TELECOM EGYPT COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IFRS
FOR THE YEAR ENDED DECEMBER 31, 2021

telecomegypt

Telecom Egypt Company and its subsidiaries
Consolidated financial statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying 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, 2021, 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 and other explanatory information.

In our opinion, except for the effects of the matters described in the "*Basis for Qualified Opinion*" section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the prevailing applicable Laws and Regulations.

Basis for Qualified Opinion

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

As disclosed in Note 8 to the consolidated financial statements, the Group has recorded investment in Vodafone Egypt Telecommunications Company S.A.E. ("Associate") with a net carrying value of EGP 10,923 million as at December 31, 2021. The Group accounted for this investment in accordance with the equity method. However, we were not provided with the consolidated financial statements of the Associate, prepared in accordance with IFRS, for the year ended March 31, 2021 as well as consolidated financial statements, prepared in accordance with IFRSs, for the periods ended December 31, 2020 and December 31, 2021. Furthermore, we were not granted access to the working papers of the Associate's auditors. Accordingly, we were unable to determine whether any adjustments are required to the carrying amounts of this investment to comply with International Accounting Standard 28 "Investments in Associates and Joint Ventures". The audit report on the consolidated financial statements for the year ended December 31, 2020 was qualified for the same matter.

ii. Existence and valuation of inventories

We have been appointed as the auditor of the Group on May 30, 2022 and thus we could not observe the counting of the physical inventories at the reporting date. We are unable to satisfy ourselves by alternative means concerning the inventory quantities held as at December 31, 2021 which are stated in the consolidated statement of financial position with an amount of EGP 2,342 million. Therefore, we were not able to confirm the existence and valuation of inventories as at December 31, 2021.

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Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

Basis for Qualified Opinion (continued)

ii. Existence and valuation of inventories (continued)

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.

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 current year. 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 matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matters	• Revenue recognition • Assessment of carrying values of intangible assets • Provisions and contingent liabilities • Opening balances as at January 1, 2021 • Assessment of deferred tax assets

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition Revenue of EGP 37,089 million has been recognised in the consolidated financial statements for the year ended December 31, 2021. The revenue is earned by the Group from provision of telecommunication and ancillary services. It involves use of complex technical infrastructure, systems and processes. The revenue transactions involve large volume and variety of customers offerings. Due to presence of inherent risk related to revenue recognition, involvement of estimates made, the judgments applied in the revenue process and the degree of complexity of systems and processes used, this has been considered a key audit matter.	The main procedures performed by us to address the matter were as follows: • We understood the significant revenue processes and performed walkthroughs to identify key systems, IT controls and manual controls relevant to revenue recognition; • We evaluated the design and implementation and tested the operating effectiveness of the manual controls, general and application IT controls to assess the Group's IT environment relevant to revenue processes; • We tested the reconciliations between the general ledgers and the IT systems for all the key revenue streams; • We undertook analytical reviews and performed substantive analytical procedures on significant revenue streams;

Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

Key audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition (continued)	
Refer Notes 4, 22 and 32 of the consolidated financial statements for key estimates and judgements, accounting policies and details about Group's revenue.	• We devised suitable strategy for performance of substantive procedures to respond to areas where unusual trends or variations were identified; • On a sample basis, we tested that the revenue recognised during the year agrees with underlying contractual arrangements for digital and non-digital services; • On a sample basis, we evaluated the revenue recognition relating to multiple element arrangements with customers in accordance with the International Financial Reporting Standards; and • On a sample basis, we tested supporting evidence for manual journal entries posted to revenue accounts.
Assessment of carrying values of intangible assets The intangible assets of the Group as at December 31, 2021 amounted to EGP 12,261 million (Refer to Note 7). These intangible assets comprise of a wide range of highly specialised network infrastructures, rights of usage and possession and licenses.	Our audit procedures in relation to the matter, amongst others, included the following: • We assessed the design, implementation and operating effectiveness of key internal controls over existence and valuation intangible assets, giving special attention to intangible assets under development / acquisition; • We compared, on sample basis, intangible assets capitalized during the year with underlying supporting documentation and ensured that the intangible assets are properly accounted for in accordance with the IFRS; • We assessed the reasonableness of Amortisation rates estimated for each class of intangible asset and ensured that the Amortisation for the year has been computed using those rates;

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Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

Key audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Assessment of carrying values of intangible assets (continued)	
Due to the significance of the carrying amount of these intangible assets, extent of judgements and key estimations involved, we have considered this as a key audit matter.	• We developed an acceptable percentage of variation, based on the assessed risk of material misstatement for valuation of intangible assets, developed an expectation of the Amortisation expense for the year and compared it with the actual figures recorded in the consolidated financial statements. For unusual variations, we enquired the management to identify reasons thereof and assessed the need to perform further audit procedures, if any; and • For intangible assets having indefinite useful lives, we ensured that the management has performed impairment assessment of the recoverable amounts of those assets as at reporting date. In doing so, we reviewed the computations of recoverable amounts done by the management and assessed the reasonableness of the assumptions and judgments made in those computations.
Provisions and contingent liabilities	
The Group is exposed to claims and disputes involving multiple stakeholders, outstanding as at reporting date. The consolidated financial statements include provisions recognised and disclosures made in relation to these claims and disputes (Refer to Notes 21 and 36).	The main procedures performed by us to address the matter were as follows: • We obtained details of all the legal disputes pending as at reporting date, and obtained the recent status of the legal proceedings from the Group's legal department and external legal counsel; • We enquired from management regarding the regulatory matters concluded during the year or pending as at reporting date and reviewed relevant correspondence between the Group and the Regulatory Authorities; • We read minutes of the meetings and internal audit reports to identify previously undisclosed claims and disputes against the Group and enquired the management of the nature of those claims and disputes;

Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

Key audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Provisions and contingent liabilities (continued) Assessment of these claims and disputes involve applying significant judgments and making estimates based on those judgements, taking in to account the likelihood, magnitude and expected outcome of these claims and disputes. Due to the afore-said reasons, we have considered this as a key audit matter.	• For other matters, we enquired the management regarding the nature and of the claims and disputes, reviewed any relevant correspondence between the Group and the counter party and assessed any historical experience with the respective counter parties to evaluate the sufficiency and adequacy of the Group's calculation of the provision; • We assessed any the implications of the claims and disputes on the consolidated financial statements of the Group and need for appropriate discloses in the consolidated financial statements in this regard; and • We enquired management and other relevant parties of the status of the claims and disputes near the audit report date and reviewed documentation and correspondence subsequent to the reporting date to assess the adequacy of the provisions recognised as at reporting date.
Opening balances as at January 1, 2021 We were engaged to perform the audit of the Group for the year ended December 31, 2021. It was therefore required, to perform specific audit procedures on the opening balances in accordance with the requirements of the International Auditing Standard 510 "Initial Audit Engagements - Opening Balances". Due to the significance and materiality of opening balances, and their possible impacts on the consolidated financial statements for the year ended December 31, 2021, verification of opening balances has been considered a key audit matter.	The main procedures performed by us to address the matter were as follows: • We reviewed the working papers of the predecessor auditors for the year ended December 31, 2020; • Reviewed the procedures performed by the predecessor auditors for verifying key judgements and estimates used by the management for preparation of consolidated financial statements for the year ended December 31, 2020; • Agreed on a sample basis, balances as at December 31, 2020, to supporting documents which included third party documents, where considered to be necessary; and • Made enquiries of management, those charged with governance and obtaining explanations which we deem to be necessary for completion of our procedures.

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Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

Key audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Assessment of deferred tax assets As disclosed in Note 10, the Group has recognised deferred tax assets amounting to EGP 168 million as at reporting date. The analysis of the recognition and recoverability of the deferred tax asset was qualitatively significant to our audit because of its nature. We have therefore, considered this as a key audit matter.	The main procedures performed by us to address the matter were as follows: • We obtained details of deferred tax assets recognised by the Group as at reporting date and ensured that the deferred tax assets of different components of the Group have not been netted off against the deferred tax liabilities of other components of the Group; • We obtained the deferred tax workings for various components of the Group and evaluated its appropriateness, based on the relevant tax laws applicable to that component of the Group. We also engaged our internal specialists to support us in performing these procedures; and • We obtained future projections of taxable profits for each component of the Group and ascertained whether sufficient profits will be available to each component of the Group against the deferred tax assets recognised by it. We evaluated the appropriateness of the afore-said projections and various assumptions used in preparation of those projections.

Other Matters

i. As explained 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, 2021 in accordance with Egyptian Accounting Standards and relevant Laws and Regulations. These EAS consolidated financial statements have been audited by another auditor, who expressed a qualified opinion on those statements on March 2, 2022.

ii. The consolidated financial statements of the Group for the year ended December 31, 2020, prepared in accordance with IFRSs and the prevailing applicable Laws and Regulations, were audited by another auditor, who expressed a qualified opinion on those statements on August 9, 2021.

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Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

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.

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.

Independent Auditor's Report

To the Board of Directors of Telecom Egypt Company and its subsidiaries (continued)

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

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

- 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.

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.

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GRANT THORNTON

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

June 28, 2022

Telecom Egypt Company and its Subsidiaries
Consolidated statement of financial position
As at December 31, 2021

(Amounts in thousands of Egyptian Pounds)

	Notes	December 31, 2021	Restated December 31, 2020	Restated January 1, 2020
ASSETS				
Non-current assets				
Property, plant and equipment	5	**49,042,335**	43,925,237	36,209,875
Right-of-use assets	6	**721,211**	509,954	513,568
Intangible assets	7	**12,261,340**	9,978,602	10,362,170
Investments in associates	8	**10,925,722**	12,270,440	10,763,157
Financial assets at fair value through other comprehensive income	9	**74,856**	74,856	79,811
Other financial assets	13	**48,203**	53,334	60,072
Deferred tax assets	10	**167,807**	131,959	213,188
Total non-current assets		**73,241,474**	66,944,382	58,201,841
Current assets				
Inventories	11	**2,341,976**	2,092,242	2,353,882
Financial assets at amortised cost - Treasury Bills		**-**	-	25,829
Trade and other receivables	13	**11,045,751**	12,339,320	10,553,266
Cash and cash equivalents	14	**2,983,337**	2,003,432	1,433,184
Total current assets		**16,371,064**	16,434,994	14,366,161
TOTAL ASSETS		**89,612,538**	83,379,376	72,568,002
EQUITY AND LIABILITIES				
Equity				
Share capital	15	**17,070,716**	17,070,716	17,070,716
Reserves	15	**5,098,334**	5,003,828	4,752,002
Retained earnings		**21,125,743**	15,068,057	12,112,543
Equity attributable to the Owners of the Parent		**43,294,793**	37,142,601	33,935,261
Non-controlling interests		**12,503**	15,095	14,904
Total equity		**43,307,296**	37,157,696	33,950,165
Non-current liabilities				
Loans and borrowings	16	**10,987,784**	3,278,144	4,785,550
Lease liabilities	17	**737,235**	546,382	401,175
Other payables	18	**4,241,851**	5,065,367	5,128,804
Deferred income	19	**243,988**	273,577	308,313
Deferred tax liabilities	10	**3,154,023**	2,371,968	1,458,093
Total non-current liabilities		**19,364,881**	11,535,438	12,081,935
Current liabilities				
Loans and borrowings	16	**5,333,249**	17,009,238	11,666,363
Lease liabilities	17	**119,285**	61,384	27,604
Trade and other payables	18	**17,944,589**	13,962,503	12,215,615
Deferred income	19	**1,096,554**	1,218,721	804,068
Amount due to associates	20	**1,047,466**	1,331,920	1,049,642
Provisions	21	**1,399,218**	1,102,476	772,610
Total current liabilities		**26,940,361**	34,686,242	26,535,902
Total liabilities		**46,305,242**	46,221,680	38,617,837
TOTAL EQUITY AND LIABILITIES		**89,612,538**	83,379,376	72,568,002

The attached notes on pages from 13 to 72 form an integral part of these consolidated financial statements.

