



**TELECOM EGYPT COMPANY
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IFRS
FOR THE YEAR ENDED DECEMBER 31, 2022



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Independent Auditor's Report To the Shareholders of Telecom Egypt Company Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Telecom Egypt Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Qualified Opinion

Investment in associate (Vodafone Egypt Telecommunications Company S.A.E.)

As disclosed in Note 8 to the consolidated financial statements, the Group's investment in Vodafone Egypt Telecommunications Company S.A.E. (the "Associate") is carried at EGP 10,922,615 thousand on the consolidated statement of financial position as at December 31, 2021 and EGP 12,181,727 thousand as at December 31, 2022. The Group's share of profit of the Associate of EGP 3,148,000 thousand and EGP 2,561,008 thousand is also included in income in for the years then ended, which was accounted for using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*. We were not granted access to the Associate or to communicate and review the working papers of the Associate's auditor as required by the International Standards on Auditing (ISAs) and were unable to perform alternative audit procedures to obtain sufficient appropriate audit evidence about the carrying amount of the Associate, the related share of profit recognized in profit or loss, and its presentation in these consolidated financial statements, and accordingly, we were unable to determine whether any adjustments to these are required for the years ended December 31, 2021 and December 31, 2022. Our audit report on the consolidated financial statements of the Group for the year ended December 31, 2021 was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Independent Auditor's Report
To the Shareholders of Telecom Egypt Company (continued)
Report on the Audit of the Consolidated Financial Statements (continued)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis for Qualified Opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Revenue recognition</p> <p>As stated in Note 20 to the consolidated financial statements, the Group recognized revenue of EGP 44,273 million for the year ended December 31, 2022 from provision of telecommunication and ancillary services, which require the use of complex technical infrastructure, systems and processes. The revenue recognized comprises of large volumes of transactions and large variety of service offerings to customers.</p> <p>This is a key audit matter due to its significance to the consolidated financial statements, the inherent risk associated with revenue recognition in the telecommunication industry, the involvement of estimates made and judgments applied by management in the revenue recognition process, and the degree of complexity of IT systems and other processes involved in recording revenue.</p>	<p>We performed the following:</p> <ul style="list-style-type: none"> • We obtained understanding of the significant revenue processes and the relevant controls, evaluated their design and implementation and tested their operating effectiveness, including assessing the effectiveness of the IT General Controls and the relevant IT Application Controls, for which we engaged our IT specialists; • We obtained understanding of the Group's revenue recognition accounting policies of the different significant revenue streams and assessed their conformity with IFRS 15 <i>Revenue from Contracts with Customers</i>; • We performed substantive analytical procedures and substantive tests of details on sample basis on the significant revenue streams, which included assessing contractual arrangements for digital and non-digital services and evaluating the revenue recognition criteria relating to multiple element arrangements with customers in accordance with IFRS 15 for the samples selected; and • Assessed the adequacy of the disclosures included within the consolidated financial statements for compliance with IFRS 15.

Independent Auditor’s Report
To the Shareholders of Telecom Egypt Company (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Key audit Matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Expected credit loss of trade receivables</p> <p>As stated in Note 32.2 to the consolidated financial statements, as at December 31, 2022, the Group’s gross trade and notes receivables amounted to EGP 11,221,408 thousand and the related allowance for expected credit losses (“ECL”) amounted to EGP 3,066,567 thousand.</p> <p>At each reporting date, the Group performs an impairment analysis of trade and notes receivables to measure expected credit losses. The Group’s management has applied the simplified method to determine the allowance for expected credit losses of trade and notes receivables, which involves the use of various assumptions, review of current and expected macro-economic factors, and study of historical experience of credit losses.</p> <p>We considered this to be a key audit matter as the management applies significant judgment and estimates in determining the allowance for expected credit losses.</p>	<p>We performed the following:</p> <ul style="list-style-type: none"> • We assessed the accounting policies relating to the determination of the ECL allowance with reference to the requirements of IFRS 9 <i>Financial Instruments</i> and application thereof by the Group; • We assessed the design and implementation of the key controls relating to the Group’s processes over establishing and implementing the ECL model ; • We tested the key assumptions and judgments applied by management including reviewing the historical data used, forward looking factors considered, discount rates and legal or contractual obligations; and • We evaluated the adequacy and completeness of the ECL disclosures in the consolidated financial statements.

Other Matter

As stated in Note 1 to the consolidated financial statements, the Group has also prepared and published a separate set of consolidated financial statements (“EAS consolidated financial statements”) for the year ended December 31, 2022 in accordance with Egyptian Accounting Standards and relevant Laws and Regulations, which do not constitute part of the accompanying consolidated financial statements of the Group prepared in accordance with IFRS. These EAS consolidated financial statements have been audited by another auditor, who expressed a qualified opinion on those statements on March 6, 2023.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Independent Auditor's Report
To the Shareholders of Telecom Egypt Company (continued)
Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Independent Auditor's Report
To the Shareholders of Telecom Egypt Company (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

GRANT THORNTON

**Dr. Osama El Bakry
Registration No. 935
Dubai, United Arab Emirates**

June 20, 2023

Telecom Egypt Company and its Subsidiaries
Consolidated statement of financial position
As at December 31, 2022

(Amounts in thousands of Egyptian Pounds)

	Notes	December 31, 2022	(Restated) December 31, 2021	(Restated) January 1, 2021
ASSETS				
Non-current assets				
Property and equipment	5	56,456,415	47,650,399	42,235,050
Cost to obtain contracts		1,348,006	1,377,612	1,690,187
Right-of-use assets	6	822,821	721,211	509,954
Intangible assets	7	18,395,021	12,275,664	9,978,602
Investments in associates	8	12,197,510	10,925,722	12,270,440
Financial assets at FVOCI	9	74,856	74,856	74,856
Other non-financial assets	12	67,921	48,203	53,334
Deferred tax assets	10	773,909	167,807	131,959
Total non-current assets		90,136,459	73,241,474	66,944,382
Current assets				
Inventories	11	4,280,512	2,341,976	2,092,242
Trade and other receivables	12	14,579,352	10,778,644	12,163,757
Cash and bank balances	13	6,811,305	2,983,337	2,003,432
Total current assets		25,671,169	16,103,957	16,259,431
TOTAL ASSETS		115,807,628	89,345,431	83,203,813
EQUITY AND LIABILITIES				
Equity				
Share capital	14	17,070,716	17,070,716	17,070,716
Reserves	14	6,088,720	5,278,585	4,949,937
Retained earnings		16,930,126	20,938,049	15,101,599
Equity attributable to the Owners of the Parent		40,089,562	43,287,350	37,122,252
Non-controlling interests		14,064	12,503	15,095
Total equity		40,103,626	43,299,853	37,137,347
Non-current liabilities				
Loans and borrowings	15	20,411,441	10,987,784	3,278,144
Lease liabilities	6	740,473	737,235	546,382
Trade payables	16	7,058,029	4,241,851	5,065,367
Deferred income	17	325,126	243,988	273,577
Deferred tax liabilities	10	3,631,980	3,161,466	2,392,317
Total non-current liabilities		32,167,049	19,372,324	11,555,787
Current liabilities				
Loans and borrowings	15	10,414,611	5,333,249	17,009,238
Lease liabilities	6	265,581	119,285	61,384
Trade and other payables	16	28,882,039	16,438,467	13,272,581
Deferred income	17	1,387,052	1,096,554	1,218,721
Amount due to associate	18	677,662	1,047,466	1,331,920
Income tax payable		663,205	1,239,015	514,359
Provisions	19	1,246,803	1,399,218	1,102,476
Total current liabilities		43,536,953	26,673,254	34,510,679
Total liabilities		75,704,002	46,045,578	46,066,466
TOTAL EQUITY AND LIABILITIES		115,807,628	89,345,431	83,203,813

The attached notes on pages from 10 to 72 form an integral part of these consolidated financial statements.

Ehab Abdo
 Director of Financial Affairs

Wael Hanafy
 Senior Director of Financial
 Affairs

Mohamed Shamroukh
 Chief Financial Officer

Mohamed Nasr
 Managing Director and
 Chief Executive Officer

Board of Directors' approval

Maged Osman
 Chairman

Telecom Egypt Company and its Subsidiaries
Consolidated statement of profit or loss and other comprehensive income
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

	Notes	For the year ended December 31	
		2022	(Restated) 2021
Revenue	20	44,273,344	37,087,963
Cost of revenue	21	(26,743,398)	(22,094,956)
Gross profit		17,529,946	14,993,007
Selling and marketing expenses	22	(3,985,883)	(3,519,787)
Administrative expenses	23	(4,814,890)	(4,147,343)
Impairment loss on trade receivables	32	(479,215)	(44,587)
Other operating income	24	535,578	943,051
Other operating expenses	25	(3,369,355)	(234,630)
Operating profit		5,416,181	7,989,711
Finance income	27	186,584	77,225
Finance costs	27	(1,687,948)	(1,246,221)
Net finance costs	27	(1,501,364)	(1,168,996)
Other non-operating income	28	2,897	201,956
Other non-operating expense	29	(6,978,870)	-
Share of profit of associates - net of tax	8	2,573,684	3,149,856
(LOSS)/PROFIT BEFORE INCOME TAX		(487,472)	10,172,527
Income tax expense	10	(1,441,528)	(2,705,194)
NET (LOSS)/PROFIT FOR THE YEAR		(1,929,000)	7,467,333
Other comprehensive income / (loss)			
<i>Item that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		442,840	(19,149)
Total other comprehensive income/(loss)		442,840	(19,149)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(1,486,160)	7,448,184
Net (loss)/profit attributable to:			
Owners of the Parent		(1,933,358)	7,464,551
Non-controlling interests		4,358	2,782
Net (loss)/profit for the year		(1,929,000)	7,467,333
Total comprehensive (loss)/income attributable to:			
Owners of the Parent		(1,490,518)	7,445,402
Non-controlling interests		4,358	2,782
Total comprehensive (loss)/income for the year		(1,486,160)	7,448,184
Earnings per share (expressed in EGP):			
Basic earnings per share	30	(1.13)	4.37
Diluted earnings per share	30	(1.13)	4.37

The attached notes on pages from 10 to 72 form an integral part of these consolidated financial statements.

Telecom Egypt Company and its Subsidiaries
Consolidated statement of changes in equity
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

	Attributable to Owners of the Parent						Non-controlling interests	Total equity
	Share capital	Legal reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total		
Balance as at January 1, 2021	17,070,716	2,241,767	(25,489)	2,787,550	15,068,057	37,142,601	15,095	37,157,696
Effect of restatement (Note 37)	-	(17,941)	4,075	(40,025)	33,542	(20,349)	-	(20,349)
Balance as at January 1, 2021 (Restated)	17,070,716	2,223,826	(21,414)	2,747,525	15,101,599	37,122,252	15,095	37,137,347
<i>Total comprehensive income for the year</i>	-	-	-	-	7,464,551	7,464,551	2,782	7,467,333
Net profit for the year (Restated)	-	-	(19,149)	-	-	(19,149)	-	(19,149)
Other comprehensive loss for the year	-	-	(19,149)	-	-	-	-	-
Total comprehensive income for the year	-	-	(19,149)	-	7,464,551	7,445,402	2,782	7,448,184
Transfer to legal reserve (Note 14)	-	347,797	-	-	(347,797)	-	-	-
Dividends (Note 14)	-	-	-	-	(1,280,304)	(1,280,304)	(5,374)	(1,285,678)
Balance as at December 31, 2021 (Restated)	17,070,716	2,571,623	(40,563)	2,747,525	20,938,049	43,287,350	12,503	43,299,853
<i>Total comprehensive loss for the year</i>	-	-	-	-	(1,933,358)	(1,933,358)	4,358	(1,929,000)
Net loss for the year	-	-	442,840	-	-	442,840	-	442,840
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	442,840	-	(1,933,358)	(1,490,518)	4,358	(1,486,160)
Transfer to legal reserve (Note 14)	-	367,295	-	-	(367,295)	-	-	-
Dividends (Note 14)	-	-	-	-	(1,707,072)	(1,707,072)	(2,797)	(1,709,869)
Other adjustments	-	-	-	-	(198)	(198)	-	(198)
Balance as at December 31, 2022	17,070,716	2,938,918	402,277	2,747,525	16,930,126	40,089,562	14,064	40,103,626

The attached notes on pages from 10 to 72 form an integral part of these consolidated financial statements.

