Balance as of 31/12/2015 Debit/(Credit) L.E. 000	Balance as of 31/12/2014 Debit/(Credit) L.E. 000
Balances included in trade receivables						
– Vodafone Egypt Telecommuniacations Company	Outgoing calls and voice services to the associates company	1 117 275				
			3 069 111	2 798 280	125 600	(145 231)
	Incoming and international calls, transmission & lease of company premises and towers to the associates company	1 052 065				
			3 069 111	2 798 280	125 600	(145 231)
Debit balances included in debit balances - long term (Note no.7)						
– Consortium Algerian Telecommunications (CAT)*	Paid on behalf of associates to finance operating expenses	-	-	-	453 902	453 902
			-	-	453 902	453 902
Debit balances included in debtors and other debit balances						
– International Telecommunication Consortium Limited (ITCL)*		-	-	-	66	66
			-	-	66	66
Credit balances included in creditors and other credit balances						
– Vodafone Egypt Telecommunications Company	Telecommunication servies	9 526	20 174	22 169	(5 042)	(3 047)

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

34. GROUP ENTITIES

Parent company's direct and indirect share in subsidiaries companies on December 31, 2015 which were included in the consolidated financial statements are as follows:

Company name	Country of incorporation	Ownership interest 31/12/2015	Ownership interest 31/12/2014
Telecom Egypt France	France	100.00 %	100.00 %
T.E Data	Egypt	100.00 %	99.99 %
T.E Data Jordan	Jordan	100.00 %	99.99 %
TE Investment Holding	Egypt	100.00 %	99.99 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	97.66 %
Xceed Customer Care Maroc	Morocco	100.00 %	97.66 %
Centra Technologies	Egypt	100.00 %	58.76 %
Centra Industries	Egypt	99.89 %	58.74 %
Centra Distribution	Egypt	99.99 %	58.87 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

35. FINANCIAL INSTRUMENTS

35 –1 Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date is:

Description	Note No.	31/12/2015 L.E. (000)	31/12/2014 Reclassified L.E. (000)
Trade and notes receivables	(10)	4 611 579	3 748 571
Debtors and other debit balances	(11)	1 412 071	1 497 051
Available-for-sale investments	(6-2)	98 639	99 014
Investment held-to-maturity-treasury bills		173 338	1 093 688
Cash and cash equivalents	(12)	2 362 606	2 692 107
		8 658 233	**9 130 431**

35-2 Liquidity risk

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

Description	Carrying Amount L.E (000)	One year or less L.E (000)	From 1-2 years L.E (000)	From 3-5 years L.E (000)	More than 5 years L.E (000)
December 31, 2015					
Creditors and other credit balances	4 189 472	4 189 290	182	-	-
Loans and credit facilities	389 390	62 476	70 781	42 519	213 614
	4 578 862	**4 251 766**	**70 963**	**42 519**	**213 614**
December 31, 2014					
Creditors and other credit balances (Reclassified)	3 942 711	3 939 758	2 953	-	-
Loans and credit facilities	466 118	83 574	53 868	76 518	252 158
	4 408 829	**4 023 332**	**56 821**	**76 518**	**252 158**

35 - FINANCIAL INSTRUMENTS (CONTINUED)

35-3 Currency risk exposure:

Description	U.S. Dollars (000)	Sterling Pound (000)	Euro (000)	Canadian Dollar (000)	Swedish krona (000)	Maroccan Dirham (000)	Jordanian Dinar (000)	Total L.E. (000)
December 31, 2015								
Trade receivables	186 034	–	1 894	3 055	–	13 353	33	1 501 203
Accrued interest from deposits	134	–	37	–	–	–	–	1 365
Other debit balances	631	–	692	174	–	7 857	81	19 083
Cash & cash equivalents	165 030	300	49 250	1 010	–	3 099	2 829	1 755 531
Total assets in currency	351 829	300	51 873	4 239	–	24 309	2 943	3 277 182
Creditors & other credit balances	68 257	5	2 983	–	8 196	3 887	488	576 001
Foreign loans & facilities	10 798	–	35 103	–	–	–	–	384 340
Total liabilities in currency	79 055	5	38 086	–	8 196	3 887	488	960 341
Risk surplus (deficit)	272 774	295	13 787	4 239	(8 196)	20 422	2 455	2 316 841
Equivalent in Egyptian Pound	2 135 848	3 416	117 745	23 844	(7 503)	16 542	26 949	2 316 841
December 31, 2014								
Trade receivables	179 867	–	29	1 925	–	9 154	286	1 311 041
Accrued interest from deposits	189	–	33	–	–	–	–	1 642
Other debit balances	473	–	798	–	–	3 605	89	14 091
Cash & cash equivalents	204 325	299	60 891	1	–	12 653	2 387	2 032 075
Total assets in currency	384 854	299	61 751	1 926	–	25 412	2 762	3 358 849
Creditors & other credit balances	80 405	5	11 494	–	8 692	1 349	530	690 794
Foreign loans & facilities	15 959	–	37 967	–	–	–	–	445 169
Total liabilities in currency	96 364	5	49 461	–	8 692	1 349	530	1 135 963
Risk surplus (deficit)	288 490	294	12 290	1 926	(8 692)	24 063	2 232	2 222 886
Equivalent in Egyptian Pound	2 067 060	3 279	107 088	11 902	(8 046)	19 010	22 593	2 222 886

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during: 2015	Average exchange rate during: 2014	Closing exchange rate as at: 31/12/2015	Closing exchange rate as at: 31/12/2014
	L.E	L.E	L.E	L.E
U.S. Dollar	7.6989	7.0955	7.8301	7.1651
Sterling Pound	11.7502	11.6748	11.5800	11.1528
Euro	8.5577	9.4093	8.5403	8.7134
Canadian Dollar	5.9000	6.3600	5.6250	6.1800
Swedish Krona	0.9155	1.0341	0.9155	0.9257
Maroccan Dirham	0.8000	0.8100	0.8100	0.7900
Jordanian Dinar	10.5497	9.9813	10.9772	10.1223

35-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2015 would have increased profit by an amount of LE 231 684 K (L.E. 222 289 K as of December 31, 2014). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2014.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2015 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

35–5 Interest rate risk

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

Description	Note No.	31/12/2015 L.E. (000)	31/12/2014 L.E. (000)
Financial instruments with variable interest rate			
Financial assets – deposits	(12)	1 862 855	2 204 161
Financial liabilities (loans-credit facilities)	(13)	389 390	466 118
		2 252 245	**2 670 279**

35–6 Fair values for financial instruments

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

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

36. CLAIMS AND LITIGATIONS

The Company's external legal advisor's opinion is that the following court cases and disputes are still pending by judicial and arbitral authorities, it is difficult to determine the obligation for any of the disputed parties by the issuance of the final ruling.

36-1 Interconnect agreement with mobile companies

Telecom Egypt had filed a complaint before the Dispute Resolution Committee of the National Telecommunication Regulatory Authority (NTRA) requesting the application of the same interconnection rates applied between the mobile operators (Mobinil and Vodafone) as per the legal obligations in telecom law and signed agreements between Telecom Egypt and each of Mobinil and Vodafone. On September 3, 2008 NTRA issued the first decision in favor of Telecom Egypt, this was followed by the second on December 31, 2009 and amended on January 14, 2010. Vodafone had appealed on NTRA Decision Dated 3 September 2008, and Mobinil appealed as well on both NTRA decisions to the administration court and high administrative court these appeals are still in process before the courts. Telecom Egypt is not a part of the Mobinil appeal against NTRA to repeal the abovementioned decisions.

On September 2009, Mobinil had filed the Arbitration Case no. 644/2009 year requesting the application of the interconnection rates mentioned in the signed agreements with Telecom Egypt and objecting the application of NTRA abovementioned decisions, claiming that Telecom Egypt made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway services.

In October 2009 Telecom Egypt had filed the Arbitration Case against Mobinil and filed the Arbitration Case no. 650/2009 against Vodafone, that's where Telecom Egypt's management believes that these two companies charged Telecom Egypt with rates exceeds the rates where these two companies are charging each other and this violates the article (13) of the interconnection agreement between Telecom Egypt and these two companies. The tribunal in TE-Vodafone arbitration case rejected TE's interpretation of article (13) by its award issued on January 10, 2015. On March 29, 2015, The tribunal in Mobinil Case rejected Mobinil's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its interpetation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected a part of TE's claims for the previous period, the Tribunal depute an expert to review Mobinil claims whether from the principle or the amount claimed, and these claims still pending before Tribunal.