Ehab Abdo
Director of Financial Affairs
Ehab

Wael Hanafy
Senior Director of Financial Affairs
Wael Hanafy

Mohamed Shamroukh
Chief Financial Officer
M.Shamroukh

Adel Hamed
Managing Director and Chief Executive Officer

Board of Directors' approval

Maged Osman
Chairman
M. O

Telecom Egypt Company and its Subsidiaries
Consolidated statement of profit or loss and other comprehensive income
For the year ended December 31, 2021

(Amounts in thousands of Egyptian Pounds)

	Notes	For the year ended December 31 2021	Restated 2020
Revenue	22	**37,087,963**	31,783,338
Operating costs	23	**(22,094,218)**	(19,948,259)
Gross profit		**14,993,745**	11,835,079
Selling and distribution expenses	24	**(3,520,525)**	(3,310,802)
Administrative expenses	25	**(4,147,343)**	(3,653,810)
Impairment loss on trade and other receivables	33.1	**(44,587)**	(223,582)
Other operating income	26	**562,552**	468,751
Other operating expenses	27	**(234,630)**	(531,968)
Operating profit		**7,609,212**	4,583,668
Finance income	29	**659,680**	94,217
Finance cost	29	**(1,246,221)**	(1,449,773)
Net finance cost	29	**(586,541)**	(1,355,556)
Share of profit from investments in associates - net of tax		**3,149,856**	2,150,501
PROFIT BEFORE INCOME TAX		**10,172,527**	5,378,613
Income tax expenses	30	**(2,718,100)**	(1,722,095)
NET PROFIT FOR THE YEAR		**7,454,427**	3,656,518
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(19,149)**	(14,866)
Other comprehensive loss, net of tax		**(19,149)**	(14,866)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,435,278**	3,641,652
Profit is attributable to			
Owners of the Parent		**7,451,645**	3,650,812
Non-controlling interest		**2,782**	5,706
Net profit for the year		**7,454,427**	3,656,518
Total comprehensive income is attributable to:			
Owners of the Parent		**7,432,496**	3,635,946
Non-controlling interest		**2,782**	5,706
Total comprehensive income for the year		**7,435,278**	3,641,652
Earnings per share (expressed in EGP per share):			
Basic earnings per share	31	**4.36**	2.13
Diluted earnings per share	31	**4.36**	2.13

The attached notes on pages from 13 to 72 form an integral part of these consolidated financial statements.

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Telecom Egypt Company and its Subsidiaries
Consolidated statement of changes in equity
For the year ended December 31, 2021

(Amounts in thousands of Egyptian Pounds)

	Attributable to Owners of the Parent							
	Share capital	**Legal reserve**	**Translation reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at January 1, 2020	17,070,716	1,966,047	(10,623)	2,796,578	12,502,431	34,325,149	14,904	34,340,053
Restatement (Note 42)	-	-	-	-	(389,888)	(389,888)	-	(389,888)
Balance as at January 1, 2020 (Restated)	17,070,716	1,966,047	(10,623)	2,796,578	12,112,543	33,935,261	14,904	33,950,165
Total comprehensive income for the year (Restated)								
Net profit for the year (Restated)	-	-	-	-	3,650,812	3,650,812	5,706	3,656,518
Other comprehensive loss for the year	-	-	(14,866)	-	-	(14,866)	-	(14,866)
Total comprehensive income for the year (Restated)	-	-	(14,866)	-	3,650,812	3,635,946	5,706	3,641,652
Transactions with shareholders								
Transfer to legal reserve (Note 15)	-	275,720	-	-	(275,720)	-	-	-
Dividend distribution for 2019 (Note 15)	-	-	-	-	(426,768)	(426,768)	(5,515)	(432,283)
Share of restatements in retained earnings of associate (Note 8)	-	-	-	-	7,190	7,190	-	7,190
Reversals from general reserve (Note 15)	-	-	-	(9,028)	-	(9,028)	-	(9,028)
Total transactions with shareholders	-	275,720	-	(9,028)	(695,298)	(428,606)	(5,515)	(434,121)
Balance as at December 31, 2020 (Restated)	**17,070,716**	**2,241,767**	**(25,489)**	**2,787,550**	**15,068,057**	**37,142,601**	**15,095**	**37,157,696**
Reclassifications during the year	-	-	4,075	-	(4,075)	-	-	-
Total comprehensive income for the year								
Net profit for the year	-	-	-	-	7,451,645	7,451,645	2,782	7,454,427
Other comprehensive loss for the year	-	-	(19,149)	-	-	(19,149)	-	(19,149)
Total comprehensive income for the year	**-**	**-**	**(19,149)**	**-**	**7,451,645**	**7,432,496**	**2,782**	**7,435,278**
Transactions with shareholders								
Transfer to legal reserve (Note 15)	-	109,580	-	-	(109,580)	-	-	-
Dividend distribution for 2020 (Note 15)	-	-	-	-	(1,280,304)	(1,280,304)	(5,374)	(1,285,678)
Total transactions with shareholders	**-**	**109,580**	**-**	**-**	**(1,389,884)**	**(1,280,304)**	**(5,374)**	**(1,285,678)**
Balance as at December 31, 2021	**17,070,716**	**2,351,347**	**(40,563)**	**2,787,550**	**21,125,743**	**43,294,793**	**12,503**	**43,307,296**

The attached notes on pages from 13 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, 2021

(Amounts in thousands of Egyptian Pounds)

	Notes	2021	Restated 2020
Operating activities			
Cash receipts from customers		**38,637,993**	30,188,819
Stamp tax and fees collected (from third party)		**73,906**	38,700
Deposits collected from customers		**41,902**	2,111
Cash paid to suppliers		**(10,210,441)**	(9,713,170)
Payments of NTRA license fees		**(1,358,706)**	(888,077)
Cash paid to Board of Directors		**(13,070)**	(11,425)
Cash paid to employees		**(5,822,077)**	(5,667,593)
Cash paid on behalf of employees to third party		**(1,144,926)**	(1,084,120)
Interest paid		**(1,005,854)**	(1,056,128)
Payments to Tax Authority - income tax		**(602,676)**	(356,246)
Payments to Tax Authority - value added tax		**(1,383,447)**	(1,410,957)
Payments to Tax Authority - other taxes		**(1,712,829)**	(1,464,812)
Other proceeds (payments)		**481,000**	(225,267)
Net cash from operating activities		**15,980,775**	8,351,835
Investing activities			
Payments for purchase of property, plant and equipment		**(11,162,310)**	(11,037,767)
Payments for purchase of intangible assets		**(2,476,050)**	(730,953)
Proceeds from sale of property, plant and equipment and intangible assets		**7,555**	21
Payments for purchase of financial assets at amortized cost - Treasury Bills		**-**	(9,566)
Proceeds from sale of investments		**-**	36,972
Interest received		**10,520**	16,364
Dividends received from investees accounted for using equity method		**4,053,686**	621,900
Proceeds from sale of financial assets at amortized cost - Treasury Bills		**14,054**	11,094
Net cash used in investing activities		**(9,552,545)**	(11,091,935)
Financing activities			
Payments of lease liabilities		**(247,534)**	(54,515)
Proceeds (payments) from loans		**6,411,315**	(1,470,544)
(Payments) proceeds for other credit facilities		**(10,313,327)**	5,368,974
Dividends paid to shareholders		**(1,285,894)**	(479,457)
Net cash (used in) / from financing activities		**(5,435,440)**	3,364,458
Net increase in cash and cash equivalents		**992,790**	624,358
Cash and cash equivalents at January 1,		**1,936,943**	1,311,391
Effect of movements in exchange rate on cash held		**(6,740)**	1,194
Cash and cash equivalents at December 31,	14	**2,922,993**	1,936,943

The attached notes on pages from 13 to 72 form an integral part of these consolidated financial statements.

(Amounts in thousands of Egyptian Pounds)

1 General information

Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The Company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market Law No. 95 of 1992 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, 2021, 80% shareholding of the Company is held by the Government of Egypt (2020: 80%) and 20% is held by other private investors (2020: 20%), whom are listed on the Egypt Stock Exchange ("Egyptian Exchange"), while its global depositary receipts are also listed on the London Stock Exchange (each consisting of five ordinary shares).

The main purpose of the Company includes the following:

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

The consolidated financial statements of the Company for the year ended December 31, 2021 comprise the Company and its subsidiaries (together referred to as the "Group") as disclosed in Note 38 along-with the Group's interest in associates.

The Group has prepared a separate set of consolidated financial statements in accordance with Egyptian Accounting Standards for the year ended December 31, 2021, which does not constitute part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on for issuance on June 27, 2022.

(Amounts in thousands of Egyptian Pounds)

2 Basis for preparation

2.1 Statement of compliance with IFRS

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 for measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether the price is directly observable or estimated using another valuation technique.

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pounds ("EGP"), which is the Company's functional and presentation currency. All amounts have been rounded off to the nearest thousand, unless otherwise indicated.

3 Standards, Interpretations and Amendments to existing standards

3.1 Standards, Interpretations and Amendments adopted as at January 1, 2021

Accounting pronouncements which have become effective from January 1, 2021 and have therefore been adopted are as follows:

- COVID-19-related rent concessions beyond June 30, 2021 (Amendments to IFRS 16); and
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

These amendments do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

3.2 Standards, Interpretations and Amendments to existing standards that are not yet effective and have not been adopted early by the Group

Standards and Amendments that are not yet effective and have not been adopted early by the Group include:

Effective for annual reporting periods beginning on or after January 1, 2022:

- References to the Conceptual Framework;
- Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37); and
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41).

(Amounts in thousands of Egyptian Pounds)

3 Standards, Interpretations and Amendments to existing standards (continued)

3.2 Standards, Interpretations and Amendments to existing standards that are not yet effective and have not been adopted early by the Group (continued)

Effective for annual reporting periods beginning on or after January 1, 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and
- Definition of Accounting Estimate (Amendments to IAS 8).

These amendments are not expected to have a significant impact on these consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

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, unless otherwise stated.