Telecom Egypt Company and its Subsidiaries
Consolidated statement of cash flows
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

	Notes	December 31, 2022	(Restated) December 31, 2021
Operating activities			
(Loss)/profit for the year before tax		(487,472)	10,172,527
<i>Adjustments for:</i>			
Depreciation of property and equipment	5	5,526,335	4,631,843
Amortization of cost to obtain contracts	21	439,104	312,575
Depreciation of right-of-use assets	6	231,711	166,241
Amortization of intangible assets	7	1,260,911	747,251
Share of profit of associates	8	(2,573,684)	(3,149,856)
Allowance for expected credit losses	32	479,215	44,587
Provision for inventories	11	88,797	98,996
Net movement in provisions		(152,415)	296,742
Gain on lease derecognition		(4,757)	-
Loss on disposal of property and equipment	25	40,343	78,498
Net foreign exchange differences		8,685,382	(405,411)
Dividend income	28	(2,897)	(3,297)
Finance cost	27	1,687,948	1,246,221
Finance income	27	(186,584)	(77,225)
Cash from operations		15,031,937	14,159,692
<i>Working capital changes:</i>			
Trade and other receivables		(3,238,820)	831,404
Cost to obtain contracts		(409,498)	-
Inventories		(2,027,333)	(348,730)
Trade and other payables		7,374,866	3,377,004
Amount due to an associate		(369,804)	(284,454)
Deferred income		371,636	(151,756)
Restricted bank balances		830	6,145
		16,733,814	17,589,305
Interest paid		(1,081,759)	(1,005,854)
Income tax paid		(1,063,628)	(602,676)
Net cash flows from operating activities		14,588,427	15,980,775
Investing activities			
Purchase of property and equipment	5	(13,742,811)	(11,162,310)
Purchase of intangible assets	7	(5,137,723)	(2,476,050)
Purchase of treasury bills – initial maturity of more than 3 months		(596,933)	-
Proceeds from disposal of treasury bills – initial maturity of more than 3 months		626,115	14,054
Proceeds from disposal of property and equipment and intangibles		317	7,555
Interest received		45,694	10,520
Dividend received from an associate	8	1,170,723	4,050,389
Dividends received on financial assets at FVOCI	28	2,897	3,297
Net cash flows used in investing activities		(17,631,721)	(9,552,545)
Financing activities			
Payments of lease liabilities	6	(304,746)	(247,534)
Repayment of loans and borrowings	15	(2,177,918)	(11,747,012)
Proceeds from loans and borrowings	15	10,963,761	7,845,000
Dividends paid to Owners of the Parent	14	(1,706,504)	(1,280,520)
Dividends paid to non-controlling interests		(2,797)	(5,374)
Net cash from/(used in) financing activities		6,771,796	(5,435,440)
Net change in cash equivalents		3,728,502	992,790
Cash and cash equivalents at January 1,		2,922,993	1,936,943
Net foreign exchange difference		100,296	(6,740)
Cash and cash equivalents at December 31,	13	6,751,791	2,922,993

The attached notes on pages from 10 to 72 form an integral part of these consolidated financial statements.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

1 General information

Telecom Egypt Company (the “Company” or the “Parent”) is an Egyptian joint stock company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The Company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market Law No. 95 of 1992 and is registered in the Commercial Register under number 3930, Cairo, Egypt.

The registered office of the Company is 26 Ramses Street, Cairo, Egypt.

As at December 31, 2022, 80% of the Company’s shares are held by the Government of Egypt (2021: 80%) and the remaining 20% are listed on the Egypt Stock Exchange (“Egyptian Exchange”). In addition, the Company’s global depositary receipts are listed on the London Stock Exchange (each consisting of five ordinary shares).

The main business operations of the Company in accordance with its trade license include the following:

- Owning, setting up, operating, maintaining and developing telecommunication networks and infrastructure necessary for communication services for the purpose of using, managing, and leasing them to others as part of the Company’s operations.
- Providing, managing, and leasing to others voice, video and data transmission telecommunication as part of the Company’s operations.
- Participating and contributing to global communication systems, such as submarine cables and satellites, and obtaining capacities or circuits for using, managing and leasing them to others as part of the Company’s operations.
- Dealing, contracting and participating with authorities, agencies, companies, organizations or any other entity exercising activities similar or identical to those of the Company or assists the Company to achieve its purpose either in the Arab Republic of Egypt or abroad.
- Managing, selling, leasing, purchasing, possessing, and trading in any property and rights to or benefit in any property, including property that could be acquired or owned by the Company.
- Selling, purchasing and distributing fixed line sets, mobile phones and computers, and their peripherals, accessories and supplies, and complementary devices and necessary spare parts and providing related maintenance works.
- Setting up voice, video and written data transmission networks and providing value-added, content, marketing, electronic signature, and online money transfer services.
- Engaging in real estate investment for serving the Company’s purpose and executing its projects.

The consolidated financial statements of the Company for the year ended December 31, 2022 comprise the financial statements of the Company and its subsidiaries (together referred to as the “Group”). The Group also holds interests in associates. Information on the Group’s structure is provided on next page.

The Group has also prepared statutory consolidated financial statements in accordance with Egyptian Accounting Standards for the year ended December 31, 2022, which do not constitute part of these consolidated financial statements and were issued on March 6, 2023 and published on the Egyptian Exchange.

These consolidated financial statements were approved by the Board of Directors for issuance on June 20, 2023.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

1 General information (continued)

The details about the subsidiaries held by the Group as at December 31, 2022 and December 31, 2021 are as follows:

Subsidiary	Nature of business	Country of incorporation	Ownership interest	
			2022	2021
Telecom Egypt France	Telecommunication and related services	France	100.00%	100.00%
WE Data	Internet service provider	Egypt	100.00%	100.00%
WE Data Jordan	Internet service provider	Jordan	100.00%	100.00%
TE Investment Holding	Promotion of suitable investment opportunities	Egypt	100.00%	100.00%
The Egyptian Telecommunication Company for Information Systems (Xceed)	Business process outsourcing	Egypt	100.00%	100.00%
Xceed Customer Care Maroc	Business process outsourcing	Morocco	100.00%	100.00%
Xceed Customer Care Mauritius	Business process outsourcing	Mauritius	100.00%	100.00%
Centra Technologies	IT solutions provider	Egypt	100.00%	100.00%
Centra Industries	Electronic equipment assembly	Egypt	100.00%	100.00%
Telecom Egypt Globe	Telecommunication and related services	Singapore	100.00%	100.00%
Egyptian International Submarine Cables Company (EISCC)	Management of submarine cables	Egypt	100.00%	100.00%
Middle East and North Africa Cable Company (MENA Cable)	Management of submarine cables	Egypt	100.00%	100.00%
MENA Company for Submarine Cable Company (MENA Cable Italy)	Management of submarine cables	Italy	100.00%	100.00%
Egyptian Telecommunication Integrated Service Company	Telecommunication and related service	Egypt	100.00%	100.00%
Centra Distribution*	Electronic equipment imports and export	Egypt	0.00%	99.99%
Middle East Radio Communication (MERC)**	Communication stations management	Egypt	51.00%	51.00%

* Centra Distribution was liquidated during the year without any significant loss incurred on liquidation.

** The non-controlling interests related to these subsidiaries are not considered to be material to the Group, and therefore, summarised financial information for these subsidiaries have not been disclosed.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the applicable provisions of relevant Laws and Regulations.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income, which are measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pounds (“EGP”), which is also the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired by the Group and consolidation ceases from the date that control is lost.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three control elements mentioned above.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

The consolidated financial statements include the assets, liabilities, income and expenses of subsidiaries controlled by the Group from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

2 Basis of preparation (continued)

2.4 Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 New Standards, Interpretations and Amendments to existing Standards

3.1 New Standards adopted as at January 1, 2022

Some accounting pronouncements that are listed below, have become effective from January 1, 2022 and have therefore been adopted by the Group, but do not have any significant impact on the Group's consolidated financial results or position, and accordingly, further disclosures have not been made.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
 - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
 - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
 - Lease Incentives (Amendments to IFRS 16)
 - Taxation in Fair Value Measurements (Amendments to IAS 41)

3.2 Standards, Interpretations and Amendments to existing standards that are not yet effective

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been early adopted by the Group and no interpretations have been issued that are applicable and need to be taken into consideration by the Group at the reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. These new standards, amendments and interpretations have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements when they become effective.

4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.1 Foreign currency translation

Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the respective Group entity at exchange rates prevailing at the dates of the transactions (spot exchange rate).

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate applicable at the reporting date and the resulting foreign exchange gains and losses are recognised in profit or loss, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are not retranslated at the reporting date.

Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the EGP are translated into EGP upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

The results and financial position of foreign operations, having functional currencies different from the presentation currency, are translated into EGP as follows:

- assets and liabilities are translated at the closing rate as at the reporting date;
- income and expenses are translated at the average rate over the reporting period; and
- All resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

4.2 Property and equipment

Recognition and measurement

Property and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Purchased software, that is integral to the functionality of the related equipment, is capitalised as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.2 Property and equipment (continued)

Recognition and measurement (continued)

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of property and equipment, as follows:

Buildings and infrastructure	5 - 50 years
Technical equipment and radio network fixtures	3 - 15 years
Light and heavy vehicles	7 - 15 years
Office furniture and fixtures	5 - 10 years
Tools and supplies	2 - 8 years

Land is not depreciated. Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the proceeds from disposal and the carrying amount of the disposed asset, and are recognized within 'other operating income / (expenses)' in profit or loss.

Projects under progress

Projects under progress comprise all property and equipment that are being acquired or constructed before they are available for use. Projects under progress are stated at cost less impairment losses, if any. Cost includes all expenditures associated with the acquisition and construction of the asset and for making it ready for its intended use. When an asset is ready for its intended use, it is transferred from projects under progress to the appropriate class under property and equipment and depreciated in accordance with the Group's depreciation policy.

4.3 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group leases various land, stores and rooftop space for installation of telecommunication towers. Contracts are typically made for periods ranging from 3 to 20 years.

Some lease contracts contain both lease and non-lease components. The Group has elected to separate its leases for such properties into lease and non-lease components based on their relative stand-alone prices.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.3 Leases (continued)

Group as a lessee (continued)

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term as follows:

Land	2 – 25 years
Stores	2 – 10 years
Rooftop space	2 – 25 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

In addition, the right-of-use assets are reduced by impairment losses, if any, and adjusted for remeasurements of the lease liabilities.

Lease liabilities

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.3 Leases (continued)

Group as a lessee (continued)

Lease liabilities (continued)

The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term in profit or loss.

4.4 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, which can be controlled and are capable of generating future economic benefits.

Intangible assets are stated at purchase cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Licenses

Licenses include fourth generation license, software license, and internet service license. Amortisation is charged to profit or loss on a straight-line basis over the period of the expected use or the term of the underlying agreement, whichever is shorter, and ranges from 3 to 20 years.

Right-of-way and right-of-use

The Group recognises an intangible asset arising from a right-of-way and right-of-use of an asset when it has the right for using that asset and can derive the benefits from their usage.

Amortisation is charged on a straight-line basis over the shorter of the period of its expected use and the term of the underlying agreement, which ranges from 10 to 20 years, starting from the date of the acquisition of the right.

Intangible assets with indefinite useful lives and goodwill

Land possession rights and usufruct land have indefinite useful lives as there is no foreseeable limit on the period over which these intangible assets are expected to exist and generate cash flows and are carried at cost less impairment losses, if any. Goodwill represents the excess of acquisition cost over the Group's share in the fair value of the investee's acquired net assets at the time of acquisition.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.4 Intangible assets (continued)

Intangible assets with indefinite useful lives and goodwill (continued)

Intangible assets having indefinite useful lives and goodwill are assessed for impairment at each reporting date and impairment losses, if any, are recognised in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

On disposal of a subsidiary or where the Group ceases to exercise control, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets under acquisition / development

Intangible assets under acquisition / development comprise all intangible assets that are being acquired or developed before they are available for use. These are stated at cost less impairment losses, if any. Cost includes all expenditures associated with the acquisition of the asset and making it ready for its intended use. When the asset is ready for its intended use, it is transferred from intangible assets under acquisition / development to the appropriate class under intangible assets and amortised in accordance with Group's policy for amortization.

