

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Separate Financial Statements**  
**For the Financial Year Ended December 31, 2021**  
**And Auditor's Report**

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*Translation from Arabic*

**AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY**

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

We have audited the accompanying separate financial statements of Telecom Egypt Company S.A.E, which comprise the separate statement of financial position as at December 31, 2021 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

***Auditor's Responsibility***

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

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

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



Hazem Hassan

Translation from Arabic

**Opinion**

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Telecom Egypt Company as of December 31, 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

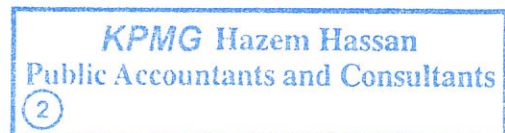
**Report on Other Legal and Regulatory Requirements**

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

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

**KPMG Hazem Hassan**  
**Public Accountants & Consultants**

Cairo, March 2, 2022



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

	Note No.	31/12/2021 L.E. (000)	31/12/2020 Restated L.E. (000)	01/01/2020 Restated L.E. (000)
<b>Assets</b>				
<b>Non Current Assets</b>				
Fixed assets	(13)	42 168 246	37 237 301	29 829 655
Projects in progress	(14)	6 131 150	6 483 385	6 763 708
Investments in subsidiaries and associates	(15)	6 645 125	6 645 125	6 644 879
Available-for-sale investments	(16)	74 856	74 856	78 561
Other assets	(17)	11 996 091	9 159 291	9 801 690
Deferred tax assets	(28-1)	134 515	131 209	212 816
<b>Total Non Current Assets</b>		<b>67 149 983</b>	<b>59 731 167</b>	<b>53 331 309</b>
<b>Current Assets</b>				
Inventories	(18)	1 952 384	1 961 580	1 839 458
Trade receivables	(19)	4 761 366	6 141 754	4 374 060
Debtors and other debit balances	(20)	4 916 603	5 476 246	5 174 824
Debit balances with subsidiaries and associates	(32)	-	310	41 539
Cash and cash equivalents	(21)	2 315 830	1 587 143	791 558
<b>Total Current Assets</b>		<b>13 946 183</b>	<b>15 167 033</b>	<b>12 221 439</b>
<b>Total Assets</b>		<b>81 096 166</b>	<b>74 898 200</b>	<b>65 552 748</b>
<b>Equity</b>				
Capital	(26)	17 070 716	17 070 716	17 070 716
Reserves	(27)	5 011 376	4 903 361	4 640 565
Retained earnings		12 659 510	8 086 547	7 293 979
<b>Total Equity</b>		<b>34 741 602</b>	<b>30 060 624</b>	<b>29 005 260</b>
<b>Non Current Liabilities</b>				
Loans and credit facilities	(22)	10 966 681	3 278 144	4 785 550
Creditors and other credit balances	(23)	4 795 124	5 083 404	4 975 712
Deferred tax liabilities	(28-1)	1 530 964	1 279 686	822 478
<b>Total Non Current Liabilities</b>		<b>17 292 769</b>	<b>9 641 234</b>	<b>10 583 740</b>
<b>Current Liabilities</b>				
Loans and credit facilities installments due within one year	(22)	5 295 946	16 975 203	11 651 026
Creditors and other credit balances	(23)	14 872 205	11 973 704	10 013 014
Credit balances due to subsidiaries and associates	(32)	7 854 290	5 395 234	3 631 704
Provisions	(24)	1 039 354	852 201	668 004
<b>Total Current Liabilities</b>		<b>29 061 795</b>	<b>35 196 342</b>	<b>25 963 748</b>
<b>Total Liabilities</b>		<b>46 354 564</b>	<b>44 837 576</b>	<b>36 547 488</b>
<b>Total Equity and Liabilities</b>		<b>81 096 166</b>	<b>74 898 200</b>	<b>65 552 748</b>

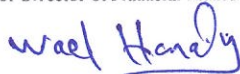
The attached notes on pages from (8) to (50) are an integral part of these separate financial statements.