Basis of consolidation

Subsidiaries are all entities (including structured 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. They are deconsolidated from the date that control ceases.

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

- Authority 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 authority over the investee to affect its returns.

The Group must re-evaluate the control over an investee, if the facts and circumstances indicate that, there are variables for 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 statement of financial position includes the assets, liabilities and equity of subsidiaries controlled by the Group as at reporting date.

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

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, respectively.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners.

The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Business combinations

The acquisition method of accounting is used to account for all business combinations by the Group, regardless of whether equity instruments or other assets are acquired. The consideration transferred in a business combination comprises:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Foreign currency translation

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate applicable at the reporting date.

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

However, foreign currency differences arising from the translation of equity instruments held at fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income, except for impairment, in which case, foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

Net investment in foreign operations

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

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as at the reporting date;
- income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates;
- All resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest; and
- When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Property, plant and equipment

Recognition and measurement

Property, plant 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a condition fit for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software, that is integral to the functionality of the related equipment, is capitalised as part of that equipment.

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 the consolidated statement of profit or loss during the financial year in which they are incurred.

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

Buildings and infrastructure	5 - 50 years
Technical equipment and information technologies and fixtures on trunk radio network	3 - 15 years
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 by comparing the proceeds with the carrying amount and are recognized within "other income / (expenses) in the consolidated statement of profit or loss.

Projects under construction

Projects under construction are stated at cost less realized impairment losses, if any. Cost includes all expenditures associated with the acquisition of assets and make it usable. When assets are ready for its intended use, it is transferred from projects under construction to the appropriate class under property, plant and equipment and depreciated in accordance with Group's policies.

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 control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee

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

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

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

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Lease liabilities (continued)

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.

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 consolidated statement of profit or loss.

Group as a lessor

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

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

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

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

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

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

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

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

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

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 and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Licenses

Amortisation is charged to the profit or loss on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter (ranging 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 exclusive right for using that asset and can derive the benefits from that uses.

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

Other amortisable intangible assets

For other intangible assets having finite useful lives, amortisation is charged to the profit or loss on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter (ranging from 10 to 25 years).

Intangible assets having infinite 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 fair value of the investee’s acquired net assets at the time of acquisition.

Intangible assets having indefinite useful lives and goodwill are assessed for impairment at each reporting date and impairment losses, if any, are recognised in the consolidated statement of profit or loss and other comprehensive income.

On disposal of an associate, joint venture, or a subsidiary or where 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 development / acquisition

Intangible assets under development / acquisition are stated at cost less realized impairment losses, if any. Cost includes all expenditures associated with the acquisition of the asset and make it usable. When the assets are ready for its intended use, it is transferred from projects under construction to the appropriate class under intangible assets and amortised in accordance with Group’s policies.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Investments accounted for using equity method

Associates

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

Joint venture

When the Group has joint control over an investee, it classifies those investments either as joint operations or joint ventures, depending upon the contractual rights and obligations of each investor.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct its relevant activities.

The Group has assessed the nature of its joint arrangements (arrangements where Group has joint control) and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Equity method of accounting

Under the equity method of accounting, interests in associates and joint ventures are initially recognised at cost and subsequently adjusted for the post-acquisition change in the Group's share of the net assets.

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.

Unrealised gains on transactions between Group and its associates and joint ventures 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.

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

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets having indefinite useful lives are tested annually for impairment.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises purchase price, after deducting rebates and discounts and cost of conversion. Costs are assigned to individual items of inventory on the basis of 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 write-off / provision for slow moving and obsolete inventory is created in accordance with the management's assessment.

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.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification (continued)

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

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

A debt investment is measured at fair value through other comprehensive income ("FVOCI"), if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

The Group's financial assets at amortized cost include cash and cash equivalents and trade and other receivables. The Group's financial assets at fair value through other comprehensive income include equity investments.

Subsequent measurement

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

Financial assets at amortised cost	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.
Financial assets at FVOCI (debt Investments)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at FVOCI (debt Investments) (continued)	Other net 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.
Financial assets at FVOCI (equity investments)	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. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.
Financial assets at FVTPL (others)	These assets are subsequently measured at fair value. Net 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 or at FVOCI, trade receivables and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on 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.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

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; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

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

- 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.

The Group recognises an impairment loss or reversals in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Financial assets carried at amortised cost

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

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

Financial assets carried at amortised cost (continued)

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

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

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to general and administrative in profit or loss.

Equity investments classified as FVOCI

For equity investments classified as FVOCI, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

Financial liabilities

Classification

Financial liabilities are classified, at initial recognition, as measured at amortized cost.

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

Recognition, measurement and derecognition

Financial liabilities are recognized initially at fair value, net of transaction costs incurred. These are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Recognition, measurement and derecognition (continued)

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.

Fair values

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.

Cash and cash equivalents

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

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.

Legal reserves

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

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 15.

Dividends

Dividends 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.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interest holders as transactions with parties external to the Group. Disposals to non-controlling interest holders result in gains and losses for the Group and are recorded in the consolidated statement of profit or loss.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Owners of the Parent.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Employee benefits

Pension

The Group contributes to the Government Social Insurance System for the benefits of its personnel in accordance with the Social Insurance Law. Under this law, the employees and the employers contribute into the system on a fixed percentage of salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to profit or loss using accrual basis of accounting.

Share in profits

The Group may distribute share of its profits to the employees in accordance with applicable Laws and Regulations. These are recognised in the profit or loss for the period, in which, the employees' rights those receive those profits are established.

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. 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, grants as well as the assets are recognised at nominal value.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

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.

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.

Revenue recognition

The Group is in the business of providing telecommunication 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:

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: identify the performance obligations in the contract:

A performance obligation is a premise in a contract with a customer to transfer a good or services to the customer.

Step 3: Determine the transaction price:

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date.

For assessing the existence and enforceability of a right to payment and whether an entity's right to payment would entitle the entity to be paid for its performance completed to date.

Revenue from services

Revenue from services comprises airtime usage, text messaging, data service (fixed, mobile and internet) and other telecom services. The Group offers services in fixed term contracts and under short-term arrangement.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from services (continued)

Revenue from services is recognised when obligation is performed, or services are rendered. When services include multiple performance obligations, the Group allocates transaction price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If performance obligations are not distinct, revenue is recognised over the whole contract term.

In arrangements, where Group is acting as agent, revenue from service is recognised at net off amount transferred to third party. Revenue from additional consumption is recognised when services are rendered.

Sale of devices

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

Installation and activation services

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

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

Loyalty points program

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

Service offering to carrier (wholesale)

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

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Service offering to carrier (wholesale) (continued)

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

Revenue from other wholesales service is recognised on the basis of gross value over a period of time in line with contract term.

Determination of Transaction Price

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

Variable consideration

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

Significant financing component

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

Non-cash consideration

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

Consideration payable to the customer

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

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

Costs and expenses

Cost of services and sales

These represent the cost of services and sales incurred during the period which include the costs of goods sold, inventory obsolescence, direct labour, governmental charges, interconnection costs and other overheads related to the revenues recognised.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Costs and expenses (continued)

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

Selling and distribution expenses

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

Administrative expenses

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

Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend income;
- Dividend expense on preference shares issued classified as financial liabilities;
- The net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- The net gain or loss on financial assets at FVTPL;
- The foreign currency gain or loss on financial assets and financial liabilities;
- Impairment losses (and reversals) on investments in debt securities carried at amortized cost or FVOCI;
- The gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- The fair value loss on contingent consideration classified as a financial liability;
- Hedge ineffectiveness recognised in profit or loss; and the reclassification of net gains and losses previously recognised in other comprehensive income on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Costs and expenses (continued)

Finance income and finance costs (continued)

Interest income or expense is recognised using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get 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.

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 the consolidated statement of profit or loss in the period in which they are incurred.

Income tax

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

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

Deferred tax is provided using the financial position asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(Amounts in thousands of Egyptian Pounds)

4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share

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

Segment information

Operating activities related to the Group are managed by operating segments at the Group activates level as integrated activity, based on the nature of product and the service provided as identified by the Group’s chief operating decision maker. The Group has assigned Chief Executive Officer as the Chief operating decision maker.

The segment reporting is prepared according to services provided by activities as a group as communications, marine cables and infrastructure services, internet services and outsourcing services.

(Amounts in thousands of Egyptian Pounds)

5 Property, plant and equipment

	Land, Buildings and infrastructure	Technical equipment and information technologies and fixtures on trunk radio network	Vehicles	Office furniture and fixtures	Tools and supplies	Under construction	Total
Cost							
As at January 1, 2020 (Restated)	35,842,662	31,127,234	220,237	1,143,942	167,244	6,290,255	74,791,574
Additions (Restated)	-	-	-	-	-	12,501,922	12,501,922
Transfers	5,112,258	9,154,091	60,531	211,872	65,521	(14,604,273)	-
Disposals	(905,528)	(777,501)	(13,820)	(4,713)	(2,190)	-	(1,703,752)
Effect of movements in foreign exchange	(2,205)	7,276	94	2,839	-	-	8,004
As at December 31, 2020 (Restated)	40,047,187	39,511,100	267,042	1,353,940	230,575	4,187,904	85,597,748
As at January 1, 2021 (Restated)	40,047,187	39,511,100	267,042	1,353,940	230,575	4,187,904	85,597,748
Additions	-	-	-	-	-	10,204,995	10,204,995
Transfers	3,530,623	5,063,254	58,732	151,811	10,691	(8,815,111)	-
Disposals	(291,513)	(7,889,189)	(18,215)	(10,574)	(2,277)	-	(8,211,768)
Effect of movements in foreign exchange	(5,485)	(10,260)	(16)	(3,156)	-	-	(18,917)
As at December 31, 2021	**43,280,812**	**36,674,905**	**307,543**	**1,492,021**	**238,989**	**5,577,788**	**87,572,058**

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2021

(Amounts in thousands of Egyptian Pounds)

5 Property, plant and equipment (continued)

	Land, Buildings and infrastructure	Technical equipment and information technologies and fixtures on trunk radio network	Vehicles	Office furniture and fixtures	Tools and supplies	Under construction	Total
Accumulated depreciation							
As at January 1, 2020 (Restated)	16,111,140	21,343,032	153,205	866,418	107,904	-	38,581,699
Charge for the year (Restated)	1,649,693	2,807,687	11,686	126,664	24,000	-	4,619,730
Disposals	(738,799)	(771,793)	(13,667)	(4,705)	(2,190)	-	(1,531,154)
Effect of movements in foreign exchange	(2,255)	2,221	94	2,176	-	-	2,236
As at December 31, 2020 (Restated)	17,019,779	23,381,147	151,318	990,553	129,714	-	41,672,511
As at January 1, 2021 (Restated)	17,019,779	23,381,147	151,318	990,553	129,714	-	41,672,511
Transfers to intangible assets (Note 7)	-	(40)	-	(1)	-	-	(41)
Charge for the year	1,645,226	3,120,753	20,874	132,852	24,713	-	4,944,418
Disposals	(231,868)	(7,815,124)	(18,070)	(10,477)	(2,269)	-	(8,077,808)
Effect of movements in foreign exchange	(3,666)	(4,378)	(16)	(1,297)	-	-	(9,357)
As at December 31, 2021	18,429,471	18,682,358	154,106	1,111,630	152,158	-	38,529,723
Net book values							
As at January 1, 2020 (Restated)	19,731,522	9,784,202	67,032	277,524	59,340	6,290,255	36,209,875
As at December 31, 2020 (Restated)	23,027,408	16,129,953	115,724	363,387	100,861	4,187,904	43,925,237
As at December 31, 2021	**24,851,341**	**17,992,547**	**153,437**	**380,391**	**86,831**	**5,577,788**	**49,042,335**

Property, plant and equipment include fully depreciated assets amounting to EGP 15,191 million still in use as at December 31, 2021 (2020: EGP 21,724 million).