4.5 Investments in associates

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method.

Under the equity method of accounting, interests in associates are initially recognised at cost and subsequently adjusted for the post-acquisition change in the Group's share of the net assets. The carrying amount of the investments in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Where the Group's share of losses exceeds its interest in an investee accounted for using equity method, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those investees. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.5 Investments in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate, is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value, and then recognises the loss within 'Share of profit of associates' in the consolidated statement of profit or loss.

4.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, intangible assets with indefinite useful lives, intangible assets under acquisition/development, and projects under progress under property and equipment are tested annually for impairment or when circumstances indicate that the carrying value may be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination.

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

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

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

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

4.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises purchase price, after deducting rebates and discounts. Costs are assigned to individual items of inventory based on weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale.

The provision for slow moving and obsolete inventory is created in accordance with the management's assessment.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.8 Financial instruments

Financial assets

Initial recognition and measurement

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

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss, as applicable); and
- those to be measured at amortised cost.

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

A debt instrument financial asset is measured at amortized cost or at fair value through other comprehensive income (“FVOCI”) if it meets both of the following conditions and is not designated as at fair value through profit or loss (“FVTPL”):

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

On initial recognition of an equity instrument that is not held for trading, the Group may elect to classify it irrevocably as equity instrument at fair value through other comprehensive income. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset as at FVTPL that otherwise meets the requirements to be measured at amortized cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group’s financial assets at amortized cost include cash and bank balances and trade and other receivables. The Group’s financial assets at fair value through other comprehensive income include unquoted equity investments.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Financial assets (continued)

Subsequent measurement

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

<i>Financial assets at amortised cost</i>	These assets are subsequently measured at amortised cost, using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<i>Financial assets at FVOCI (debt instruments)</i>	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Revaluation gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
<i>Financial assets at FVOCI (equity investments)</i>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it recognized as a reduction to the carrying amount. Revaluation gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.
<i>Financial assets at FVTPL</i>	These assets are subsequently measured at fair value. Revaluation gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:

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

Impairment

The Group recognises a loss allowance for expected credit losses (“ECL”) on debt instruments that are measured at amortized cost. No impairment loss is recognised for investments in equity instruments at FVOCI. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

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

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

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

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

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

- when there is a breach of financial covenants by the counterparty (if any); or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the dues.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if;

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

The Group recognises an impairment loss or reversals in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities

Classification

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include lease liabilities, amount due to associate, loans and borrowings and trade and other payables.

Recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The Group measures equity instruments at FVOCI at fair value at each reporting date, which are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks, Treasury Bills, time deposits, and money market funds that have an initial maturity period of less than three months and are subject to an insignificant risk of changes in value, net of bank overdrafts, if any, that are repayable on demand and form an integral part of the Group's cash management.

4.11 Equity and reserves

Share capital

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

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.11 Equity and reserves (continued)

Legal reserve

As per the Company's statutes, 5% of statutory net profit for the year is set aside to form a legal reserve. The transfer to such reserve ceases once it reaches 50% of the Company's paid in share capital. The reserve can be utilized for covering losses or for increasing the Company's share capital.

Revaluation reserve

Comprises gains and losses from the revaluation of unquoted equity investments (Notes 9 & 14.4).

Foreign currency translation reserve

Comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into EGP.

General and other reserves

The General Assembly may form other reserves based on the Board of Directors' recommendation. The detailed nature of the amounts included in other reserves as at reporting date is disclosed in Note 14.

Dividends

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

4.12 Employee benefits

Defined contributions

The Group contributes to the Government Social Insurance System for the benefits of its personnel in accordance with the Social Insurance Law. Under this law, the employees and the employers contribute into the system a fixed percentage of salaries.

The employees are also granted end-of-service benefits through a Loyalty and Belonging Fund established in January 2004. The Group's share represents fixed contributions determined annually by the Board of Directors.

The Group's liability is confined to the amount of its contributions. Contributions are charged to profit or loss using accrual basis of accounting.

Share of profit

The Group may distribute share of its profit to its employees in accordance with applicable Laws and Regulations. These are recognised in the profit or loss for the period in which the employees' rights to receive the share of profit are established, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made.

4.13 Government grants

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

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.13 Government grants (continued)

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

For non-monetary assets received as grants, for which, fair value cannot be measured reliably at the date of initial recognition, the grant as well as the asset are recognised at nominal value.

4.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The Group makes use of the exemption in IAS 37 not to disclose some or all of the information required by the accounting standard with regards to provisions when it can be expected that such disclosure would prejudice seriously the position of the Group in a dispute with other parties on the subject matter of the provision.

4.15 Revenue from contracts with customers

The Group is in the business of providing telecommunication goods and services. The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services excluding amount collected on behalf of third parties. The Group recognises revenue from contracts with customers based on the five steps model set out as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue over time if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.15 Revenue from contracts with customers (continued)

Revenue from telecommunication services

Revenue from telecommunication services comprises airtime usage, text messaging, data service (fixed, mobile and internet), installation, activation and other telecom services. The Group offers services under specified period contracts that are usually for short-term.

Revenue from telecommunication services that are based on customer consumption is recognised at a point in time, when the obligation is performed or services are rendered. Revenue from telecommunication services that are based on fixed fee contracts is recognized over time, as the obligation is being performed or services are being rendered because the customer simultaneously receives and consumes the benefits from the services provided by the Group. When services include multiple performance obligations, the Group allocates transaction price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If performance obligations are not distinct, revenue is recognised over the whole contract price.

Sale of devices and SIM cards

Revenue from sale of devices and SIM cards is recognised at a point in time when control of the goods is transferred to the customer, generally on collection of the goods by the customer. Devices and SIM cards are sold either separately or bundled together with a service offering.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated based on respective standalone selling price.

When contracts for bundled sales of goods and service offerings comprise two performance obligations, generally when the goods and service can both be sold on a stand-alone basis and are distinct within the context of the contract, the relative stand-alone selling price of the device or SIM cards is recognised as revenue at the point in time when control of the goods is transferred to the customer. When such contracts represent a single performance obligation because the goods and service offerings are not capable of being distinct, revenue from the sale of goods and services is recognized over time in line with the Group's accounting policies for revenue from services.

Revenue from radio network and infrastructure extensions

The Group, at the request of the customer, builds extensions to its existing radio network and infrastructure across Egypt to be able to provide its services to new residential locations owned by the customer. Revenue from building such extensions is recognized at a point in time when the project is completed and the payment is received by the customer, because none of the criteria of revenue recognition over time is met in such contracts from the customers i.e. the customer only benefits when the work is completed and access is provided, the customer does not control the asset as it is being created and the Group's performance creates an asset with an alternative use to the Group.

Service offerings to other telecommunication operators (wholesale)

The Group provides interconnection services to other telecommunication operators for utilizing its networks. The Group also receives similar services from other telecommunication entities, which are recognized as cost of revenue in profit or loss (Note 4.16).

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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4 Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

Service offerings to other telecommunication operators (wholesale) (continued)

Interconnection revenue is recognised on the basis of the gross value of invoices raised by the Group to other operators for termination charges (based on the airtime usage), text messaging, roaming and other mobile services and are billed monthly based on actual traffic and as per contractually agreed rates.

Revenue from other wholesales services to other telecommunication operators, such as network coverage services, is recognised over time on a straight-line basis over the term of a fixed-price contract.

International cables and networks

Revenue from sale cables is recognized at a point in time when the cables are transferred to the customer. Revenue from the usage of cables and networks is recognized over time when the cables are used by the customer, on a straight-line basis over the term of the contract.

Determination of Transaction Price

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

Variable consideration

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

Significant financing component

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

Discounts

When a contract includes a contractual clause offering the customer discounts or offers, the Group defers these discounts or offers over the contract term.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 4.8 *Financial instruments*.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

Contract balances (continued)

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer) (Note 20.2).

Cost to obtain contracts

The Group may incur certain costs, such as providing free or discounted price devices for certain contracts for bundled sales of goods and services. Such incremental costs of obtaining a contract are recognized as asset and amortized over the period of the service contract.

4.16 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the goods or services, or as incurred. Allocations between selling and distribution expenses, administrative expenses and cost of revenue, when required, are made on a consistent basis.

Governmental charges

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

Interconnection costs

Interconnection costs represent connection charges by other operators for national and international telecommunication networks. Interconnection costs are recorded in the period when the respective services are utilized and are included under 'Cost of revenue' in profit or loss.

Selling and distribution expenses

These represent expenses resulting from the Group's management efforts with regard to the marketing function and the selling and distribution function.

Administrative expenses

These represent expenses relating to the administration and not to the revenue earning function or the selling and distribution function.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to become ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.17 Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.18 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.18 Taxes (continued)

Deferred income tax (continued)

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

The Group is subject to VAT on its transactions inside Egypt and in the other jurisdictions in which it operates at various rates. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of services (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Group reports revenue net of value added tax for all the periods presented in the consolidated financial statements.

Sales Tax

Sales tax is applicable in Egypt and imposed by Law No. 11 of 1991 on manufactured goods whether imported or locally produced, as well as imposed on some specific services.

Sales tax collected from customers are remitted to the tax authority. Sales tax paid by the Group are recognized as expense in profit or loss.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.18 Taxes (continued)

Salary Tax

In accordance with the Egyptian Tax Law, the Group withholds the Salary Tax due on each employee and remits the tax to the Tax Authority. Salary Tax withheld by the Group are recorded as liability in the consolidated statement of financial position.

Stamp Tax

Stamp tax law in Egypt is imposed on a variety of documents, such as contracts and on the values of certain transactions e.g. advertisements. Stamp tax is expensed in profit or loss as incurred.

Property Tax

Property tax is imposed on all buildings in Egypt. The tax rate is applied on the annual rental value of the taxable buildings after certain deduction allowed for maintenance. Property Tax expense is recognized on an accruals basis.

4.19 Earnings per share

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

4.20 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

4.21 Contingent liabilities

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

5 Property and equipment

	Land	Buildings and infrastructure	Technical equipment and radio network fixtures	Light and heavy vehicles	Office furniture and fixtures	Tools and supplies	Projects under progress (1)	Total
Cost								
As at January 1, 2021 (Restated)	2,344,431	37,702,756	37,640,531	267,042	1,353,940	230,575	4,187,904	83,727,179
Reclassified to intangible assets (Note 7)	-	(17,556)	-	-	-	-	-	(17,556)
Reclassification	-	(111,831)	108,044	(724)	212	4,299	-	-
Additions	-	-	-	-	-	-	10,204,995	10,204,995
Transfers	47,401	3,483,222	5,063,253	58,732	151,811	10,691	(8,815,110)	-
Disposals	-	(291,513)	(7,889,189)	(18,215)	(10,574)	(2,277)	-	(8,211,768)
Effect of foreign currency translation	(6)	(5,479)	(10,260)	(16)	(3,156)	-	-	(18,917)
As at December 31, 2021 (Restated)	2,391,826	40,759,599	34,912,379	306,819	1,492,233	243,288	5,577,789	85,683,933
As at January 1, 2022	2,391,826	40,759,599	34,912,379	306,819	1,492,233	243,288	5,577,789	85,683,933
Additions	-	-	-	-	-	-	14,343,813	14,343,813
Transfers	-	4,245,519	6,480,363	48,586	96,170	20,432	(10,891,070)	-
Disposals	-	(231,992)	(3,158,299)	(9,475)	(7,010)	(1,588)	-	(3,408,364)
Effect of foreign currency translation	1,940	296,687	99,282	159	31,451	3	-	429,522
As at December 31, 2022	2,393,766	45,069,813	38,333,725	346,089	1,612,844	262,135	9,030,532	97,048,904