Director of Financial Affairs



" Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed-Shamroukh "

Managing Director  
& Chief Executive Officer



"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Auditor's Report "attached"

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

	<b>Note</b>	<b><u>For the financial year ended:</u></b>	
		<b>31/12/2021</b>	<b>31/12/2020</b>
		<b><u>L.E. (000)</u></b>	<b><u>Restated</u></b> <b><u>L.E. (000)</u></b>
Operating revenues	(3)	27 787 127	24 595 916
Operating costs	(4)	(18 254 022)	(16 551 054)
<b>Gross Profit</b>		<b>9 533 105</b>	<b>8 044 862</b>
Other income	(5)	666 507	538 546
Selling and distribution expenses	(6)	(2 649 219)	(2 425 822)
General and administrative expenses	(7)	(3 232 107)	(2 908 802)
Other expenses	(8)	( 105 540)	( 360 993)
<b>Operating profit</b>		<b>4 212 746</b>	<b>2 887 791</b>
Finance income		616 730	21 538
Finance cost		(1 233 725)	(1 503 061)
<b>Net finance cost</b>	(9)	<b>( 616 995)</b>	<b>(1 481 523)</b>
<b>Income from investments in subsidiaries and associates</b>	(10)	<b>4 617 368</b>	<b>1 334 417</b>
<b>Profit before income tax</b>		<b>8 213 119</b>	<b>2 740 685</b>
Income tax		(1 009 216)	( 42 344)
Deferred tax	(28-1)	( 247 972)	( 538 815)
<b>Total income tax</b>	(28-3)	<b>(1 257 188)</b>	<b>( 581 159)</b>
<b>Net profit for the year</b>		<b>6 955 931</b>	<b>2 159 526</b>
Basic and diluted earning per share for the year (L.E. / Share)	(12)	<b>3.66</b>	<b>0.87</b>

The attached notes on pages from (8) to (50) are an integral part of these separate financial statements.

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

	<b><u>For the financial year ended:</u></b>	
	<b>31/12/2021</b>	<b>31/12/2020</b>
		<b><u>Restated</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
<b>Net profit for the year</b>	6 955 931	2 159 526
<b><u>Other Comprehensive Income Items</u></b>		
Other Comprehensive Income Items	-	-
<b>Total Comprehensive Income</b>	<b><u>6 955 931</u></b>	<b><u>2 159 526</u></b>

The attached notes on pages from (8) to (50) are an integral part of these separate financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Separate Statement of Changes In Equity**  
**For The Financial Year Ended December 31, 2021**

	Note	Capital	Legal reserve	Other reserves	Retained earnings	Total
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<b>Balance as of January 1, 2020 ( Restated )</b>	(35-1)	17 070 716	1 843 987	2 796 578	7 293 979	29 005 260
<b><u>Comprehensive income</u></b>						
Net profit for the year ( Restated )	(35-2)	-	-	-	2 159 526	2 159 526
Other comprehensive income items		-	-	-	-	-
<b>Total comprehensive income ( Restated )</b>		-	-	-	<b>2 159 526</b>	<b>2 159 526</b>
<b><u>Transactions with shareholders</u></b>						
Transferred to legal reserve		-	271 824	-	( 271 824)	-
Dividends for year 2019 (Shareholders)		-	-	-	( 426 768)	( 426 768)
Dividends for year 2019 (Employees & Board of Directors)		-	-	-	( 668 366)	( 668 366)
Fixed assets evaluation disposals (Lands & Buildings)		-	-	( 9 028)	-	( 9 028)
<b>Total transactions with shareholders</b>		-	<b>271 824</b>	<b>( 9 028)</b>	<b>(1 366 958)</b>	<b>(1 104 162)</b>
<b>Balance as of December 31, 2020 ( Restated )</b>		<b>17 070 716</b>	<b>2 115 811</b>	<b>2 787 550</b>	<b>8 086 547</b>	<b>30 060 624</b>
<b>Balance as of January 1, 2021 (Before restatment)</b>		<b>17 070 716</b>	<b>2 115 811</b>	<b>2 787 550</b>	<b>8 086 547</b>	<b>30 060 624</b>
<b>Impact of applying the new Egyptian Accounting Standards</b>	(7-2)				<b>( 328 179)</b>	<b>( 328 179)</b>
<b>Balance as of January 1, 2021 (After restatment)</b>		<b>17 070 716</b>	<b>2 115 811</b>	<b>2 787 550</b>	<b>7 758 368</b>	<b>29 732 445</b>
<b><u>Comprehensive income</u></b>						
Net profit for the year		-	-	-	6 955 931	6 955 931
Other comprehensive income items		-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	<b>6 955 931</b>	<b>6 955 931</b>
<b><u>Transactions with shareholders</u></b>						
Transferred to legal reserve		-	108 015	-	( 108 015)	-
Dividends for year 2020 (Shareholders)		-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2020 (Employees & Board of Directors)		-	-	-	( 666 470)	( 666 470)
<b>Total transactions with shareholders</b>		-	<b>108 015</b>	-	<b>(2 054 789)</b>	<b>(1 946 774)</b>
<b>Balance as of December 31, 2021</b>		<b>17 070 716</b>	<b>2 223 826</b>	<b>2 787 550</b>	<b>12 659 510</b>	<b>34 741 602</b>

The attached notes on pages from (8) to (50) are an integral part of these separate financial statements.