(Amounts in thousands of Egyptian Pounds)

5 Property, plant and equipment (continued)

Depreciation expenses included in the consolidated statement of profit or loss are as follows:

	For the year ended December 31,	
	2021	Restated 2020
Operating costs (Note 23)	**4,845,005**	4,519,046
Selling and distribution expenses (Note 24)	**8,718**	7,603
Administrative expenses (Note 25)	**90,695**	93,081
	4,944,418	4,619,730

The projects under construction represent:

	2021	Restated 2020
Land, buildings and infrastructure under construction	**1,329,479**	1,244,010
Information technologies equipment under installation	**2,477,439**	1,343,286
Advance payments against acquisition of property, plant and Equipment	**1,777,726**	1,621,282
Impairment loss on projects under construction	**(6,856)**	(20,674)
	5,577,788	4,187,904

6 Right-of-use assets

Right-of-use assets represent buildings, lands, stores and rooftops spaces acquired on rent from different parties for installation of telecommunication towers (refer to Note 17 for lease liabilities recognised in relation to the right-of-use assets). The carrying amounts of the right-of-use assets and the movements during the year are shown below:

	2021	Restated 2020
Gross carrying amount		
As at January 1,	**791,549**	656,460
Additions	**381,444**	134,012
Effects of movements in foreign exchange	**(5,709)**	1,077
As at December 31,	**1,167,284**	791,549
Accumulated Amortisation		
As at January 1,	**281,595**	142,892
Charge for the year	**166,241**	137,716
Effects of movements in foreign exchange	**(1,763)**	987
As at December 31,	**446,073**	281,595
Net carrying amount as at December 31	**721,211**	509,954

Amortisation included in the consolidated statement of profit or loss is as follows:

	For the year ended December 31,	
	2021	Restated 2020
Operating costs (Note 23)	**108,512**	99,839
Selling and distribution expenses (Note 24)	**37,611**	30,476
Administrative expenses (Note 25)	**20,118**	7,401
	166,241	137,716

Telecom Egypt Company and its Subsidiaries
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(Amounts in thousands of Egyptian Pounds)

7 Intangible assets

	Fourth generation license	Projects right of use	Rights of way	Right of using ROU	Software license	Internet service license	Land Possession	Land (usufruct)	Under acquisition/ development	Goodwill	Total
Cost											
As at January 1, 2020 (Restated)	8,633,330	9,663	2,096,630	869,802	160,847	22,738	440,683	1	245,757	15,839	12,495,290
Additions (Restated)	-	72,080	2	21,174	86	-	-	-	278,070	-	371,412
Transfers	-	14,686	23,651	-	-	-	-	-	(38,337)	-	-
Disposals	-	-	(55,028)	(2,801)	(56,382)	-	-	-	-	-	(114,211)
Effect of movements in foreign exchange (Restated)	-	-	(6,068)	(807)	-	(50)	-	-	-	-	(6,925)
As at December 31, 2020 (Restated)	8,633,330	96,429	2,059,187	887,368	104,551	22,688	440,683	1	485,490	15,839	12,745,566
As at January 1, 2021 (Restated)	8,633,330	96,429	2,059,187	887,368	104,551	22,688	440,683	1	485,490	15,839	12,745,566
Additions	2,451,050	219,107	262,989	553	-	-	-	-	155,784	-	3,089,483
Disposals	-	-	(86,303)	(787)	-	-	-	-	-	-	(87,090)
Effect of movements in foreign exchange	-	-	(689)	(870)	-	(4)	-	-	-	-	(1,563)
As at December 31, 2021	**11,084,380**	**315,536**	**2,235,184**	**886,264**	**104,551**	**22,684**	**440,683**	**1**	**641,274**	**15,839**	**15,746,396**

(Amounts in thousands of Egyptian Pounds)

7 Intangible assets (continued)

	Fourth generation license	Projects right of use	Rights of way	Right of using ROU	Software license	Internet service license	Land Possession	Land (usufruct)	Under acquisition/ development	Goodwill	Total
Accumulated amortisation and Impairment											
As at January 1, 2020 (Restated)	1,050,439	2,093	723,151	244,297	91,204	21,936	-	-	-	-	2,133,120
Charge for the year (Restated)	459,569	2,251	122,487	85,151	34,879	149	-	-	-	-	704,486
Disposals	-	-	(7,437)	(700)	(56,382)	-	-	-	-	-	(64,519)
Effect of movements in foreign exchange (Restated)	-	-	(5,779)	(310)	-	(34)	-	-	-	-	(6,123)
As at December 31, 2020 (Restated)	1,510,008	4,344	832,422	328,438	69,701	22,051	-	-	-	-	2,766,964
As at January 1, 2021 (Restated)	1,510,008	4,344	832,422	328,438	69,701	22,051	-	-	-	-	2,766,964
Transfer from property, plant and equipment (Note 5)	-	41	-	-	-	-	-	-	-	-	41
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 movements in foreign exchange	-	-	(384)	(814)	-	(3)	-	-	-	-	(1,201)
As at December 31, 2021	**1,998,883**	**6,460**	**940,980**	**411,987**	**104,551**	**22,195**	**-**	**-**	**-**	**-**	**3,485,056**
Net book values											
As at January 1, 2020 (Restated)	7,582,891	7,570	1,373,479	625,505	69,643	802	440,683	1	245,757	15,839	10,362,170
As at December 31, 2020 (Restated)	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**	**309,076**	**1,294,204**	**474,277**	**-**	**489**	**440,683**	**1**	**641,274**	**15,839**	**12,261,340**

Accumulated amortisation and impairment loss as at December 31, 2021, include impairment loss of EGP 80 million on projects right of use and internet services licensing by one of the subsidiaries (2020: EGP 80 million).

(Amounts in thousands of Egyptian Pounds)

7 Intangible assets (continued)

Borrowing costs capitalised in the carrying amounts of intangible assets for the year ended December 31, 2021, amounted to EGP 53,781 million (2020: EGP Nil million).

Intangible assets costs included fully amortised intangible assets amounting to EGP 290 million, that are still in use as at December 31, 2021 (2020: EGP 192 million).

Amortisation included in the consolidated statement of profit or loss is as follows:

	For the year ended December 31,	
		Restated
	2021	2020
Operating costs (Note 23)	**742,530**	704,237
Selling and distribution expenses (Note 24)	**4,721**	83
Administrative expenses (Note 25)	**-**	166
	747,251	704,486

The intangible assets under development / acquisition represent:

		Restated
	2021	2020
Rights acquired for submarine cables under construction	**424,192**	283,576
Project right of use under acquisition	**217,082**	184,978
Software license under acquisition	**-**	16,936
	641,274	485,490

Intangible assets having indefinite useful lives

Land possession rights and Land (usufruct)

These rights represent usufruct rights acquired in previous years. These rights have been carried in these consolidated financial statements at nominal value, as the management believes that due to specialised nature of the assets, their fair values as at the date of initial recognition could not be reliably measured.

These rights are not deemed to have a definite useful life as the management believes that the expected periods for which, these rights are available to the Group, cannot be measured reliably at this stage.

Goodwill

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

Impairment of intangible assets having indefinite useful lives and goodwill

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

As at the reporting date, the management has assessed that the carrying values of intangible assets having indefinite useful lives and goodwill are less than their recoverable amount and no impairment loss needs to be recognised in this regard, in these consolidated financial statements.

(Amounts in thousands of Egyptian Pounds)

8 Investments in associates

The Group has investments in associates as follows:

	Ownership		Carrying amount	
	2021	2020	**2021**	2020
Wataneya for Telecommunication	**50.00%**	50.00%	**-**	-
Vodafone Egypt Telecommunications Company S.A.E.	**44.95%**	44.95%	**10,922,615**	12,269,190
Egypt Trust	**35.71%**	35.71%	**1,857**	-
New Matrix for Technology	**25.50%**	25.50%	**1,250**	1,250
			10,925,722	12,270,440

Wateneya for Telecommunication

Wateneya for Telecommunication was established in Egypt for carrying on the telecommunication and information technologies services and has not commenced its operations yet.

Investment in Wataneya for Telecommunication amounting to EGP 0.125 million was fully impaired as at December 31, 2021 and 2020.

Vodafone Egypt Telecommunications Company S.A.E.

The investments in Vodafone Egypt represents the ownership of 107,869,799 shares as at December 31, 2021 and 2020. The movement in amount of investment for the year is as follows:

	2021	2020
As at January 1,	**12,269,190**	10,763,003
Share of profit of associate	**3,148,000**	2,150,711
Dividends received from the associate	**(4,494,575)**	(651,714)
Share of restatements in retained earnings of associates	**-**	7,190
As at December 31,	**10,922,615**	12,269,190

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.

The financial year of Vodafone Egypt Telecommunications Company S.A.E. ends on March 31. Therefore, the consolidated financial statements of Vodafone Egypt Telecommunications Company S.A.E. for the year ended March 31, 2021, after adjusting for the movements for the period from the April 1, 2020 to December 31, 2020 (as extracted from the consolidated financial statements for Vodafone Egypt Telecommunications Company S.A.E. as of December 31, 2020) and the movements for the period from April 1, 2021 to December 31, 2021 (as extracted from the consolidated financial statements for Vodafone Egypt Telecommunications Company S.A.E. as of December 31, 2021), have been used for determining the carrying amount of the equity-accounted investee.

The summarised financial information presented in the financial statements of the associate are provided on the following page.

(Amounts in thousands of Egyptian Pounds)

8 Investments in associates (continued)

Summarised statement of financial position (EGP in millions)	**December 31, 2021**	December 31, 2020
Non-current assets	**31,800**	22,533
Current assets	**8,196**	12,868
Non-current liabilities	**1,201**	812
Current liabilities	**24,669**	17,467
Equity	**14,126**	17,122

Summarised statement of profit or loss (EGP in millions)	**For the nine months' period ended December 31, 2021**	For the year ended March 31, 2021	For the nine months' period ended December 31, 2020
Revenue	24,670	28,341	16,388
Net profit after tax	5,226	5,559	3,781

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.