The company's legal advisor believes that the company has the right to apply the interconnection rates same as other mobile operators, and this opinion in the light of NTRA decisions that still in effect, the provisions Telecommunication law and Competition law.

According to the legal advisor's opinion, the company recognizes revenues and costs related to the interconnection service with mobinil and vodafone according to the applicable decisions released by the NTRA until annuled or a final award is issued by the courts and arbitration.

The amount in dispute as per the company's record between Telecom Egypt and both company " Mobinil, Vodafone " in relation to the said dispute for the period from September 3, 2008 to the end of December 2015 is approximtely an amount of L.E. 878 072 K.

36-2 Dispute with one of the investees

The company has filed an arbitration case against an investee, in which Telecom Egypt owns 25%, claiming compensations for breach of obligations stipulated in an agreement concluded between the company, and the investee and requesting the termination of the said agreement. The investee has filed as well another arbitration case against Telecom Egypt claiming compensation for breaching of obligations stipulated in the same agreement. In 31 August 2015, the tribunal issued an arbitral awards in arbitration cases no. 672/2010 and 673/2010, also an interpretation award for case No. 673/2010 on 28 September 2015, and notified TE with the award on 7 October 2015. The tribunal rejected Telecom Egypt claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract dated 25 July 2000, and its amendments dated 2004, and the shareholder's contract dated 27 February 2006 and awarded compensation to the investees. The company started to take the necessary legal action to cease the implementation of such award and to annul it. The external legal counsel believes that the company has a number of strong arguments available on appeal and preponderance of annulling the award or ceasing its implementation.

36-2 Other Claim

The company has filed arbitration cases against the three prepaid cards companies, which filed a counter claims against Telecom Egypt. All these cases have been resolved in favor of Telecom Egypt and the procedures for the Execution of these rulings are currently in process.

Provisions were formed to meet any probable liabilities and impairment loss on assets that may arise from the claims and litigations above.

37. COMPARATIVE FIGURES

- Restatements was made on the comparative figures of deferred tax item on consolidated balance sheet and consolidated income statement led to decrease in net profrt for year 2014 by an amount of L.E 613 884 K in accordance with the presidential decree no. (53) for the year 2014 as shown Note no.(32-2)
- Reclassification was made to some comparative figures of the consolidated balance sheet and cosolidated statements of income and cash flows to conform the current presentation of the consolidated financial statments, the restatments and reclassifications as follows:

37-1 Consolidated Balance Sheet

Description	31/12/2014 as previously presented L.E.(000)	Adjustments Debit/(Credit) L.E.(000)	Reclassification Debit/(Credit) L.E.(000)	31/12/2014 Restated L.E.(000)
Debtors and other debit balances	1 496 566	-	485	1 497 051
Held-to-maturity investment-treasury bills	895 691	-	197 997	1 093 688
Cash and cash equivalents	2 914 256	-	(197 997)	2 716 259
Creditors and other credit balances	(3 939 273)	-	(485)	(3 939 758)
Net profit	(2 030 567)	613 884	-	(1 416 683)
Deferred tax assets \ (liabilities)	61 837	(613 884)	-	(552 047)

37-2 Consolidated income statement

Description	For the financial year ended 31/12/2014 as previously presented L.E. (000)	Adjustments/ Reclassification L.E. (000)	For the financial year ended 31/12/2014 Restated L.E. (000)
Operating cost	(6 788 612)	1 828	(6 786 784)
Selling and distribution expenses	(1 323 569)	(1 802)	(1 325 371)
General and administrative expenses	(1 801 989)	(26)	(1 802 015)
Deferred tax	(262 718)	(613 884)	(876 602)

37-3 Consolidated statement of Cash Flows

	For the year ended 31/12/2014 as previously presented LE(000)	Adjustments / Reclassification LE(000)	For the year ended 31/12/2014 Restated LE(000)
Cash paid for suppliers	(504 364)	(85 573)	(589 937)
Other payments	(351 393)	85 573	(265 820)
Payments for purchase of held-to-maturity investment -treasury bills	(1 994 194)	(197 997)	(2 192 191)