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

5 Property and equipment (continued)

	Land	Buildings and infrastructure	Technical equipment	Light and heavy vehicles	Office furniture and fixtures	Tools and supplies	Projects under progress (1)	Total
Accumulated depreciation								
As at January 1, 2021 (Restated)	-	17,019,779	23,200,765	151,318	990,553	129,714	-	41,492,129
Reclassified to intangible assets (Note 7)	-	(3,273)	-	-	-	-	-	(3,273)
Reclassification	-	(34,387)	34,627	(200)	-	(40)	-	-
Charge for the year (2)	-	1,645,226	2,808,178	20,874	132,852	24,713	-	4,631,843
Disposals	-	(231,868)	(7,815,124)	(18,070)	(10,477)	(2,269)	-	(8,077,808)
Effect of foreign currency translation	-	(3,666)	(4,378)	(16)	(1,297)	-	-	(9,357)
As at December 31, 2021 (Restated)	-	18,391,811	18,224,068	153,906	1,111,631	152,118	-	38,033,534
As at January 1, 2022	-	18,391,811	18,224,068	153,906	1,111,631	152,118	-	38,033,534
Charge for the year (2)	-	1,913,332	3,455,446	25,354	108,213	23,990	-	5,526,335
Disposals	-	(162,597)	(3,121,526)	(9,364)	(6,943)	(1,494)	-	(3,301,924)
Effect of foreign currency translation	-	263,301	233,076	160	(161,988)	(5)	-	334,544
As at December 31, 2022	-	20,405,847	18,791,064	170,056	1,050,913	174,609	-	40,592,489
Net book values								
As at January 1, 2021	2,344,431	20,682,977	14,439,766	115,724	363,387	100,861	4,187,904	42,235,050
As at December 31, 2021	2,391,826	22,367,788	16,688,311	152,913	380,602	91,170	5,577,789	47,650,399
As at December 31, 2022	2,393,766	24,663,966	19,542,661	176,033	561,931	87,526	9,030,532	56,456,415

Property and equipment include fully depreciated assets amounting to EGP 14,698 million still in use as at December 31, 2022 (2021: EGP 15,191 million).

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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(Amounts in thousands of Egyptian Pounds)

5 Property and equipment (continued)

(1) The projects under progress represent:

	2022	2021
Land, buildings and infrastructure under construction	2,509,205	1,329,479
Technical equipment under installation	3,687,809	2,477,439
Advance payments against acquisition of property and equipment	2,853,108	1,777,727
Impairment loss on projects under progress	(19,590)	(6,856)
	9,030,532	5,577,789

(2) Depreciation expense is included in profit or loss as follows:

	For the year ended December 31,	
	2022	2021
Cost of revenue (Note 21)	5,424,950	4,532,430
Selling and distribution expenses (Note 22)	9,647	8,718
Administrative expenses (Note 23)	91,738	90,695
	5,526,335	4,631,843

6 Leases

The Group has lease contracts for land and stores used in the Group's operations and rooftop space for installation of telecommunication towers. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. The lease liabilities are secured by the related underlying assets.

6.1 Right-of-use assets

The Group assessed that right-of-use assets comprise of a single class of assets i.e. properties. The carrying amounts of the right-of-use assets and the movements during the year are shown below:

	2022	2021
Gross carrying amount		
As at January 1,	1,167,284	791,549
Additions	279,901	381,444
Disposals	(9,735)	-
Effects of foreign currency translation	90,595	(5,709)
As at December 31,	1,528,045	1,167,284
Accumulated Depreciation		
As at January 1,	446,073	281,595
Charge for the year (see next page)	231,711	166,241
Disposals	(4,365)	-
Effects of foreign currency translation	31,805	(1,763)
As at December 31,	705,224	446,073
Net carrying amount as at December 31	822,821	721,211

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

(Amounts in thousands of Egyptian Pounds)

6 Leases (continued)

6.1 Right-of-use assets (continued)

Depreciation is included in profit or loss as follows:

	For the year ended December 31,	
	2022	2021
Cost of revenue (Note 21)	123,102	108,512
Selling and distribution expenses (Note 22)	58,243	37,611
Administrative expenses (Note 23)	50,366	20,118
	231,711	166,241

6.2 Lease liabilities

The carrying amounts of the lease liabilities and the movements during the year are shown below:

	2022	2021
As at January 1,	856,520	607,766
Additions	279,901	381,444
Disposals	(10,127)	-
Accretion of interest (Note 27)	136,830	114,844
Payments	(304,746)	(247,534)
Effect of foreign currency translation	47,676	-
As at December 31,	1,006,054	856,520
	2022	2021
Non-current	740,473	737,235
Current	265,581	119,285
	1,006,054	856,520

The maturity analysis of lease liabilities is disclosed in Note 32.

6.3 Short-term leases and leases of low value assets

The Group has elected not to recognise lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liabilities are not significant to the Group.

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
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7 Intangible assets

	Mobile service licenses	Projects right of use	Rights of way	Other right of use	Software license	Internet service license	Land Possession	Land (usufruct) development	Under acquisition/	Goodwill	Total
Cost											
As at January 1, 2021	8,633,330	96,429	2,059,187	887,368	104,551	22,688	440,683	1	485,490	15,839	12,745,566
Reclassified from property and equipment (Note 5)	-	17,556	-	-	-	-	-	-	-	-	17,556
Additions	2,451,050	219,107	262,989	553	-	-	-	-	155,784	-	3,089,483
Disposals	-	-	(86,303)	(787)	-	-	-	-	-	-	(87,090)
Effect of foreign currency translation	-	-	(689)	(870)	-	(4)	-	-	-	-	(1,563)
As at December 31, 2021	11,084,380	333,092	2,235,184	886,264	104,551	22,684	440,683	1	641,274	15,839	15,763,952
As at January 1, 2022	11,084,380	333,092	2,235,184	886,264	104,551	22,684	440,683	1	641,274	15,839	15,763,952
Additions	-	-	-	-	-	-	-	-	7,415,730	-	7,415,730
Transfers	3,225,407	143,256	219,146	17,120	-	-	-	-	(3,604,929)	-	-
Disposals	-	-	(68,621)	(163,782)	(104,551)	-	-	-	-	-	(336,954)
Effect of foreign currency translation	-	-	82,180	22,896	-	1,258	-	-	-	-	106,334
As at December 31, 2022	14,309,787	476,348	2,467,889	762,498	-	23,942	440,683	1	4,452,075	15,839	22,949,062

Telecom Egypt Company and its Subsidiaries
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7 Intangible assets (continued)

	Mobile service licenses	Projects right-of-use	Rights of way	Other right of use	Software license	Internet service license	Land possession	Land (usufruct) development	Under acquisition/	Goodwill	Total
Accumulated amortisation and impairment											
As at January 1, 2021	1,510,008	4,344	832,422	328,438	69,701	22,051	-	-	-	-	2,766,964
Reclassified from property and equipment (Note 5)	-	3,273	-	-	-	-	-	-	-	-	3,273
Charge for the year	488,875	2,075	136,458	84,846	34,850	147	-	-	-	-	747,251
Disposals	-	-	(27,516)	(483)	-	-	-	-	-	-	(27,999)
Effect of foreign currency translation	-	-	(384)	(814)	-	(3)	-	-	-	-	(1,201)
As at December 31, 2021	1,998,883	9,692	940,980	411,987	104,551	22,195	-	-	-	-	3,488,288
As at January 1, 2022	1,998,883	9,692	940,980	411,987	104,551	22,195	-	-	-	-	3,488,288
Charge for the year	1,004,888	16,867	148,442	90,526	-	188	-	-	-	-	1,260,911
Disposals	-	-	(11,941)	(162,401)	(104,551)	-	-	-	-	-	(278,893)
Effect of foreign currency translation	-	-	70,519	12,194	-	1,022	-	-	-	-	83,735
As at December 31, 2022	3,003,771	26,559	1,148,000	352,306	-	23,405	-	-	-	-	4,554,041
Net book values											
As at January 1, 2021	7,123,322	92,085	1,226,765	558,930	34,850	637	440,683	1	485,490	15,839	9,978,602
As at December 31, 2021	9,085,497	323,400	1,294,204	474,277	-	489	440,683	1	641,274	15,839	12,275,664
As at December 31, 2022	11,306,016	449,789	1,319,889	410,192	-	537	440,683	1	4,452,075	15,839	18,395,021

Accumulated amortisation and impairment as at December 31, 2022, include impairment loss of EGP 80 million on projects right-of-use and internet service license (2021: EGP 80 million).

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7 Intangible assets (continued)

There were no borrowing costs capitalised in the carrying amounts of intangible assets during the year (2021: EGP 53,871 thousand).

Cost of intangible assets include fully amortised intangible assets amounting to EGP 360 million, that are still in use at the reporting date (2021: EGP 290 million). Amortisation is included in profit or loss under cost of revenue in the amount of EGP 1,260,911 thousand (2021: EGP 742,530) (Note 21) and under selling and marketing expenses in the amount of EGP Nil (2021: EGP 4,721 thousand (Note 22).

The intangible assets under acquisition / development represent:

	2022	2021
Software license under acquisition	3,065,625	-
Rights acquired for submarine cables under construction	1,386,450	424,192
Project right-of-use under acquisition	-	217,082
	4,452,075	641,274

7.1 Intangible assets with indefinite useful lives

Land possession rights and land (usufruct)

These rights are acquired from the Government of Arab Republic of Egypt against payment of consideration. The fair values initially recognised for these assets are the same as their carrying amounts at the reporting date.

Land (usufruct) represent rights acquired from the Government of Arab Republic of Egypt for no consideration. These rights have been carried in these consolidated financial statements at nominal value, as the management assessed that, due to the specialised nature of the assets, their fair values as at the date of receipt of the rights could not be reliably measured.

These rights are deemed to have an indefinite useful life as the management believes that the expected periods over which these rights will be available for use to the Group cannot be estimated reliably, however, are expected to be for significant periods.

Goodwill

Goodwill has arisen on the acquisition of Middle East and North Africa Submarine Cables (MENA) (Subsidiary) by the Group in the previous years.

7.2 Impairment of intangible assets with indefinite useful lives and goodwill

Intangible assets with indefinite useful lives and goodwill are monitored by management at the level of the respective cash generating unit. The impairment of these assets is reviewed annually to ensure that their carrying values does not exceed the recoverable amounts.

As at the reporting date, the management has assessed that the carrying values of intangible assets with indefinite useful lives and goodwill are less than their recoverable amounts hence no impairment loss was recognised in this regard in these consolidated financial statements. The recoverable amounts of any of those cash generating units are based on the same key assumptions.

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Notes to the consolidated financial statements (continued)
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7 Intangible assets (continued)

7.3 Intangible assets with finite useful lives

The mobile service licenses are related to the acquisition of licenses from National Telecommunication Regulatory Authority (NTRA) having a remaining amortization period of 13 years (2021: 14 years). The rights of way are related to the right of using certain routes and properties owned by governments or third parties to be able to establish network infrastructure for the provision of the Group's services. Rights of way have remaining amortization periods of 2 to 15 years (2021: 3 to 16 years).

8 Investments in associates

The Group has investments in associates as follows:

	Ownership		Carrying amount	
	2022	2021	2022	2021
Vodafone Egypt Telecommunications Company S.A.E. (8.1)	44.95%	44.95%	12,181,727	10,922,615
Egypt Trust (8.2)	35.71%	35.71%	14,533	1,857
New Matrix for Technology (8.3)	25.50%	25.50%	1,250	1,250
Wataneya for Telecommunication (8.4)	50.00%	50.00%	-	-
			12,197,510	10,925,722

8.1 Vodafone Egypt Telecommunications Company S.A.E.

The investment in Vodafone Egypt represents the ownership of 107,869,799 shares as at December 31, 2022 and 2021. The movement in the investment is as follows:

	2022	2021
As at January 1,	10,922,615	12,269,190
Share of net profit and total comprehensive income	2,561,008	3,148,000
Dividends	(1,301,896)	(4,494,575)
As at December 31,	12,181,727	10,922,615

Vodafone Egypt Telecommunications Company S.A.E. is engaged in the telecommunication and related activities in Egypt and is a subsidiary of Vodafone Group PLC, listed on London Stock Exchange.