New Matrix for Technology

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

9 Financial assets at fair value through other comprehensive income

	2021	2020
Participations in foreign satellite companies and organisations	**26,676**	26,676
Investment in other companies*	**88,205**	88,205
	114,881	114,881
Less: impairment loss on investment in other companies	**40,025**	40,025
	74,856	74,856

* This item includes the Group's share in Arab Sat represented in 7,968,455 shares amounting to EGP 11.856 million, including free shares distributed during 2010 by Arab Sat to all the shareholders based on their shares. Accordingly, the Group's contribution in Arab Sat capital remains as the same at 1.5937% (December 31, 2020: 1.5937%).

(Amounts in thousands of Egyptian Pounds)

10 Deferred tax assets and liabilities

10.1 Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2021	Restated 2020	**2021**	Restated 2020
Property, plant and equipment	**-**	-	**(1,109,632)**	(956,646)
Intangible assets and right-of-use assets	**-**	-	**(449,877)**	(347,408)
Impairment of inventory	**25,447**	3,052	**-**	-
Impairment loss on trade and other receivables	**95,611**	80,988	**-**	-
Provisions	**14,693**	14,661	**-**	-
Accrued liabilities	**28,243**	29,445	**-**	-
Net gain of translation of foreign currency balances	**-**	-	**(338)**	(243)
Losses of revaluation of financial assets at fair value through other comprehensive income	**3,813**	3,813	**-**	-
Undistributed profit in subsidiaries and associates	**-**	-	**(1,594,176)**	(1,067,671)
Total deferred tax assets / (liability)	**167,807**	131,959	**(3,154,023)**	(2,371,968)

10.2 Unrecognised deferred tax assets

	2021	2020
Impairment loss on trade and other receivables	**497,769**	482,721
Provision for liabilities and claims	**29,517**	30,852
Other	**2,475**	5,296
	529,761	518,869

The afore-said 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.

10.3 Recognised of effective tax rate

	2021	Restated 2020
Net profit for the year before income tax	**10,172,527**	5,378,613
Income tax according to the current tax law (22.5%)	**2,288,819**	1,210,188
Tax on dividends from subsidiaries and associates	**463,186**	68,348
Add / (Less):		
Tax rate difference for subsidiaries outside Egypt	**4,340**	1,100
Provisions and impairment	**28,841**	124,524
Exempted investments income	**(1,045,209)**	(241,607)
Foreign tax paid outside Egypt	**(12,649)**	(946)
Adjustments on other items	**215,256**	32,351
Previous years' tax differences	**(21,933)**	88,495
Tax on undistributed profit in subsidiaries and associates	**797,449**	439,642
	(33,905)	443,559
Income tax	**2,718,100**	1,722,095
Effective tax rate	**26.72%**	32.02%

(Amounts in thousands of Egyptian Pounds)

11 Inventories

	2021	2020
Spare parts	**727,437**	1,171,477
Merchandise for sale - telecommunication equipment	**442,083**	221,393
Project cables and supplies	**810,738**	534,697
Others	**361,718**	164,675
Total	**2,341,976**	2,092,242

The value of inventories was impaired by EGP 115 million during the year ended December 31, 2021 (2020: EGP 16 million) on account of obsolete and slow-moving items. The impairments have been directly deducted from the cost of relevant class of inventories as at reporting date.

12 Financial instruments by category

The Group holds the following financial instruments:

	2021	Restated 2020
Financial assets at amortised cost		
Trade and other receivables (excluding non-financial assets) (Note 13)	**6,036,842**	6,581,766
Cash and cash equivalents (Note 14)	**2,983,337**	2,003,432
Total	**9,020,179**	8,585,198
Financial assets at fair value through other comprehensive income (Note 9)	**74,856**	74,856
Financial liabilities at amortised cost		
Loans and borrowings (Note 16)	**16,321,033**	20,287,382
Lease liabilities (Note 17)	**856,520**	607,766
Trade and other payables (excluding non-financial liabilities) (Note 18)	**17,123,762**	16,385,533
Amount due to associates (Note 20)	**1,047,466**	1,331,920
Total	**35,348,781**	38,612,601

13 Trade and other receivables

	2021	Restated 2020
Trade receivables – national, net	**3,139,308**	2,700,907
Trade receivables – international, net	**2,896,418**	3,880,852
Notes receivable	**1,116**	7
Trade and notes receivable	**6,036,842**	6,581,766
Advance payments to suppliers	**655,282**	984,539
Deposits with others	**322,333**	234,476
Due from ministries, organizations, companies and franchises	**448,006**	875,531
Advance corporate tax payments	**267,107**	175,563
Withholding taxes	**1,371,473**	896,466
Value added taxes receivables	**1,070,223**	1,608,903
Other receivables	**922,688**	1,035,410
Other receivables and prepayments	**5,057,112**	5,810,888
	11,093,954	12,392,654

(Amounts in thousands of Egyptian Pounds)

13 Trade and other receivables (continued)

	2021	Restated 2020
Non-current	**48,203**	53,334
Current	**11,045,751**	12,339,320
	11,093,954	12,392,654

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Notes 4 and 33.

14 Cash and cash equivalents

	2021	2020
Bank balances	**1,217,633**	659,812
Treasury Bills (with maturity less than 3 months)	**965,568**	55,982
Time deposits (with maturity less than 3 months)	**665,256**	1,205,037
Funds at Money Market (with maturity less than 3 months)	**129,406**	78,228
Cash in hand	**5,474**	4,373
Cash and cash equivalents	**2,983,337**	2,003,432
Restricted cash* (Note 36)	**(60,344)**	(66,489)
Cash and cash equivalents in the consolidated statement of cash flows	**2,922,993**	1,936,943

Treasury Bills, time deposits and Funds at Money Market carry interest rates as follows:

	2021	2020
EGP	**4% to 12.95%**	6% to 13%
USD	**LIBOR plus (1.5% to 2.0%)**	LIBOR plus (1.5% to 2.0%)

* Restricted cash represents bank balances under the specific instructions to the Group's bankers by multiple government departments and agencies, against claimed taxes, duties, fees and other charges payable by the Group in normal course of its business activities. These bank balances would be released for use subsequently after settlement of the relevant outstanding dues by the Group.

15 Capital and reserves

Share capital

The Company's authorised, issued and fully paid-up share capital amounted to EGP 17,070.716 million, represented in 1,707.0716 million shares of par value EGP 10 each.

As at December 31, 2021, 80% shareholding of the Company is held by the Government of Egypt (2020: 80%) and 20% is held by other private investors (2020: 20%).

Legal reserve

In accordance with the Companies Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual 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.

(Amounts in thousands of Egyptian Pounds)

15 Capital and reserves (continued)

Legal reserve (continued)

During the year ended December 31, 2021, an amount of EGP 109.580 million has been transferred to legal reserve (2020: EGP 275.720 million).

Translation reserve

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

Other reserves

	2021	2020
General reserve*	**2,762,626**	2,762,626
Others	**24,924**	24,924
	2,787,550	2,787,550

* This reserve represents remaining dividends that were transferred to the general reserve for certain years in accordance with several decrees of Ordinary General Assemblies held in the previous years.

The Ordinary General Assembly of Telecom Egypt Company, held on March 23, 2020, resolved by the unanimous vote of the shareholders present and represented at the meeting, to approve the disposal of a plot of land of an area of 865.61 (sq. m) at the Wireless Control Station in Giza from the property, plant and equipment of Telecom Egypt Company in return of reducing the General Reserve. Accordingly, the Group reversed an amount of EGP 9 million from the other reserve during the year ended December 31, 2020.

Dividends

Dividends of EGP 1,280.304 million were paid by the Company during the year ended December 31, 2021 (2020: EGP 426.768 million).

16 Loans and borrowings

This note provides information about the contractual terms of the Group’s interest-bearing loans and borrowings. For more information about the Group’s exposure to foreign currency risk and interest rate risk, refer to Note 33.

	2021	2020
Non-current liabilities		
Unsecured bank loans:		
Foreign loans	**9,254,582**	3,278,144
Foreign facilities	**1,733,202**	-
Total Non-current liabilities	**10,987,784**	3,278,144

(Amounts in thousands of Egyptian Pounds)

16 Loans and borrowings (continued)

	2021	2020
Current liabilities		
Current portion of unsecured bank loans:		
Foreign loans	**1,853,704**	1,454,381
Local bank facilities	**1,398,198**	6,591,014
Local banks' foreign facilities	**2,079,942**	8,962,316
Foreign suppliers' facilities	**1,405**	1,527
Total current liabilities	**5,333,249**	17,009,238

Type of Loan	**Loan Currency**	**Effective interest rate**	**Total**	**12 months or less**	**1 to 2 years**	**3 to 5 Years**
Foreign loans	USD	Variable rate	10,672,504	1,813,847	3,271,448	5,587,209
Foreign loans	EURO	0.75% - 5.5%	409,623	34,801	-	374,822
Foreign loans	Moroccan Dirham	3.50%	26,159	5,056	11,711	9,392
Total foreign loans (A)			**11,108,286**	**1,853,704**	**3,283,159**	**5,971,423**
Foreign suppliers' facilities - foreign	EURO	5.50%	1,405	1,405	-	-
Total suppliers' Facilities			**1,405**	**1,405**	**-**	**-**
Local bank facilities	USD	Variable rate	3,529,876	1,796,674	1,733,202	-
Local bank facilities	EURO	Variable rate	283,268	283,268	-	-
Local bank facilities	EGP	Variable rate	1,398,198	1,398,198	-	-
Total bank facilities (B)			**5,211,342**	**3,478,140**	**1,733,202**	**-**
			16,321,033	**5,333,249**	**5,016,361**	**5,971,423**

A. Foreign loans

Bridge and Syndicate facilities

Bridge and syndicate facilities amounting to USD 200 million and USD 500 million, respectively from multiple financial institutions, with First Abu Dhabi Bank and Masreq Bank PSC as lead arrangers. The afore-said facilities have been obtained for the purpose of incurring the capital expenditures for the Group. The facilities are secured against amounts received from counterparties in relation to offshore revenues in bank accounts with the lenders and unconditional and irrevocable right to debit the afore-said accounts for servicing of debt service obligations, with following financial covenants attached thereto:

- Satisfaction of 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 ratios not exceeding 3.5:1.

As at December 31, 2021, the Group is in compliance with the abovementioned financial covenants imposed in relation to the Bridge and Syndicate facilities.

(Amounts in thousands of Egyptian Pounds)

16 Loans and borrowings (continued)

A. *Foreign loans (continued)*

Other facilities

These represent loans received from the Government of Germany for supporting the Group in development of telecommunication sector, with repayments due in half-yearly instalments and maturity due in June 2036 and other loans obtained from multiple banks for incurring capital expenditures of the Group.

B. *Bank facilities*

Bank facilities represent overdraft facilities obtained from multiple banks for meeting working capital requirements of the Group.