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

	Note No.	<b><u>For the financial year ended:</u></b>	
		<b><u>31/12/2021</u></b>	<b><u>31/12/2020</u></b>
		<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
<b><u>Cash flows from operating activities</u></b>			
Cash receipts from customers		17 772 305	15 837 054
Cash receipts from related party		11 718 975	7 235 282
Stamp tax and fees collected (from third party)		73 906	38 687
Deposits collected from customers		41 902	2 111
Cash paid to suppliers		(5 720 624)	(7 577 423)
Payments of NTRA license fees		(1 012 788)	( 722 978)
Cash paid to Board of Directors		( 9 377)	( 8 525)
Cash paid to employees		(4 514 561)	(4 264 609)
Cash paid on behalf of employees to third party		( 870 715)	( 846 011)
<b>Cash provided by operating activities</b>		<b><u>17 479 023</u></b>	<b><u>9 693 588</u></b>
Interest paid		( 903 373)	(1 053 214)
Payments to Tax Authority - value added tax		( 623 515)	(1 035 003)
Payments to Tax Authority - other taxes		(1 464 707)	(1 073 302)
Other proceeds / ( payments )		493 900	( 96 322)
<b>Net cash provided by operating activities</b>		<b><u>14 981 328</u></b>	<b><u>6 435 747</u></b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets , project in progress and other assets		(10 606 872)	(9 587 416)
Payments for purchase of other assets		(2 476 050)	( 730 953)
Payments for lease liability contract		( 141 145)	-
Payments for acquisition of investments		-	( 246)
Interest received		10 369	12 450
Dividends collected from investments		4 164 198	1 270 467
Proceeds from retrieval of held-to-maturity investment - treasury bills		11 711	-
<b>Net cash used in investing activities</b>		<b><u>(9 037 789)</u></b>	<b><u>(9 035 698)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds / Payments from loans		6 413 104	(1 470 544)
Payments / Proceeds from credit facilities		(10 340 200)	5 350 276
Dividends paid to shareholders		(1 280 304)	( 426 768)
<b>Net cash (used in) provided by financing activities</b>		<b><u>(5 207 400)</u></b>	<b><u>3 452 964</u></b>
<b>Net change in cash and cash equivalents during the year</b>		<b><u>736 139</u></b>	<b><u>853 013</u></b>
Cash and cash equivalents at the beginning of the year	(21)	1 538 732	685 719
<b>Cash and cash equivalents at the end of the year</b>	(21)	<b><u>2 274 871</u></b>	<b><u>1 538 732</u></b>

The attached notes on pages from (8) to (50) are an integral part of these separate financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Notes to the Separate Financial Statements**  
**For the Financial Year Ended December 31, 2021**

**1. BACKGROUND**

**1-1 Legal Entity**

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

**1-2 Purpose of the company**

The main purpose of the company represents in the following:

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

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

These separate financial statements as of December 31,2021 were approved by the company's Board of Directors for issuance on March 2, 2022.

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

**2-1 Statement of compliance**

- Separate financial statements as of December 31,2021 have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations related to.

*Notes to the separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

- These are the first Separate financial statements in which the Egyptian Accounting Standard No. 47 “Financial Instruments” and the Egyptian Accounting Standard No. 48 “Revenue from contracts with customers” and the Egyptian Accounting Standard No. 49 “Lease” have been applied. The impact of changes in the significant accounting policies in Note No. (2-7)
- The company has subsidiaries and associates and according to the Egyptian Accounting Standard No. (42) “the Separate financial statements” and the article by Law No.188 of executive regulation for Law No.159 of 1981 “the company prepares the Separate Financial Statements for the group which can referred to it to obtain a position reflect the financial position, business results, and cash flows for the group as a whole”.

**2-2 Basis of measurement**

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

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

**2-3 Functional and presentation currency**

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

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

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

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

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

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

**2-5 Fair value measurement**

- The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the separate financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.
- In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.
- When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

*Notes to the separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

**2-6 Segment reporting**

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

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

**2-7 Significant accounting policies**

- On March 18, 2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by Minister of Investment Decision No. 110 of 2015, which include some new accounting standards and amendments to some existing standards.

- On April 12, 2020, the Financial Supervisory Authority issued a decision to postpone the application of amendments in the new Egyptian accounting standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.