The financial year of Vodafone Egypt Telecommunications Company S.A.E. ends on March 31. The Group's management accounted for the share of profit and the carrying amount of the investment in associate based on the Group's reporting period and using the associate's financial information for the nine months period ended December 31, 2022, the year ended March 31, 2022, and the nine months period ended December 31, 2021.

Summarised financial information of the associate, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out on next page:

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Notes to the consolidated financial statements (continued)
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8 Investments in associates (continued)

8.1 Vodafone Egypt Telecommunications Company S.A.E. (continued)

Summarised statement of financial position	December 31,	
EGP millions	2022	December 31,
		2021
Non-current assets	31,942	31,800
Current assets	10,202	8,196
Non-current liabilities	(1,503)	(1,201)
Current liabilities	(23,713)	(24,669)
Equity	16,928	14,126
Group's share in equity – 44.95% (2021: 44.95%)	7,609	6,350
Embedded goodwill and other intangibles	4,573	4,573
Group's carrying amount of the investment	12,182	10,923

Summarised statement of profit or loss	For the year ended	
EGP millions	December 31,	2021
	2022	
Revenue	36,154	32,013
Profit before tax	8,038	8,918
Net profit and total comprehensive income for the year	5,697	7,003
Group's share of net profit for the year – 44.95% (2021: 44.95%)	2,561	3,148

8.2 Egypt Trust

The Egyptian Company for Electronic Signature Services and Information Technology (“Egypt Trust”) was established in Egypt and is engaged in the provision of digital certificate authentication and electronic digital signature validation services.

The movement in the investment is as follows:

	2022	2021
As at January 1,	1,857	1
Share of net profit and total comprehensive income	12,676	1,856
As at December 31,	14,533	1,857

8.3 New Matrix for Technology

New Matrix for Technology was established in Egypt for carrying on smart solutions services.

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8 Investments in associates (continued)

8.4 Wateneya for Telecommunication

Investment in Wataneya for Telecommunication amounting to EGP 0.125 million was fully reduced against the Group's share in the losses of the associate.

8.5 Dividends from associates

The Group is not aware of any restrictions that the associates may have on their ability to distribute profits to the Group.

9 Financial assets at FVOCI

	2022	2021
Unquoted equities – foreign satellite entities (1)	26,676	26,676
Unquoted equities – local companies (2)	88,205	88,205
	114,881	114,881
Less: cumulative change in fair value (Note 14)	(40,025)	(40,025)
	74,856	74,856

(1) Includes 1.5937% share in Arab Sat represented in 7,968,455 shares amounting to EGP 11,856 thousand, including bonus shares distributed during 2010 by Arab Sat to all of its shareholders based on their shareholdings.

(2) Comprises unquoted equity investments in which the Group's shareholdings is usually less than 20% and without the Group having any significant influence over the investee.

10 Taxation

10.1 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax relates to the following:

	Assets		Liabilities	
	2022	2021	2022	Restated 2021
Property and equipment	-	-	(1,404,969)	(1,109,632)
Intangible assets and right-of-use assets	-	-	(520,059)	(449,877)
Write-down of inventory	39,921	25,447	-	-
Impairment loss on trade and other receivables	110,220	95,611	-	-
Provisions	14,715	14,693	-	-
Accrued liabilities	26,890	28,243	-	-
Net gain on translation of foreign currency balances	578,350	-	-	(338)
Losses of revaluation of financial assets at FVOCI	3,813	3,813	-	-
Undistributed profit in subsidiaries and associates	-	-	(1,706,952)	(1,601,619)
Total deferred tax assets / (liability)	773,909	167,807	(3,631,980)	(3,161,466)

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10 Taxation (continued)

10.1 Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

	2022	2021
Impairment loss on trade and other receivables	639,152	497,769
Provision for liabilities and claims	57,858	29,517
Others	15,397	2,475
	712,407	529,761

The deferred tax assets have not been recognised in respect of the above items due to uncertainty of the utilisation of their benefits in the foreseeable future. The Group does not have tax losses that are available for offsetting against future taxable profits.

There are no income tax consequences attached to the payment of dividends by the Group to its shareholders.

10.2 Reconciliation of tax expense

Reconciliation of tax expense and the accounting profit and the effective tax rate of the Group are as follows:

	2022	Restated 2021
Net (loss) / profit for the year before income tax	(487,472)	10,172,527
Income tax according to the current tax law (22.5%)	-	2,288,819
Tax on dividends from subsidiaries and associates	159,650	463,186
Add / (deduct):		
Tax rate difference for subsidiaries outside Egypt	2,555	4,340
Provisions and impairment	39,933	28,841
Exempted investments income	(364,426)	(1,045,209)
Foreign tax paid outside Egypt	(17,313)	(12,649)
Effect of foreign exchange differences	2,397,335	-
Unrealized foreign exchange differences	(520,003)	-
Adjustments on other items	(376,541)	202,351
Previous years' tax differences	16,094	(21,933)
Tax on undistributed profit in subsidiaries and associates	104,244	797,449
	1,281,878	(46,810)
Income tax	1,441,528	2,705,194
Effective tax rate	-	26.59%

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10 Taxation (continued)

10.3 Income tax expense

The major components of income tax expense for the years ended December 31, 2022 and 2021 are:

	For the year ended December 31,	
	2022	2021
<i>Current tax expense</i>		
Current year	(1,577,116)	(1,971,893)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	135,588	(733,301)
Total income tax expense	(1,441,528)	(2,705,194)

10.4 Tax position

Telecom Egypt Company

Corporate tax

Tax inspection was performed for the years until December 31, 2018 and all due taxes were settled.

Tax inspection from January 1, 2019 to December 31, 2021 have not been performed to date. Tax returns are submitted according to the Egypt Income Tax law No. 91 of 2005, its amendments and its executive regulations, and the due tax is paid within the timeframe permitted by the Law.

Value Added Tax / Sales Tax

Tax inspection for the years until December 31, 2017 was performed and the tax differences were settled.

Tax returns are submitted according to the value added tax law and according to Law No. 206 of 2020 issuing the Unified Tax Procedures Law, and the due tax, if any, is paid within the timeframe permitted by the Law.

Salary & Wages Tax

Tax inspection was performed for the years until December 31, 2014 and the entity was notified with tax differences and all due taxes were settled.

Tax inspection for the years 2015 and 2016 is in process. No forms or claims have been issued to date.

The entity is regular in deducting and remitting its tax returns and remitting tax within the timeframe permitted according to Law No. 91 of 2005, its amendments and its executive regulations, and the tax settlement is submitted according to the provisions of law No. 206 of 2020 issuing the Unified Tax Procedures Law.

Stamp Tax

Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors of the entity, whereby the entity was notified of the tax assessment elements and filed a grievance and challenged the legal deadlines.

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10 Taxation (continued)

10.4 Tax position (continued)

Telecom Egypt Company (continued)

Stamp Tax (continued)

Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the entity and taxes due were settled. Tax inspection for the remaining sectors for the same period is currently in progress.

Tax inspection for period from August 1, 2006 to December 31, 2018 was performed and due taxes were settled.

Real Estate Tax

All taxes are paid according to the tax forms received by the entity. The entity's Legal Department follows up the disputes according to the real estate tax law.

Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates.

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

11 Inventories

	2022	2021
Merchandise for sale - telecommunication equipment	2,246,754	444,335
Project cables and supplies	1,030,994	813,096
Spare parts	778,316	817,674
Others	428,592	382,218
Less: provision for slow-moving inventories	(204,144)	(115,347)
Total	4,280,512	2,341,976

Movements of provision for slow moving inventories are as follows:

	2022	2021
Balance at January 1,	115,347	16,351
Provision for the year (Note 21)	88,797	98,996
Balance at December 31,	204,144	115,347

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12 Trade and other receivables

	2022	2021
Trade receivables – local, net	3,541,671	3,139,308
Trade receivables – foreign, net	4,366,884	2,896,418
Notes receivable	246,286	1,116
Trade and notes receivable, net	8,154,841	6,036,842
Advance payments to suppliers	688,358	655,282
Deposits with others	321,016	322,333
Due from ministries, organizations, companies and franchises	1,113,386	448,006
Withholding taxes	1,188,724	1,371,473
Value added taxes receivable	2,176,439	1,070,223
Other receivables	1,004,509	922,688
Other receivables	6,492,432	4,790,005
	14,647,273	10,826,847

	2022	2021
Non-current (advances to suppliers)	67,921	48,203
Current	14,579,352	10,778,644
	14,647,273	10,826,847

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Notes 4 and 32, respectively.

13 Cash and cash equivalents

	2022	2021
Bank balances - time deposits	3,544,872	665,256
Bank balances - current accounts	2,818,478	1,217,633
Treasury Bills	348,078	965,568
Money Market Funds	93,110	129,406
Cash in hand	6,767	5,474
Cash and bank balances	6,811,305	2,983,337
Less: restricted bank balances*	(59,514)	(60,344)
Cash and cash equivalents	6,751,791	2,922,993

Treasury Bills, time deposits and Money Market Funds have an initial maturity of less than 3 months and carry interest rates as follows:

	2022	2021
EGP	4% to 12.95%	6% to 13%
USD	LIBOR plus (1.5% to 2.0%)	LIBOR plus (1.5% to 2.0%)

* Restricted bank balances are withheld with the Group's bankers under the specific instructions of multiple government departments and agencies, against claimed taxes, duties, fees and other charges payable by the Group in the normal course of business. These bank balances would be released for subsequent use after settlement of the respective outstanding dues by the Group.

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14 Capital and reserves

14.1 Share capital

The Company's authorised, issued and fully paid-up share capital amounted to EGP 17,070,716 thousand, represented in 1,707,071.6 thousand shares of par value EGP 10 each.

14.2 Legal reserve

In accordance with the Companies Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual statutory net profit is transferred to the legal reserve. The Group may stop such transfers when the legal reserve reaches 50% of the share capital. The reserve is not eligible for distribution to the shareholders.

During the year ended December 31, 2022, an amount of EGP 367 million has been transferred to legal reserve (2021: EGP 348 million).

14.3 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations of the Group.

14.4 Other reserves

	2022	2021
General reserve*	2,762,626	2,762,626
Revaluation reserve (Note 9)	(40,025)	(40,025)
Others	24,924	24,924
	2,747,525	2,747,525

* General reserve represents unclaimed dividends by shareholders for certain years that were transferred to the general reserve in accordance with several resolutions of the Ordinary General Assemblies held in the previous years.

14.5 Dividends

Dividends of EGP 1 per share amounting to EGP 1,707,072 thousand were declared and paid by the Company during the year ended December 31, 2022 (2021: EGP 0.75 per share amounting to EGP 1,280,304 thousand).

15 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, other than lease liabilities. For information about the Group's exposure to foreign currency risk and interest rate risk, refer to Note 32.

	2022	2021
Foreign loans – foreign currencies	20,432,294	11,108,286
Local facilities – foreign currencies	5,862,369	3,813,144
Local facilities – local currency	4,529,316	1,398,198
Supplier facilities – foreign currency	2,073	1,405
Total loans and borrowings	30,826,052	16,321,033

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15 Loans and borrowings (continued)

December 31, 2022

Type of Loan	Loan currency	Effective interest rate	Total	Current	Non-current
Foreign loans	USD	Variable rate	19,892,386	3,748,547	16,143,839
Foreign loans	EURO	Variable rate	510,584	51,490	459,094
Foreign loans	Moroccan Dirham	Variable rate	29,324	7,981	21,343
Total foreign loans (15.1)			20,432,294	3,808,018	16,624,276
Supplier facilities	EURO	5.50%	2,073	2,073	-
Local facilities	USD	Variable rate	5,546,493	1,866,381	3,680,112
Local facilities	EURO	Variable rate	315,876	208,823	107,053
Local facilities	EGP	Variable rate	4,529,316	4,529,316	-
Total local facilities (15.2)			10,391,685	6,604,520	3,787,165
			30,826,052	10,414,611	20,411,441

December 31, 2021

Type of Loan	Loan currency	Effective interest rate	Total	Current	Non-current
Foreign loans	USD	Variable rate	10,672,504	1,813,847	8,858,657
Foreign loans	EURO	Variable rate	409,623	34,801	374,822
Foreign loans	Moroccan Dirham	Variable rate	26,159	5,506	21,103
Total foreign loans (15.1)			11,108,286	1,853,704	9,254,582
Supplier facilities	EURO	5.50%	1,405	1,405	-
Local facilities	USD	Variable rate	3,529,876	1,796,674	1,733,202
Local facilities	EURO	Variable rate	283,268	283,268	-
Local facilities	EGP	Variable rate	1,398,198	1,398,198	-
Total local facilities (15.2)			5,211,342	3,478,140	1,733,202
			16,321,033	5,333,249	10,987,784

15.1 Foreign loans

Bridge and Syndicate facilities

The Group has obtained Bridge and Syndicated facilities of USD 200 million and USD 500 million, respectively, from multiple financial institutions with First Abu Dhabi Bank and Mashreq Bank PSC acting as lead facility arrangers. These facilities have been obtained for the purpose of the Group's capital expenditures.