17 Lease liabilities

Lease liabilities in respect of right-of-use assets recognised (refer to Note 6) in the consolidated statement of financial position as follows:

	2021	Restated 2020
As at January 1,	**607,766**	428,779
Additions during the year	**381,444**	134,012
Interests on lease liabilities	**114,844**	99,490
Payments during the year	**(247,534)**	(54,515)
As at December 31,	**856,520**	607,766
Non-current liabilities	**737,235**	546,382
Current liabilities	**119,285**	61,384
Lease liabilities	**856,520**	607,766

Commitments in relation to leases payable and present value of lease liabilities are as follows:

	2021	Restated 2020
Commitments in relation to leases are payable		
Within one year	**268,653**	266,352
Later than one year and less than five years	**757,248**	733,493
Later than five years	**246,212**	124,959
Minimum lease payments	**1,272,113**	1,124,804
Present value of lease liabilities		
Within one year	**119,285**	61,384
Later than one year and less than five years	**342,088**	320,990
Later than five years	**395,147**	225,392
Present Value of Minimum Lease Payments	**856,520**	607,766

(Amounts in thousands of Egyptian Pounds)

18 Trade and other payables

	2021	Restated 2020
Trade payables	**13,154,269**	13,235,551
Notes payable	**56,487**	17,961
Trade and notes payables	**13,210,756**	13,253,512
Accrued expenses	**1,608,350**	909,354
Income taxes payable	**1,506,122**	689,922
Other taxes payable	**975,791**	373,670
Deposits from others	**567,692**	538,467
Advances from customers (Note 22)	**1,988,688**	973,138
Dividends payable	**4,064**	3,763
Liabilities of early retirement scheme (Note 28)	**24,385**	67,140
Due to National Telecommunication Regulatory Authority (NTRA)	**1,183,210**	1,001,733
Other credit balances	**1,117,382**	1,217,171
Other payables	**8,975,684**	5,774,358
Total trade and other payables	**22,186,440**	19,027,870

	2021	Restated 2020
Non-current portion	**4,241,851**	5,065,367
Current portion	**17,944,589**	13,962,503
Total trade and other payables	**22,186,440**	19,027,870

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

19 Deferred income

	2021	2020
Internet and telecommunications services	**599,925**	587,570
Operating services and maintenance	**277,215**	382,926
Mobile services	**269,866**	241,427
Transmission services	**191,437**	280,375
Customers compensations	**2,099**	-
Total deferred income	**1,340,542**	1,492,298
Non-current portion	**243,988**	273,577
Current portion	**1,096,554**	1,218,721
Total deferred income	**1,340,542**	1,492,298

20 Related parties

Identity of related parties

The Group has a relationship with its associate, Vodafone Egypt Telecommunications Company S.A.E., and other related party, Consortium Algerian de Telecommunications (CAT).

(Amounts in thousands of Egyptian Pounds)

20 Related parties (continued)

Transaction with Associates

During the year ended December 31, 2021, the Group incurred expenses of EGP 1,569 million (2020: EGP 1,954 million) in relation to receipt of telecommunications and related services from Vodafone Egypt Telecommunications Company S.A.E.

The Group earned revenue of EGP 1,453 million from telecommunication and related services provided to Vodafone Egypt Telecommunications Company S.A.E. during the year ended December 31, 2021 (2020: EGP 1,289 million).

The balance due to Vodafone Egypt Telecommunications Company S.A.E. at December 31, 2021 is EGP 1,047 million (2020: EGP 1,332).

Key management compensation

During the year ended December 31, 2021, the Group incurred salaries, allowances and other benefits to its key management personal, and included these expenses within salaries and wages in the consolidated statement of profit or loss and other comprehensive income.

21 Provisions

	2021	2020
As at January 1,	**1,102,476**	772,610
Reclassifications	**229,343**	-
Provisions charged to profit or loss (Note 27)	**93,207**	362,553
Provisions used	**(25,804)**	(32,693)
Translation differences	**(4)**	6
As at December 31,	**1,399,218**	1,102,476

Provisions relate to contingent tax and other liabilities, lawsuits, compensation and social insurance claims outstanding as at reporting date.

22 Revenue

A. Revenue from contracts with customers

The Group disaggregate revenue as follows:

i. By geographical location:

	For the year ended December 31,	
	2021	2020
Local - within Egypt	**28,679,544**	22,853,274
Foreign - outside Egypt	**8,408,419**	8,930,064
	37,087,963	31,783,338

(Amounts in thousands of Egyptian Pounds)

22 Revenue (continued)

A. Revenue from contracts with customers (continued)

ii. By product line:

	For the year ended December 31,	
	2021	2020
Home and personal communications	**18,133,447**	14,250,676
Domestic wholesale	**5,846,680**	4,669,581
Enterprise	**4,699,417**	3,933,017
International carrier	**4,243,845**	4,395,547
International cables and networks	**4,164,574**	4,534,517
	37,087,963	31,783,338

iii. By timing of recognition:

The vast majority of revenue is recognised over period of time.

Revenue expected to be recognised in the future related to performance obligations that are unsatisfied is disclosed in Note 19.

B. Contract liabilities

	December 31, 2021	December 31, 2020
Advances from customers (Note 18)	**1,988,688**	973,138
Total contract liabilities	**1,988,688**	973,138

The movement in contract liabilities during the year is as follows:

	December 31, 2021	December 31, 2020
As at January 1,	**973,138**	958,211
Contract liabilities arisen during the year, net	**1,015,550**	14,927
As at December 31,	**1,988,688**	973,138

(Amounts in thousands of Egyptian Pounds)

23 Operating costs

	For the year ended December 31,	
		Restated
	2021	2020
Interconnection costs	**6,021,393**	5,584,788
Depreciation of property, plant and equipment (Note 5)	**4,845,005**	4,519,046
Salaries and wages (Note 28)	**2,844,288**	2,630,215
Organizations' service cost	**1,876,022**	1,219,045
Frequencies and licenses	**1,555,757**	1,363,380
Fuel	**862,719**	841,678
Amortisation of intangible assets (Note 7)	**742,530**	704,237
Employees' share in profit	**423,002**	420,296
Maintenance	**407,681**	491,897
Cost of goods sold	**341,308**	208,782
(IRU) outside Egypt	**339,767**	237,161
Group's social insurance contribution	**304,717**	280,034
Spare parts	**268,485**	204,108
Leased circuits and satellite subscriptions	**177,936**	286,511
Amortisation of right-of-use assets (Note 6)	**108,512**	99,839
Provision for compensated absences	**22,597**	19,196
Other operating costs	**952,499**	838,046
	22,094,218	19,948,259

24 Selling and distribution expenses

	For the year ended December 31,	
		Restated
	2021	2020
Salaries and wages (Note 28)	**1,384,670**	1,238,657
Advertisements	**796,760**	838,605
Sales and collection commissions	**546,831**	433,892
Employees' share in profit	**205,928**	162,524
Taxes and fees	**187,095**	179,523
Group's social insurance contribution	**143,843**	127,118
Amortisation of intangible assets (Note 7)	**4,721**	83
Provision for compensated absences	**39,066**	30,895
Organization's service cost	**10,547**	117,607
Amortisation of right-of-use assets (Note 6)	**37,611**	30,476
Depreciation of property, plant and equipment (Note 5)	**8,718**	7,603
Others selling and distribution expenses	**154,735**	143,819
	3,520,525	3,310,802

(Amounts in thousands of Egyptian Pounds)

25 Administrative expenses

	For the year ended December 31,	
		Restated
	2021	2020
Salaries and wages (Note 28)	**2,364,406**	2,078,499
Employees' and Board of Directors' share in profits	**380,474**	318,159
Organizations' service cost	**363,694**	252,012
End-of-service benefits (Note 28)	**200,000**	180,000
Taxes and duties	**187,695**	141,579
Group's social insurance contribution	**180,946**	160,401
Takaful contribution expense	**120,157**	99,029
Depreciation of property, plant and equipment (Note 5)	**90,695**	93,081
Bank charges	**28,769**	17,539
Amortisation of intangible assets (Note 7)	**-**	166
Amortisation of right-of-use assets (Note 6)	**20,118**	7,401
Provision for compensated absences	**16,584**	13,942
Early retirement compensations (Note 28)	**-**	101,672
Other administrative expenses	**193,805**	190,330
	4,147,343	3,653,810

26 Other operating income

	For the year ended December 31,	
		Restated
	2021	2020
Fines and interest on delays	**129,662**	82,034
Others	**432,890**	386,717
	562,552	468,751

27 Other operating expenses

	For the year ended December 31,	
	2021	2020
Provisions (Note 21)	**93,207**	362,553
Loss on disposal of property plant and equipment	**78,498**	10,474
Donations	**54,222**	137,293
Others	**8,703**	21,648
	234,630	531,968

28 Personnel expenses

	For the year ended December 31,	
	2021	2020
Salaries and wages (Note 28.1)	**6,593,364**	5,947,371
Employees' and Board of Directors' share in profits	**1,009,404**	900,979
Group's social insurance contribution	**629,506**	567,553
Early retirement compensations (Note 25)	**-**	101,672
End-of-service benefits (Note 25)	**200,000**	180,000
Provision for compensated absences	**78,247**	64,033
	8,510,521	7,761,608

(Amounts in thousands of Egyptian Pounds)

28 Personnel expenses (continued)

28.1 Allocation of salaries and wages

	For the year ended December 31,	
	2021	Reclassified 2020
Operating cost (Note 23)	**2,844,288**	2,630,215
Selling and distribution expenses (Note 24)	**1,384,670**	1,238,657
Administrative expenses (Note 25)	**2,364,406**	2,078,499
	6,593,364	5,947,371

28.2 Employees' benefits

i. Early Retirement Scheme (Telecom Egypt Company)

The Company's Board of Directors decided in its meeting held on March 24, 2019, to approve the application of the optional early retirement scheme for the Company's employees who desired and meet the requirements to end their service before the legal age of retirement. Also, on June 9, 2019, internal instructions were issued to determine the mechanism of applying the optional early retirement scheme by specifying the conditions of enrolment in the scheme and the benefits offered to the Company's employees, enrolment application to be submitted during the period from June 9, 2019 till July 9, 2019. As at December 31, 2021, the Company had outstanding liabilities in this regard amounting to EGP 24 million (2020: EGP 67 million) (Refer Note 18).

ii. 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 increase annually at a compound rate of 5%, starting from the next year of the hiring date with the same conditions of annual raise of employees.

The employee's share in Loyalty and Belonging Fund according to constant subscription, are based on his or her basic salary, whose end-of-service benefits are being calculated. The Company's share represents contribution, as may be determined annually by the Board of Directors. During the year ended December 31, 2021, the Company contributed EGP 0.20 million (2020: EGP 0.18 million).

29 Net finance cost

	For the year ended December 31,	
	2021	Reclassified 2020
Translation gain on foreign currencies balances and transactions	**579,158**	37,863
Interest income	**68,897**	44,230
Income from prepaid tax	**8,328**	6,224
Dividend income from financial assets at fair value through other comprehensive income	**3,297**	5,900
Finance income	**659,680**	94,217

(Amounts in thousands of Egyptian Pounds)

29 Net finance cost (continued)

	For the year ended December 31, 2021	Restated 2020
Interest expense	**(715,642)**	(1,031,507)
Interest on lease liabilities	**(247,534)**	(54,515)
Finance costs on deferred payments contracts	**(283,045)**	(360,046)
Impairment loss on available-for-sale investments	**-**	(3,705)
Finance Cost	**(1,246,221)**	(1,449,773)
Net finance Cost	**(586,541)**	(1,355,556)

30 Income tax expenses

	For the year ended December 31, 2021	2020
Amounts recognised in profit or loss		
Current tax expense		
Current year	**1,971,893**	726,991
Deferred tax		
Origination and reversal of temporary differences	**746,207**	995,104
Total income tax expenses	**2,718,100**	1,722,095

31 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, 2021	Restated 2020
Profit attributable to Owners of the Parent	**7,451,645**	3,650,812

Number of shares in thousands	**2021**	2020
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

	For the year ended December 31, 2021	Restated 2020
Basic earnings per share (EGP)	**4.36**	2.13
Diluted earnings per share (EGP)	**4.36**	2.13

(Amounts in thousands of Egyptian Pounds)

32 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, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

32.1 Critical accounting estimates and assumptions

Estimates and adjustments are continually being evaluated and are 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, rarely 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:

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 restructuring activities that the Group is not yet committed to or significant future investments 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 assets

Management reviews the useful lives of depreciable assets at each reporting date. At each reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 5. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

Useful lives of intangible assets

Management reviews the useful lives of intangible assets at each reporting date. At each reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 7. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

32.2 Critical judgments in applying the Group's accounting policies

Recognition of revenue

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

(Amounts in thousands of Egyptian Pounds)

32 Critical accounting estimates, assumptions and judgments (continued)

32.2 Critical judgments in applying the Group's accounting policies (continued)

Recognition of revenue (continued)

- 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.

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.

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 were 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.

Current versus non-current classification

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

(Amounts in thousands of Egyptian Pounds)

32 Critical accounting estimates, assumptions and judgments (continued)

32.2 Critical judgments in applying the Group's accounting policies (continued)

Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 33.1 (credit risk, impairment of financial assets). Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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. Refer to Note 39 for details on provisions against such pending litigations / claims and Note 36 for details on the contingent liabilities.

Provision for income tax

The Group recognizes income tax provisions using estimates based upon 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.

33 Financial instruments and risk management

The Group's principal financial assets comprise of cash and cash equivalents and financial assets at fair value through other comprehensive income. The Group's principal financial liabilities comprise loans and borrowings, lease liabilities and other short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from operations.

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

(Amounts in thousands of Egyptian Pounds)

33 Financial instruments and risk management (continued)

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value 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.

33.1 Credit risk

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

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

	Carrying amounts	
	2021	Restated 2020
Trade and other receivables (excluding non-financial assets) (Note 13)	**6,036,842**	6,581,766
Cash and cash equivalents (excluding cash in hand) (Note 14)	**2,977,863**	1,999,059
	9,014,705	8,580,825

Trade and other receivables

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

In general, trade and other 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.

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

	2021	Restated 2020
As at January 1,	**2,542,930**	2,656,222
Impairment charged to profit or loss	**44,587**	223,582
Write-offs / reversals	**-**	(336,874)
As at December 31,	**2,587,517**	2,542,930

(Amounts in thousands of Egyptian Pounds)

33 Financial instruments and risk management (continued)

33.1 Credit risk (continued)

Cash and cash equivalents

Credit risk relating to cash and cash equivalents and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds.

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

Impairment of financial assets

Allowance for expected credit losses as at December 31, 2021 and December 31, 2020 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, 2021							
Expected loss rate	**1.9%**	**2.7%**	**5.2%**	**11.0%**	**12.8%**	**62.1%**	**30.0%**
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**
December 31, 2020 (Restated)							
Expected loss rate	1.4%	4.7%	6.4%	10.0%	12.2%	64.6%	27.9%
Gross carrying Amount	119,765	2,000,842	2,061,582	990,728	639,548	3,312,231	9,124,696
Loss allowance	1,643	93,084	131,194	99,565	78,256	2,139,188	2,542,930

33.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 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.

	Carrying amount	1 to 2 Years	2 to 3 Years	3 to 5 Years	More than 5 years
Trade and other payables (excluding non-financial liabilities) (Note 18)	**17,123,762**	**12,144,676**	**3,631,683**	**559,462**	**787,941**
Loans and borrowings (Note 16)	**16,321,033**	**5,333,249**	**5,016,361**	**5,971,423**	**-**
As at December 31, 2021	**33,444,795**	**17,477,925**	**8,648,044**	**6,530,885**	**787,941**

(Amounts in thousands of Egyptian Pounds)

33 Financial instruments and risk management (continued)

33.2 Liquidity risk (continued)

	Carrying amount	1 to 2 Years	2 to 3 Years	3 to 5 Years	More than 5 years
Trade and other payables (excluding financial liabilities) (Note 18) (Restated)	16,385,533	10,773,784	2,585,571	2,797,515	228,663
Loans and borrowings (Note 16)	20,287,382	17,009,238	1,881,356	1,141,183	255,605
As at December 31, 2020 (Restated)	36,672,915	27,783,022	4,466,927	3,938,698	484,268

33.3 Market risk

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

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

A. Fair value 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 issued at floating rates expose the Group to cash flow interest rate risk. Loans and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate 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.

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

	2021	2020
Financial instruments with variable interest rates		
Financial assets – deposits	**665,256**	1,205,037
Financial liabilities - loans and borrowings	**(16,321,033)**	(20,287,382)
Net exposure at December 31,	**(15,655,777)**	(19,082,345)

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 ±1% (2020: ±1%). These changes are considered to be reasonably possible based on observation of current market conditions. Positive figures represent an increase in profit or equity.

	Profit for the year		**Equity**	
	+1%	**-1%**	**+1%**	**-1%**
2021	**(15,656)**	**15,656**	**(15,656)**	**15,656**
2020	(19,082)	19,082	(19,082)	19,082

(Amounts in thousands of Egyptian Pounds)

33 Financial instruments and risk management (continued)

33.3 Market risk (continued)

B. Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, 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.

The exchange rates applied in relation to EGP are as follows:

	Average exchange rate during the year ended		Closing rate as at	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
US Dollar	**15.6838**	15.8092	**15.6900**	15.7200
Euro	**18.5697**	18.0816	**17.7762**	19.3169
Canadian Dollar	**12.4900**	11.7371	**12.2661**	12.3300
Moroccan Dirham	**1.7200**	1.6527	**1.6780**	1.7400
Jordanian Dinar	**22.0099**	22.2838	**21.9858**	22.0341
Mauritius Robia	**0.3700**	0.3861	**0.3498**	0.3900

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

Telecom Egypt Company and its Subsidiaries
Notes to the consolidated financial statements (continued)
For the year ended December 31, 2021

(Amounts in thousands of Egyptian Pounds)

33 Financial instruments and risk management (continued)

33.3 Market risk (continued)

B. Foreign currency risk (continued)

	US Dollars	Euro	Canadian Dollars	Moroccan Dirham	Jordanian Dinar	Mauritius Robia	Equivalent in EGP
December 31, 2021							
Trade and other receivables	320,302	17,891	8,424	60,384	**110**	**25,420**	**5,559,535**
Cash and cash equivalents	75,922	4,922	1	51,926	3,321	25,195	1,447,681
Total assets	**396,224**	**22,813**	**8,425**	**112,310**	**3,431**	**50,615**	**7,007,216**
Trade and other payables	372,011	233,685	-	100,749	1,633	37,872	10,209,084
Loans and borrowings	905,187	39,058	-	-	-	-	14,896,685
Total liabilities	**1,277,198**	**272,743**	**-**	**100,749**	**1,633**	**37,872**	**25,105,769**
Risk surplus (deficit)	**(880,974)**	**(249,930)**	**8,425**	**11,561**	**1,798**	**12,743**	**(18,098,553)**
Equivalent in EGP	**(13,822,482)**	**(4,442,800)**	**103,342**	**19,399**	**39,530**	**4,458**	**(18,098,553)**
December 31, 2020							
Trade and other receivables	348,682	16,821	5,480	37,682	-	25,308	5,949,216
Cash and cash equivalents	101,053	245	1	22,358	3,296	3,995	1,706,375
Total assets	449,735	17,066	5,481	60,040	3,296	29,303	7,655,591
Trade and other payables	377,155	178,892	-	59,668	1,734	7,912	9,529,630
Loans and borrowings	752,308	96,811	-	-	-	-	13,696,370
Total liabilities	1,129,463	275,703	-	59,668	1,734	7,912	23,226,000
Risk surplus (deficit)	(679,728)	(258,637)	5,481	372	1,562	21,391	(15,570,409)
Equivalent in EGP	(10,685,323)	(4,996,063)	67,575	647	34,413	8,342	(15,570,409)

(Amounts in thousands of Egyptian Pounds)

33 Financial instruments and risk management (continued)

33.3 Market risk (continued)

B. Foreign currency risk (continued)

Sensitivity analysis

10% strengthening of the foreign currencies against the EGP, as at December 31, 2021, may lead to losses increase by an amount of EGP 1,809.855 million (2020: EGP 1,557.041 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2020.

10% weakening of the foreign currencies against EGP, as at December 31, 2021, would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

C. Other market price risk

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

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

33.4 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, 2021 and 2020. The Group is not subject to externally imposed capital requirements.

Capital comprises share capital, legal reserves, translation reserve, other reserves and retained earnings and is measured at EGP 43,307.296 million (2020: EGP 37,157.696 million).

34 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.

(Amounts in thousands of Egyptian Pounds)

34 Fair values (continued)

The fair values of financial instruments are not materially different from their carrying values. 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 major methods and assumptions used in estimating the fair values of financial instruments are as follows:

Securities

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

Interest-bearing loans

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

Lease liabilities

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

Receivables / payables

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

Interest rates used for determining fair value.

The Group uses the government yield curve as of December 31, 2021, plus an adequate constant credit spread to discount financial instruments.

35 Capital commitments

The Group’s capital commitments for the unexecuted parts of contracts pertaining to fourth generation license as at December 31, 2021, amounted to EGP 257 million (2020: EGP 274 million). The ageing analysis of the afore-said commitments is as follows:

	2021	2020
Less than 1 year	**12,000**	14,000
1 to five years	**32,000**	37,000
Later than 5 years	**213,000**	223,000
Total	**257,000**	274,000

Capital commitments, other than the commitments disclosed above, are immaterial expected to be completed within 1 year from the reporting date.

(Amounts in thousands of Egyptian Pounds)

36 Contingencies

In addition to the amounts included in the consolidated statement of financial position, the Group has the following contingent liabilities:

	2021	2020
Letters of guarantee issued on behalf of the Group	**2,619,125**	2,008,421
Letters of credit	**876,808**	1,773,804

Letters of guarantee, which were issued by banks on behalf of the Group and for the benefits of others include letters of guarantee, have been issued against restricted cash and cash equivalent at banks (refer to Note 14).