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15 Loans and borrowings (continued)

15.1 Foreign loans (continued)

Bridge and Syndicate facilities (continued)

In accordance with the facility agreements with the lenders, the Group is required to comply with the following financial covenants:

- Debt service ratio not less than 1.2:1;
- Interest service cover ratio not less than 2:1;
- Minimum Tangible Net Worth not less than EGP 20,000 million; and
- Leverage ratio not to exceed 3.5:1.

As at December 31, 2022 and 2021, the Group is in compliance with the abovementioned financial covenants.

Other foreign loans

These facilities include a loan in substance received from the Government of Germany for supporting the Group in the development of the telecommunication sector in Egypt, which is repayable in semi-annual instalments maturing in June 2036. These facilities also include other loans obtained from multiple banks for the Group's capital expenditure purposes.

15.2 Local facilities

Local facilities represent overdraft facilities obtained from multiple banks for meeting working capital requirements of the Group. These bank overdrafts are not repayable on demand and do not form an integral part of the Group's cash management, and accordingly, have not been classified as cash and cash equivalents in the consolidated statement of cash flows.

15.3 Movement in loans and borrowings

The movement in loans and borrowings during the year was as follows:

	2022	2021
As at January 1,	16,321,033	20,287,382
Proceeds from loans and borrowings	10,963,761	7,845,000
Repayment of loans and borrowings	(2,177,918)	(11,747,012)
Effect of foreign currency translation	5,719,176	(64,337)
As at December 31,	30,826,052	16,321,033

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16 Trade and other payables

	2022	2021
Trade payables	24,557,790	13,154,269
Notes payable	15,746	56,487
Trade and notes payables	24,573,536	13,210,756
Accrued expenses	1,753,713	1,608,350
Other taxes payable	2,703,204	975,791
Deposits from others	621,624	567,692
Advances from customers (Note 20)	2,588,686	1,351,472
Dividends payable	3,647	4,064
Liabilities of early retirement scheme	1,756	24,385
Due to National Telecommunication Regulatory Authority (NTRA)	2,154,536	1,183,210
Other credit balances	1,539,366	1,754,598
Other payables	11,366,532	7,469,562
Total trade and other payables	35,940,068	20,680,318
Non-current portion (trade payables)	7,058,029	4,241,851
Current portion	28,882,039	16,438,467
Total trade and other payables	35,940,068	20,680,318

Due to National Telecommunication Regulatory Authority (NTRA) represents the variable portion of license fees payable at specified percentage of revenues of the Group for the relevant years.

17 Deferred income

	2022	2021
Internet and telecommunications services	691,297	599,925
Operating services and maintenance	373,434	277,215
Mobile services	273,538	269,866
Transmission services	371,941	191,437
Others	1,968	2,099
Total deferred income	1,712,178	1,340,542
Non-current portion	325,126	243,988
Current portion	1,387,052	1,096,554
Total deferred income	1,712,178	1,340,542

18 Related parties

Identity of related parties

The Group's related parties include its associate, Vodafone Egypt Telecommunications Company S.A.E., the Government of Egypt, and key management personnel.

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18 Related parties (continued)

Transactions and balances with Vodafone Egypt Telecommunications Company S.A.E.

During the year ended December 31, 2022, the Group incurred cost of revenue of EGP 1,995 million (2021: EGP 1,569 million) in relation to receipt of telecommunications and related services from the associate.

The Group earned revenue of EGP 2,151 million from telecommunication and related services provided to the associate during the year ended December 31, 2022 (2021: EGP 1,453 million).

The balance due to the associate at December 31, 2022 is EGP 677,662 thousand (2021: EGP 1,047,466 thousand).

The related party balance is unsecured, and settlement occurs in cash. There are no guarantees given or received for such balance. Transactions with the associate are made on terms agreed between the Group and the associate based on contractual agreements.

Dividend received from the associate is disclosed in Note 8.1.

Transactions and balances with the Government of Egypt

As disclosed in Note 1, the Company is 80% owned by the Government of Egypt. The Group, in the normal course of business, provides goods and services to Governmental bodies and earns revenue from such transactions. Other transactions and balances with the Governmental bodies, including but not limited to, those related to taxes and grants are disclosed in the relevant notes in these consolidated financial statements.

Key management compensation

During the year ended December 31, 2022, the Group incurred salaries, allowances and other benefits to its key management personnel, and included these expenses within salaries and wages in the consolidated statement of profit or loss and other comprehensive income.

19 Provisions

	2022	2021
As at January 1,	1,399,218	1,102,476
Reclassifications	138,319	229,343
Additional provisions made during the year (Note 25)	9,261	137,062
Provisions used	(300,029)	(25,804)
Unused amounts reversed during the year (Note 25)	-	(43,855)
Effect of foreign currency translation	34	(4)
As at December 31,	1,246,803	1,399,218

Provisions relate to contingencies against lawsuits and claims outstanding as at the reporting date.

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20 Revenue

20.1 Disaggregated revenue information

i. By geographical location:

	For the year ended December 31,	
	2022	2021
Local - within Egypt	33,868,360	28,679,544
Foreign - outside Egypt	10,404,984	8,408,419
	44,273,344	37,087,963

ii. By product line:

	For the year ended December 31,	
	2022	2021
Home and personal communications	21,588,239	18,133,447
Domestic wholesale	6,340,907	5,846,680
Enterprise	5,939,214	4,699,417
International cables and networks	5,572,291	4,164,574
International carrier	4,832,693	4,243,845
	44,273,344	37,087,963

iii. By timing of recognition:

	2022	2021
Goods and services transferred at a point in time	29,469,212	24,598,326
Goods and services transferred over time	14,804,132	12,489,637
	44,273,344	37,087,963

20.2 Contract balances

	2022	2021
Advances from customers (Note 16)	2,588,686	1,351,472
Deferred income (Note 17)	1,712,178	1,340,542
Total contract liabilities	4,300,864	2,692,014
Trade receivables (Note 12)	7,908,555	6,035,726
Notes receivable (Note 12)	246,286	1,116
Total contract receivables	8,154,841	6,036,842

Set out below is the amount of revenue recognised from:

	2022	2021
Amounts included in contract liabilities at the beginning of the year	1,351,472	973,138
Performance obligations partially satisfied in previous years	1,096,554	1,218,721

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20 Revenue (continued)

20.3 Performance obligations

Home and personal communications and enterprise

Home and personal communications and enterprise revenue comprises sale of devices and SIM cards as well as airtime usage, text messaging, data service (fixed, mobile and internet), installation, activation and other telecom services provided to individuals and enterprises in Egypt.

Sale of devices and SIM cards

The performance obligation from the sale of devices and SIM cards is satisfied upon collection by the customer and payment is usually received at the time of the sale.

Telecommunication services

The performance obligation from telecommunication services rendered by the Group to individuals and enterprises is satisfied either at a point in time or over time depending on the nature of service. Revenue from connection and installation services as well as from usage of telecommunication services (e.g. calls and text messaging) is recognized at a point in time when the service is rendered or used, except for subscription and fixed service fee contracts for which revenue is recognized over time on a straight-line basis over the term of the contract. Payments related to these services are either received in advance or in arrear with a credit term of between 1 and 60 days.

Contracts for bundled sales

In some contracts, the sale of goods is bundled with service offerings. In such cases, the goods and services are accounted for as separate performance obligations and the transaction price is allocated to each product.

Discounts

When a contract includes a contractual clause offering the customer discounts or offers, the Group defers these discounts or offers over the contract term. Such estimate of variable consideration is not constrained.

Domestic wholesale and international carrier

Domestic wholesale and international carrier revenue relate to services provided to local and international telecom companies, respectively, for various services provided by the Group such as the usage of the Group's network and interconnection services.

The performance obligation from the vast majority of these service offerings to other telecommunication operators is satisfied at a point in time when the Group's services are used, except for fixed service fee contracts whereby revenue is recognized over time on a straight-line basis over the term of the contract.

Payments related to such services are settled within a period of 30 days after each billing cycle.

International cables and networks

The performance obligation from international cables and network is recognized at a point in time when the cables are transferred to the customer or over time when the cables are used by the customer, on a straight-line basis over the term of the contract. Payment is generally received at the inception of the contract or based on a payment plan.

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20 Revenue (continued)

20.3 Performance obligations (continued)

Transaction price allocated to the remaining performance obligations

As a practical expedient provided in IFRS 15, the Group decided not to disclose the amount of the remaining performance obligations as the Group's contracts with customers either have an original expected duration of less than one year or meet the requirements of the right to invoice practical expedient in IFRS 15. There is no consideration from contracts with customers that is not included in the transaction price.

21 Cost of revenue

	For the year ended December 31,	
	2022	2021
Interconnection costs	6,717,317	6,021,393
Depreciation of property and equipment (Note 5)	5,424,950	4,532,430
Salaries and other employee benefits (Note 26)	4,218,166	3,594,604
Frequencies and licenses	2,439,718	1,555,757
Organizations' service cost	2,138,015	1,876,022
Amortisation of intangible assets (Note 7)	1,260,911	742,530
Fuel	870,050	862,719
Cost of goods sold	665,506	342,046
Maintenance	539,605	407,681
Amortization of cost to obtain contracts	439,104	312,575
Leased circuits and satellite subscriptions	388,793	177,936
(IRU) outside Egypt	289,632	339,767
Spare parts	131,779	169,489
Depreciation of right-of-use assets (Note 6)	123,102	108,512
Provision for slow moving inventories (Note 11)	88,797	98,996
Others	1,007,953	952,499
	26,743,398	22,094,956

The amount of inventories recognised as an expense during the year was EGP 797,285 thousand (2021: EGP 511,535 thousand).

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22 Selling and marketing expenses

	For the year ended December 31,	
	2022	2021
Salaries and other employee benefits (Note 26)	2,168,277	1,773,507
Advertisements	937,354	796,760
Sales and collection commissions	624,437	546,093
Depreciation of right-of-use assets (Note 6)	58,243	37,611
Taxes and fees	43,999	187,095
Organization's service cost	19,573	10,547
Depreciation of property and equipment (Note 5)	9,647	8,718
Amortisation of intangible assets (Note 7)	-	4,721
Others	124,353	154,735
	3,985,883	3,519,787

23 Administrative expenses

	For the year ended December 31,	
	2022	2021
Salaries and other employee benefits (Note 26)	3,506,840	3,142,410
Organizations' service cost	492,767	363,694
Taxes and duties	224,549	187,695
Takaful contribution expense	153,091	120,157
Depreciation of property and equipment (Note 5)	91,738	90,695
Depreciation of right-of-use assets (Note 6)	50,366	20,118
Bank charges	49,475	28,769
Other expenses	246,064	193,805
	4,814,890	4,147,343

24 Other operating income

	For the year ended December 31,	
	2022	2021
Fines and penalties on payment delays	166,621	129,662
Translation gain on foreign currencies balances and transactions	-	380,499
Others	368,957	432,890
	535,578	943,051

25 Other operating expenses

	For the year ended December 31,	
	2022	2021
Translation loss on foreign currency balances and transactions	3,198,210	-
Provisions (Note 19)	9,261	93,207
Loss on disposal of property and equipment	40,343	78,498
Donations	106,566	54,222
Others	14,975	8,703
	3,369,355	234,630

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26 Personnel expenses

	For the year ended December 31,	
	2022	2021
Salaries and wages	7,736,108	6,655,611
Employees' and Board of Directors' share of profit	1,238,215	1,009,404
Group's social insurance contribution	702,959	629,506
End-of-service benefits	200,000	200,000
Provision for compensated absences	16,001	16,000
	9,893,283	8,510,521

26.1 Allocation of personnel expenses

	For the year ended December 31,	
	2022	2021
Cost of revenue (Note 21)	4,218,166	3,594,604
Selling and distribution expenses (Note 22)	2,168,277	1,773,507
Administrative expenses (Note 23)	3,506,840	3,142,410
	9,893,283	8,510,521

26.2 Employees' benefits

End of service Benefits (Group's contribution in Loyalty and Belonging Fund)

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

The employee's share in Loyalty and Belonging Fund according to constant subscription, are based on the employee's basic salary, whose end-of-service benefits are being calculated. The Group's share represents contribution to be determined annually by the Board of Directors. During the year ended December 31, 2022, the Group contributed EGP 200 million (2021: EGP 200 million).