37 Tax position

Telecom Egypt Company

Corporate tax

Tax inspection was performed and settled for the years till December 31, 2015.

Tax inspection for the years 2016 and 2017 is in process.

Tax returns were submitted, and due taxes paid according to provisions of the applicable Income Tax Law.

Value Added Tax / Sales Tax

Tax inspection for the years from 2010 to 2015 was performed, the tax differences were settled, and additional tax was imposed on the Company. The Company did not pay the additional tax and currently, the Company has appealed at the competent forum against the imposition of additional tax by the concerned authorities.

Tax inspection for 2016 and 2017 has been done and tax payable has been paid. The Company has not been informed of any additional taxes payable yet.

Tax inspection for the years 2016 and 2017 is in process.

Tax returns were submitted, and due taxes paid according to provisions of the applicable Value Added Tax Law.

Salary Tax

Tax inspection was performed for the years till December 31 ,2014, the Company was notified with tax differences and all due taxes were settled. The Company disputed for one of the tax differences which was transferred to internal committee and is under follow-up.

Tax inspection for the year 2015 and 2016 is in process.

Tax returns are submitted according to the provisions of Law No. 206 of 2020.

Stamp Tax

Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the Company was notified with assessment basis, the Company objected and appealed on the due dates and provisions were formed to meet this.

Tax inspection for the period from January 1, 2001 to July 31, 2006 was performed for certain sectors of the Company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.

(Amounts in thousands of Egyptian Pounds)

37 Tax position (continued)

Telecom Egypt Company (continued)

Stamp Tax (continued)

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 Company. The Company's Legal Department follows up the disputes according to the real estate tax law.

Tax returns were submitted according to the new Real Estate Tax Law No. 196 for the year 2008 on the due dates.

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

Subsidiaries

Subsidiaries of the Group are subject to tax in accordance with the relevant Tax Laws and Regulations prevailing in jurisdictions where these subsidiaries are carrying on their businesses. These subsidiaries are submitting the returns and paying taxes within time periods specified in the applicable Tax Laws. There are no material contingent tax liabilities in relation to these subsidiaries as at reporting date and provisions in respect of tax payable has been duly recognised in these consolidated financial statements.

38 Group entities

The details about the subsidiaries held by the Group as at December 31, 2021 and December 31, 2020 are as follows:

			Ownership interest	
Subsidiary	**Nature of business**	**Country of incorporation**	**2021**	2020
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%

(Amounts in thousands of Egyptian Pounds)

38 Group entities (continued)

Subsidiary	Nature of business	Country of incorporation	Ownership interest 2021	Ownership interest 2020
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	**99.99%**	99.99%
Middle East Radio Communication (MERC)*	Communication stations management	Egypt	**51.00%**	51.00%

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

39 Significant claims and Litigations

The Existing Remedy lawsuit between Telecom Egypt Company and Etisalat Misr Company and its subsidiaries: the EGY Net and Nile on Line)

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

The claiming companies, Etisalat Misr and its subsidiaries, claim that Telecom Egypt Company implemented the process of replacing and installing the modern fiber-optic cable "MSAN" network and suddenly replaced and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators.

At the May 28, 2019 case session, the Court decided to reserve the lawsuit for the judgment for the June 25, 2019 session, so that the Court issued a preliminary ruling delegating the matter to Tripartite Experts Committee. The afore-said Committee finalized and submitted its report officially to the Court in January 2021. Lawsuit is pending before the Economic Court in Cairo. On June 1, 2022, the matter has been delegated to another experts committee.

The Company's legal advisor believes that based on the legal position in the previous lawsuit referred to, that there are explicit appeals procedures against the report of the Tripartite Committee, where measurements and procedures are under way for a legal response on the report as to submit it to the Court and request to return the file again to the experts to reconsider the report`s result.

The management has assessed and considered the impacts of the outcome of the afore-said proceedings on these consolidated financial statements and believes that the amount provided for is sufficient (Note 21).

40 Segment reporting

Operating activities related to the Group are managed by operating segments, as the Group activates level as integrated activity, based on the nature of product and the service provided as identified by chief operating decision maker.

(Amounts in thousands of Egyptian Pounds)

40 Segment reporting (continued)

The segment reporting is prepared according to services provided by activities as a Group as follows:

As at / or the year ended December 31, 2021	Marine cables and infrastructure	Internet	Outsourcing	Others	Total
Revenue	20,336,140	14,950,132	1,523,593	278,098	37,087,963
Operating costs	(18,728,970)	(2,167,599)	(952,862)	(244,787)	(22,094,218)
Gross profit	**1,607,170**	**12,782,533**	**570,731**	**33,311**	**14,993,745**
Interest income	44,307	12,257	1,999	10,334	68,897
Interest and Finance cost	(1,231,143)	(6,453)	(4,695)	(3,930)	(1,246,221)
Depreciation and Amortisation	(5,165,023)	(561,330)	(125,728)	(5,829)	(5,857,910)
Share of profit of equity-accounted investees, net of tax	3,149,856	-	-	-	3,149,856
Non-cash items					-
Impairment loss on financial assets	(29,870)	(9,222)	(5,495)	-	(44,587)
Provisions	41,829	(117,974)	(17,062)	-	(93,207)
Total assets	**82,312,738**	**5,769,886**	**984,486**	**545,428**	**89,612,538**
Total liabilities	**41,435,827**	**3,230,803**	**653,319**	**985,293**	**46,305,242**

As at / or the year ended December 31, 2020 (Restated)	Marine cables and infrastructure	Internet	Outsourcing	Others	Total
Revenue	18,833,373	11,568,935	1,121,161	259,869	31,783,338
Operating costs	(17,454,660)	(1,505,311)	(744,259)	(244,029)	(19,948,259)
Gross profit	1,378,713	10,063,624	376,902	15,840	11,835,079
Interest income	34,349	5,557	494	3,830	44,230
Interest and Finance cost	(1,448,953)	-	-	(820)	(1,449,773)
Depreciation and Amortisation	(5,092,891)	(294,261)	(69,753)	(5,027)	(5,461,932)
Share of profit of equity-accounted investees, net of tax	2,150,501	-	-	-	2,150,501
Non-cash items					
Impairment loss on financial assets	(77,224)	(146,358)	-	-	(223,582)
Provisions	(184,197)	(164,400)	(13,895)	(61)	(362,553)
Total assets	79,571,104	2,827,601	532,149	534,214	83,465,068
Total liabilities	42,211,747	3,079,965	430,041	585,619	46,307,372

41 Cash flows information

Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities is disclosed in Notes 16 and 17 respectively.

Non-cash investing and financing activities

Non-cash investing and financing activities are as follows:

- Transfer to property, plant and equipment from projects under construction. (Note 5).
- Acquisition of right-of-use assets (Note 6).
- Transfer to intangible assets from projects under acquisition / development. (Note 7).

(Amounts in thousands of Egyptian Pounds)

42 Restatements

The figures pertaining to prior periods presented, have been restated due to the following reasons:

- During the year December 31, 2021, internal technical department of the Group identified certain discrepancies in the property, plant and equipment and intangible assets registers of Telecom Egypt Company and WE Data. Consequently, corrective measures were taken through making amendments and passing adjustments in the system. Accordingly, the figures related to property, plant and equipment and intangible assets have been restated to the effect;
- Error was identified, pursuant to an internal study made, in applying credit risk rates in allowance for expected credit losses, along-with calculating deferred revenue pertaining to loyalty. Accordingly, trade and other receivables and retained earnings as at January 1, 2020, have been restated; and
- The comparative figures related to right-of-use assets and leases have been restated as a result of errors identified in prior periods on the basis of implementing rates and calculations.

The restatements have resulted in change in retained earnings of prior years by EGP 389.888 million and profits for the comparative periods presented by EGP 93.506 million.

Extract from the consolidated statement of financial position as at the end of earliest comparative period presented	December 31, 2020 (As previously presented)	Restatements	**December 31, 2020 (As currently presented)**
Property, plant and equipment	44,175,044	(249,807)	**43,925,237**
Right-of-use assets	559,950	(49,996)	**509,954**
Intangible assets	9,991,955	(13,353)	**9,978,602**
Trade and other receivables	12,663,497	(270,843)	**12,392,654**
Retained earnings	(15,551,451)	483,394	**(15,068,057)**
Lease liabilities	(660,289)	52,523	**(607,766)**
Trade and other payables	(19,075,952)	48,082	**(19,027,870)**

Extract from the consolidated statement of financial position as at the beginning of earliest comparative period presented	January 1, 2020 (As previously presented)	Restatements	**January 1, 2020 (As currently presented)**
Property, plant and equipment	36,301,170	(91,295)	**36,209,875**
Right-of-use assets	411,569	101,999	**513,568**
Intangible assets	10,375,058	(12,888)	**10,362,170**
Trade and other receivables	10,872,248	(258,910)	**10,613,338**
Retained earnings	(12,502,431)	389,888	**(12,112,543)**
Lease liabilities	(461,945)	33,166	**(428,779)**
Trade and other payables	(17,182,459)	(161,960)	**(17,344,419)**

(Amounts in thousands of Egyptian Pounds)

42 Restatements (continued)

Extract from the consolidated statements of Profit or loss and other comprehensive Income for the year ended	December 31, 2020 (As previously presented)	Restatements	**December 31, 2020 (As currently presented)**
Operating costs	(20,080,971)	132,712	**(19,948,259)**
Selling and distribution expenses	(3,077,287)	(233,515)	**(3,310,802)**
Administrative expenses	(3,637,579)	(16,231)	**(3,653,810)**
Other operating income	462,103	6,648	**468,751**
Finance cost	(1,466,653)	16,880	**(1,449,773)**

Earnings per share for the year ended	December 31, 2020 (As previously presented)	Restatements	**December 31, 2020 (As currently presented)**
Basic earnings per share	2.19	(0.06)	**2.13**
Diluted earnings per share	2.19	(0.06)	**2.13**

43 Subsequent events

The Central Bank of Egypt, in its session held on March 21, 2022, devalued the Egyptian Pound against other foreign currencies, with an objective of providing flexibility to the banks operating in Egypt and promoting flow of foreign exchange through legitimate channels. The indicative exchange rates announced by the Central Bank of Egypt for the most significant foreign currencies, in which the Group deals, are as follows:

Currency rates as at March 21, 2022	Buy	Sell
United States Dollar (USD)	18.2683	18.1708
EURO	20.168	20.0570

As a result of the afore-said devaluation of Egyptian Pound, the Group’s business results may be materially affected in subsequent periods, as significant portion of its monetary assets and liabilities are held in foreign currencies and a sizable part of its operations are carried out outside Egypt.

The Group’s finance income and costs are also expected to increase in future periods as the overnight deposit and lending rates have also been increased by 100 basis points by the Central Bank of Egypt.

There are no other adjusting and non-adjusting subsequent events, occurring between the reporting date and the date of authorization of these consolidated financial statements.