27 Net finance costs

	For the year ended December 31,	
	2022	Restated 2021
Interest income on cash and bank balances	97,625	68,897
Gain on disposal of Treasury Bills	73,594	-
Interest income on prepaid tax	15,365	8,328
Finance income	186,584	77,225
Interest expense on loans and borrowings	(1,286,351)	(848,332)
Interest on lease liabilities (Note 6)	(136,830)	(114,844)
Finance costs on deferred payments contracts	(264,767)	(283,045)
Finance cost	(1,687,948)	(1,246,221)
Net finance Cost	(1,501,364)	(1,168 996)

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28 Other non-operating income

	For the year ended December 31,	
	2022	2021
Dividend income from financial assets at FVOCI	2,897	3,297
Translation gain on foreign currency	-	198,659
	2,897	201,956

29 Other non-operating expense

	For the year ended December 31,	
	2022	2021
Translation loss on foreign currency	6,978,870	-

30 Earnings per share

Basic earnings per share

The basic earnings per share have been calculated as follows:

EGP in thousands	For the year ended December 31,	
	2022	2021
Net (loss) / profit attributable to Owners of the Parent	(1,933,358)	7,467,333
Number of shares in thousands		
Ordinary shares as at January 1,	1,707,072	1,707,072
Ordinary shares as at December 31,	1,707,072	1,707,072
Weighted average number of ordinary shares in issue	1,707,072	1,707,072
Basic earnings per share (EGP)	(1.13)	4.37
Diluted earnings per share (EGP)	(1.13)	4.37

31 Critical accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

31.1 Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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31 Critical accounting estimates, assumptions and judgments (continued)

31.1 Critical accounting estimates and assumptions (continued)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include significant future investments, if any, that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of depreciable and amortizable assets

Management reviews the useful lives of depreciable and amortizable assets at each reporting date. Management assesses whether the useful lives represent the expected usage of the assets to the Group. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

Allowance for expected credit losses of trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 32.

Provision for income tax

The Group recognizes income tax provisions using estimates based upon the expert opinions of its tax and legal advisors. Differences, if any, between the recorded income tax provision and the Group's tax liability are recorded on the final determination of such liability. Deferred income tax is calculated at the rates that are expected to apply to the period when these temporary differences reverse, based on tax rates that have been enacted or substantively enacted, by the reporting date. Estimates regarding deferred tax include the Group's future tax results and expected changes in temporary differences between assets and liabilities.

Telecom Egypt Company and its Subsidiaries
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31 Critical accounting estimates, assumptions and judgments (continued)

31.2 Critical judgments in applying the Group's accounting policies

Determining the lease term

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Years after termination options are only included in the lease term if the lease is reasonably certain not to be terminated.

Provisions and contingent liabilities

The management exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigations, assessments and/or other outstanding liabilities and claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provisions.

Determining the timing of satisfaction of revenue

For some of the Group's contracts with customers, significant judgement is required to assess whether control of the related performance obligation(s) transfers to the customer over time or at a point in time in accordance with IFRS 15. Specifically, judgement is needed to determine whether any of the three criteria is met for recognition of revenue over time in accordance with IFRS 15. If any condition is met, revenue is recognized over time. If none of the conditions is met, the Group recognises revenue on only completion.

31.3 Other estimates

Fair valuation of unquoted financial assets

Management uses various valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Determination of appropriate discount rate in measuring lease liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments are discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

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32 Financial assets and financial liabilities

The Group's principal financial assets comprise of cash and bank balances, trade and other receivables, and financial assets at FVOCI. The Group's principal financial liabilities comprise loans and borrowings, lease liabilities, due to associate and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

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

32.1 Categories of financial instruments

	2022	2021
Financial assets		
<i>Debt instruments at amortised cost</i>		
Trade and notes receivables, net	8,154,841	6,036,842
Due from ministries, organizations, companies and franchises	1,113,386	448,066
Other receivables	1,004,509	922,688
Deposit with other	321,016	322,333
	10,593,752	7,729,929
<i>Equity instruments designated at fair value through OCI</i>		
Unquoted equity instruments	74,856	74,856
Total financial assets*	10,668,608	7,804,785
Non-current portion	74,856	74,856
Current portion	10,593,752	7,729,929
	10,668,608	7,804,785

* Excluding cash and bank balances

	2022	2021
Financial liabilities		
<i>Interest-bearing loans and borrowings</i>		
Loans and borrowings	30,826,052	16,321,033
Lease liabilities	1,006,054	856,520
	31,832,106	17,177,553
<i>Financial liabilities at amortized cost</i>		
Trade and other payables	30,024,798	17,760,978
Amount due to associate	677,662	1,047,466
Total financial liabilities	30,702,460	18,808,444
Non-current portion	28,209,943	15,966,870
Current portion	34,324,623	20,019,127
	62,534,566	35,985,997

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32 Financial assets and financial liabilities (continued)

32.2 Financial instruments and risk management objectives and policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange risk and other market price risk). The Group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 32.1.

Trade and notes receivables

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

In general, trade and notes receivables included in current assets relate to a variety of dues from a wide range of counterparties, therefore, the Group does not consider that it has a significant concentration of credit risk. No single customer accounts for 10% or more of the Group's revenues.

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

	2022	2021
As at January 1,	2,587,517	2,542,930
Charge for the year	479,215	44,587
Write-offs	(165)	-
As at December 31,	3,066,567	2,587,517

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity. The Group does not hold collateral as security.

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32 Financial assets and financial liabilities (continued)

32.2 Financial instruments and risk management objectives and policies (continued)

Credit risk (continued)

On the above basis the expected credit loss for trade receivables as at December 31, 2022 and December 31, 2021 was determined as follows:

	Current	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 270 days past due	Over 270 days	Total
December 31, 2022							
Expected loss rate	2.9%	3.8%	5.5%	11.6%	13.2%	66.2%	
Gross carrying amount	102,368	2,352,701	3,139,630	1,175,666	529,251	3,921,792	11,221,408
Loss allowance	2,968	88,632	171,202	136,958	70,114	2,596,693	3,066,567

	Current	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 270 days past due	Over 270 days	Total
December 31, 2021 (Restated)							
Expected loss rate	1.9%	2.7%	5.2%	11.0%	12.8%	62.1%	
Gross carrying Amount	81,235	1,539,713	2,226,636	686,988	375,362	3,714,425	8,624,359
Loss allowance	1,520	42,100	115,471	75,505	47,901	2,305,020	2,587,517

Cash and bank balances

Credit risk relating to cash and bank balances arises from the risk that the counterparty becomes insolvent, and accordingly, is unable to return the deposited funds.

To mitigate this risk, wherever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade and reasonable and acceptable credit ratings.

32.3 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 and obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

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32 Financial instruments and risk management (continued)

32.3 Liquidity risk (continued)

	Within 1 year	1 to 5 years	After 5 years	Total
Trade and other payables	22,966,769	7,058,029	-	30,024,798
Lease liabilities	388,429	1,094,860	355,984	1,839,273
Loans and borrowings	10,414,611	20,411,441	-	30,826,052
As at December 31, 2022	33,769,809	28,564,330	355,984	62,690,123

	Within 1 year	1 to 5 years	After 5 years	Total
Trade and other payables	13,519,127	4,241,851	-	17,760,978
Lease liabilities	268,653	757,248	246,212	1,272,113
Loans and borrowings	5,333,249	10,987,784	-	16,321,033
As at December 31, 2021	19,121,029	15,986,883	246,212	35,354,124

32.4 Market risk

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

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

The sensitivity analyses in the following sections relate to the position as at December 31 in 2022 and 2021. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on provisions and the non-financial assets and liabilities of foreign operations.

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2022 and 2021.

Interest rate risk

The Group is exposed to interest rate risk as a result of changes in interest rates, particularly in relation to loans and borrowings and short-term deposits. Loans and borrowings bearing floating rates expose the Group to cash flow interest rate risk. Loans and borrowings bearing 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 loans and borrowings based on the Group's perception of future interest rate movements. In particular, the risk monitored relates to the impact of movements in floating rate indices on the Group's finance costs.

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32 Financial instruments and risk management (continued)

32.4 Market risk (continued)

Interest rate risk (continued)

As at reporting date, the interest rate profile of the Group's financial instruments is as follows:

	2022	2021
<i>Financial instruments with variable interest rates</i>		
Financial assets – deposits	3,544,872	665,256
Financial liabilities – loans and borrowings	(30,826,052)	(16,321,033)
Net exposure at December 31,	(27,281,180)	(15,655,777)

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit and closing equity to a reasonably possible change in interest rates of $\pm 2\%$ (2021: $\pm 2\%$) with all other variables held constant. These changes are considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis includes only outstanding variable interest-bearing financial assets and liabilities and discloses the period end impact for a 2% change in the variable rate component of interest. Positive figures represent an increase in profit or equity.

	Profit for the year		Equity	
	+2%	-2%	+2%	-2%
2022	(616,480)	616,480	(616,480)	616,480
2021	(326,393)	326,393	(326,393)	326,393

Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than the functional currency of the Company, primarily the US Dollars (USD) and Euro.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to match the corresponding foreign currency balances.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below:

	US Dollars	Euro
December 31, 2022		
Financial assets	553,057	39,537
Financial liabilities	(1,500,046)	(322,656)
Total exposure	(946,989)	(283,119)
Equivalent in EGP thousand	(23,376,427)	(7,424,922)

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32 Financial instruments and risk management (continued)

32.4 Market risk (continued)

Foreign currency risk (continued)

December 31, 2021		
Total financial assets	396,224	22,813
Total financial liabilities	(1,277,198)	(272,743)
Total exposure	(880,974)	(249,930)
Equivalent in EGP thousand	(13,822,482)	(4,442,800)

Sensitivity analysis

The following table details the Group's sensitivity to a 20% increase and decrease in EGP against the relevant foreign currencies with all other variables held constant. 20% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 20% change in foreign currency rates. A positive number below indicates an increase in profit or equity where EGP strengthens 20% against the relevant currency. For a 20% weakening of EGP against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Effect on net profit and equity	
	2022	2021
US Dollars	4,675,285	2,764,496
Euro	1,484,984	888,560

Other market price risk

Other market price risk is the risk that changes in market prices, such as equity prices, will affect the Group's results 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.

32.5 Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit from operating activities divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the years ended December 31, 2022 and 2021. The Group is not subject to externally imposed capital requirements.

Capital comprises share capital, legal reserve, foreign currency translation reserve, other reserves and retained earnings and is measured at EGP 40,089,562 thousand at December 31, 2022 (2021(Restated): EGP 43,287,350 thousand).

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33 Fair values

The Group should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Group does not need to conduct a thorough search of possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

The hierarchy of the fair values, based on the input levels that are considered to be significant to the fair value measurement as a whole, is as follows:

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities which the Group can have access to at the date of measurement.
- Level 2 - Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs of the asset or the liability.

Management assessed that the fair values of financial instruments are not materially different from their carrying values at the reporting date. The fair value of financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties.

Estimation of fair values

The key methods and assumptions used in estimating the fair values of financial instruments are as follows:

Current financial assets and liabilities

Management assessed that the fair values of cash and bank balances, trade and other receivables, trade and other payables, and due to associate as at December 31, 2022 and 2021 approximate their carrying amounts largely due to the short-term maturities of the majority of these instruments.

Securities

The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments (Level 3 in the fair value hierarchy). The significant unobservable input used in the fair value measurement is the discount rate. A 5% increase in the discount rate is not expected to result in any material impact on the consolidated financial statements.

Loans and borrowings

Management assessed that the carrying amounts of long-term loans and borrowings as at December 31, 2022 and 2021 approximate their fair values due to the fact that they largely bear variable interest rates that reflect current market interest rates for similar borrowings. Fixed rate loans and borrowings are not significant to the Group. As a result, the values of the future discounted cash flows on loans and borrowings are not significantly different from their current book values.

Lease liabilities

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

Interest rates used for determining fair value

The Group uses the Government yield curve as of the reporting date, plus an adequate constant credit spread to discount financial instruments.

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34 Commitments and contingencies

34.1 Commitments

The Group's capital commitments for the unexecuted parts of contracts pertaining to fourth generation license as at December 31, 2022, amounted to EGP 2,161 million (2021: EGP 2,776 million).

At December 31, 2022, the Group had commitments of EGP 2,882,470 thousand (2021: EGP 876,808 thousand) relating to trade purchase commitments in the form of letters of credit.

Capital commitments, other than the commitments disclosed above, are not considered significant.

34.2 Contingencies

The Group has the following contingent liabilities:

	2022	2021
<i>Contingencies – Group</i>		
Letters of guarantee issued on behalf of the Group	3,140,560	2,619,125
<i>Contingencies – Group's share</i>		
Letters of guarantee issued on behalf of an associate	202,725	205,421

Letters of guarantee, which were issued by banks on behalf of the Group and for the benefits of others include letters of guarantee issued against restricted cash and bank balances (refer to Note 13). Management does not expect that any significant liability will result from these contingencies.

34.3 Claims and litigations

Existing legal dispute - the Company versus Etisalat Misr Company and its subsidiaries: the EGY Net and Nile on Line

Misr Company and its subsidiaries (the "Claimants") filed a lawsuit in the Economic Court of Egypt (the "Court") against Telecom Egypt on January 18, 2019, based on the decision of the Egyptian Competition Protection Authority "ECA" on March 8, 2016, whereby the Claimants had filed a complaint with the ECA against the Group on the basis that the Group has carried out practices that restrict competition in the Egyptian market, and the ECA's decision was to impose a violation on the Group.

On the basis of the above, the Claimants replaced the copper cables infrastructure for fixed broadband with the modern fiber optic network "MSAN" "Bitstream" claiming that the Group, without prior notification or coordination, had replaced and substituted the copper cables infrastructure with fiber optic network, which resulted in disconnecting the service of the customers of the Claimants. On January 23, 2023 the Court dismissed the lawsuit whereby the period prescribed in the Law to renew the lawsuit ends on March 24, 2023.

In accordance with the Group's legal advisor, an agreement was made between the Group and the Claimants to end the legal dispute consensually and later agree on a settlement.

The Court decided to dismiss the lawsuit, and the Group is not liable to pay any amount in connection with this case or to execute any judgments.

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35 Segment reporting

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

- The marine cables and infrastructure segment, which provides goods and services (such as mobile) to home and personal and enterprise, interconnect services to other operators and internal cables and networks services to various customers.
- The internet segment, which provides all internet services to home and personal and enterprise.
- The outsourcing segment, which mainly provides customer relationship services to enterprise.
- All other segments include various services to enterprise that do not fall in any of the above segments and do not meet the quantitative thresholds of segment reporting of IFRS 8.

No operating segments have been aggregated to form the above reportable operating segments. Inter-segment transactions arise in the normal course of business.

The Group's Chief Executive Officer is the chief operating decision maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

As at / or the year ended December 31, 2022	Communication, Marine cables and infrastructure	Internet	Outsourcing	All other segments	Total
Revenue					
External customers – local	15,280,682	17,882,838	311,755	393,086	33,868,361
External customer – foreign	8,924,500	169,775	1,310,708	-	10,404,983
Total external customers	24,205,182	18,052,613	1,622,463	393,086	44,273,344
Inter-segment	8,829,746	104,106	1,703,705	2,262,922	12,900,479
Gross profit	8,289,783	8,508,191	627,718	104,254	17,529,946
Interconnection costs	(6,717,317)	-	-	-	(6,717,317)
Salaries and other employee benefits	(7,681,703)	(1,361,110)	(829,636)	(20,834)	(9,893,283)
Interest income	156,515	14,828	2,538	12,703	186,584
Finance costs	(1,221,880)	(448,884)	(11,417)	(5,767)	(1,687,948)
Depreciation and amortisation	(6,537,670)	(322,879)	(151,373)	(7,035)	(7,018,957)
Share of profit of associates, net	2,573,684	-	-	-	2,573,684
Loss on exchange differences	(9,245,541)	(1,025,525)	54,171	39,815	(10,177,080)
Impairment loss on financial assets	(403,970)	(69,225)	(8,591)	2,571	(479,215)
Income tax expense	(1,021,650)	(289,991)	(111,551)	(18,336)	(1,441,528)
Total assets	107,353,157	6,772,012	1,146,655	535,804	115,807,628
Investments in associates	12,196,260	-	-	1,250	12,197,510
Total liabilities	69,170,722	2,333,516	626,406	3,573,358	75,704,002
Capital expenditure	21,325,689	360,397	69,756	3,701	21,759,543

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35 Segment reporting (continued)

As at / or the year ended December 31, 2021	Communication Marine cables and infrastructure	Internet	Outsourcing	All other segments	Total
Revenue					
External customers – local	13,275,887	14,847,891	309,837	245,929	28,679,544
External customers – foreign	7,060,253	134,410	1,213,756	-	8,408,419
Total external customers	20,336,140	14,982,301	1,523,593	245,929	37,087,963
Inter-segment	7,537,877	90,391	1,449,199	1,050,586	10,128,053
Gross profit	7,553,961	6,835,742	570,731	32,573	14,993,007
Interconnection costs	6,021,393	-	-	-	6,021,393
Salaries and other employee benefits	(6,801,447)	(944,873)	(745,508)	(18,693)	(8,510,521)
Interest income	52,635	12,257	1,999	10,334	77,225
Finance cost	(1,231,143)	(6,453)	(4,695)	(3,930)	(1,246,221)
Depreciation and amortisation	(5,165,023)	(248,755)	(125,728)	(5,829)	(5,545,335)
Gain on difference of exchange	565,879	15,268	509	(2,498)	579,158
Share of profit of associates, net	3,149,856	-	-	-	3,149,856
Impairment loss on financial assets	(29,870)	(9,222)	(5,495)	-	(44,587)
Income tax expense	(1,766,222)	(825,620)	(104,483)	(8,869)	(2,705,194)
Total assets	82,045,631	5,769,886	984,486	545,428	89,345,431
Investments in associates	10,924,472	-	-	1,250	10,925,722
Total liabilities	41,176,163	3,230,803	653,319	985,293	46,045,578
Capital expenditure	12,072,105	941,911	274,071	6,391	13,294,478

36 Cash flows information

36.1 Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities is disclosed in Notes 6 and 15 respectively.

36.2 Non-cash investing and financing activities

Non-cash investing and financing activities are as follows:

- Reclassification of property and equipment to intangible assets (Notes 5 and 6).
- Additions to right-of-use assets and lease liabilities (Note 6).

36.3 Additional cash flow information

The following represent additional information about cash payments and receipts related to certain items included within operating activities in the consolidated statement of cash flows:

- Cash receipts from customers: EGP 45,143 million (2021: EGP 38,638 million).
- Cash payments to suppliers: EGP 12,114 million (2021: EGP 10,210 million).
- Cash payments to employees: EGP 7,263 million (2021: EGP 5,822 million).
- Cash payments to NTRA for license fees: EGP 1,536 million (2021: EGP 1,359 million).

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37 Comparative information and correction of errors

The comparative information has been restated to account for certain deferred tax liabilities not accounted for in previous years and to properly classify the cumulative change in fair value on financial assets at FVOCI in a reserve account.

Also, certain reclassifications were made to the comparative figures in the consolidated statement of financial position to separately show the income tax payable and costs to obtain contracts on the face of the statement. In addition, certain reclassifications were made to the comparative figures in the consolidated statement of profit or loss to conform to achieve a better presentation.

Extract from the consolidated statement of financial position as at the beginning of the earliest comparative period presented	January 1, 2021 (As previously presented)	Restatements	Reclassification	January 1, 2021 (As currently presented)
Property and equipment	43,925,237	-	(1,690,187)	42,235,050
Cost to obtain contracts	-	-	1,690,187	1,690,187
Trade and other receivables	12,392,654	-	(175,563)	12,217,091
Total assets	83,379,376	-	(175,563)	83,203,813
Reserves	(5,003,828)	53,891	-	(4,949,937)
Retained earnings	(15,068,057)	(33,542)	-	(15,101,599)
Total equity attributable to the Owners of the Parent	(37,142,601)	20,349	-	(37,122,252)
Deferred tax liabilities	(2,371,968)	(20,349)	-	(2,392,317)
Trade and other payables	(19,027,870)	-	689,922	(18,337,948)
Income tax payable	-	-	(514,359)	(514,359)
Total liabilities	(46,221,680)	(20,349)	175,563	(46,066,466)
Extract from the consolidated statement of financial position as at the end of the earliest comparative period presented	December 31, 2021 (As previously presented)	Restatements	Reclassification	December 31, 2021 (As currently presented)
Property and equipment	49,042,335	-	(1,391,936)	47,650,399
Cost to obtain contracts	-	-	1,377,612	1,377,612
Intangible assets	12,261,340	-	14,324	12,275,664
Trade and other receivables	11,093,954	-	(267,107)	10,826,847
Total assets	89,612,538	-	(267,107)	89,345,431
Reserves	(5,098,334)	(180,251)	-	(5,278,585)
Retained earnings	(21,125,743)	187,694	-	(20,938,049)
Total equity attributable to the Owners of the Parent	(43,294,793)	7,443	-	(43,287,350)
Income tax payable	-	-	(1,239,015)	(1,239,015)
Trade and other payables	(22,186,440)	-	1,506,122	(20,680,318)
Deferred tax liabilities	(3,154,023)	(7,443)	-	(3,161,466)
Total liabilities	(46,305,242)	(7,443)	267,107	(46,045,578)

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37 Comparative information and correction of errors (continued)

Extract from the consolidated statements of profit or loss and other comprehensive income for the year ended	December 31, 2021		December 31, 2021	
	(As previously presented)	Restatements	Reclassification	(As currently presented)
Cost of revenue	(22,094,218)	-	(738)	(22,094,956)
Gross profit	14,993,745	-	(738)	14,993,007
Selling and distribution expenses	(3,520,525)	-	738	(3,519,787)
Other operating income	562,552	-	380,499	943,051
Finance income	659,680	-	(582,455)	77,225
Income tax expenses	(2,718,100)	12,906	-	(2,705,194)
Other non-operating income	-	-	201,956	201,956

In addition, the Group changed the presentation of the consolidated statement of cash flows from the direct to the indirect method.

38 Subsequent events

38.1 Offering of the Company's shares

In its meeting held on May 11, 2023, the Board of Directors resolved to approve the Company signing the memorandum of information with regard to the main shareholder (the Egyptian government) offering 10% of the Company's share in the secondary market on the Egyptian Stock Exchange as on that date and authorized the CEO of the Company to sign the memorandum information and all other documents and pledges that are necessary to complete the offering process.

38.2 Dividends declared

In its meeting held on March 28, 2023, the General Assembly of the shareholders approved the distribution of dividends of EGP 1.25 per share amounting to EGP 2,133,840 thousand.

38.3 Change in legal name and business activities of a subsidiary

The General Assembly of the Company which was held on February 20, 2023 resolved to change the business activities of the Company's subsidiary, Egyptian Telecommunication Integrated Service Company, to sports services activities as well as to change its legal name to TE for Sport Investment, both of which were subsequently reflected in the subsidiary's commercial register.