On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the application of the following Egyptian accounting standards until January 1, 2021:

A- Standard (47) - Financial Instruments

B- Criterion (48) - Revenue from contracts with customers

C- Standard (49) - Lease Contracts

- Amendments to the standards have been applied with effect from the beginning of 2021, and the company's management decided to apply the Egyptian Accounting Standard No. 47 "Financial Instruments" (see A), the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" (see B) and the Egyptian Accounting Standard. No. 49 "Lease Contracts" (see C) effective January 1, 2021.

- The company has chosen the modified cumulative effect method in applying the changes in accounting policies resulting from the application of these standards. Consequently, the differences resulting from the application of those standards referred to above were recognized in the retained earnings item on January 1, 2021 "if any", and the comparative information included has not been restated to reflect the requirements of the new standards.

- In the following table, the transitional impact of applying the Egyptian Accounting Standard No. 47 "Financial Instruments" and the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" and the Egyptian Accounting Standard No. 49 "Lease Contracts" on the beginning balances of the Group's financial position was made on January 1, 2021

Notes to the separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

L.E (000)	Beginning balance of financial postion	The effect of standard No. 47 "Financial instruments"	The effect of standard No. 48 "Revenue from contracts with customers"	The effect of standard No. 49 "lease contracts"	Restated Beginning balance of financial postion
<b>Assets</b>					
<b>Non Current Assets</b>					
Fixed assets	37 237 301	-	-	-	37 237 301
Projects in progress	6 483 385	-	-	-	6 483 385
Investments in subsidiaries and associates	6 645 125	-	-	-	6 645 125
Available-for-sale investments	74 856	-	-	-	74 856
Other assets	9 159 291	-	-	553 793	9 713 084
Deferred tax assets	131 209	-	-	-	131 209
<b>Total Non Current Assets</b>	<b>59 731 167</b>	<b>-</b>	<b>-</b>	<b>553 793</b>	<b>60 284 960</b>
<b>Current Assets</b>					
Inventories	1 961 580	-	-	-	1 961 580
Trade receivables	5 733 086	( 218 641)	-	-	5 514 445
Debtors and other debit balances	5 884 914	-	-	( 33 439)	5 851 475
Debit balances with subsidiaries and associates	310	-	-	-	310
Cash and cash equivalents	1 587 143	-	-	-	1 587 143
<b>Total Current Assets</b>	<b>15 167 033</b>	<b>( 218 641)</b>	<b>-</b>	<b>( 33 439)</b>	<b>14 914 953</b>
<b>Total Assets</b>	<b>74 898 200</b>	<b>( 218 641)</b>	<b>-</b>	<b>520 354</b>	<b>75 199 913</b>
<b>Equity</b>					
Capital	17 070 716	-	-	-	17 070 716
Reserves	4 903 361	-	-	-	4 903 361
Retained earnings	8 086 547	( 218 641)	( 325)	( 109 213)	7 758 368
<b>Total Equity</b>	<b>30 060 624</b>	<b>( 218 641)</b>	<b>( 325)</b>	<b>( 109 213)</b>	<b>29 732 445</b>
<b>Non Current Liabilities</b>					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 083 404	-	-	562 790	5 646 194
Deferred tax liabilities	1 279 686	-	-	-	1 279 686
<b>Total Non Current Liabilities</b>	<b>9 641 234</b>	<b>-</b>	<b>-</b>	<b>562 790</b>	<b>10 204 024</b>
<b>Current Liabilities</b>					
Loans and credit facilities installments due within one year	16 975 203	-	-	-	16 975 203
Creditors and other credit balances	11 973 704	-	325	66 777	12 040 806
Accrued credit accounts to subsidiaries and associates	5 395 234	-	-	-	5 395 234
Provisions	852 201	-	-	-	852 201
<b>Total Current Liabilities</b>	<b>35 196 342</b>	<b>-</b>	<b>325</b>	<b>66 777</b>	<b>35 263 444</b>
<b>Total Liabilities</b>	<b>44 837 576</b>	<b>-</b>	<b>325</b>	<b>629 567</b>	<b>45 467 468</b>
<b>Total Equity and Liabilities</b>	<b>74 898 200</b>	<b>( 218 641)</b>	<b>-</b>	<b>520 354</b>	<b>75 199 913</b>

**(A) Egyptian Accounting Standard No. (47) - Financial Instruments**

- Egyptian Accounting Standard No. 47 specifies requirements for recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces Egyptian Accounting Standard No. 25 Financial Instruments: Presentation and Disclosure and Financial Accounting Standard No. 26 Financial Instruments: Recognition and Measurement and Egyptian Accounting Standard No. 40 Financial Instruments: Disclosures applied to the disclosures for the year 2021.

**- Classification and measurement of financial assets and financial liabilities**

The new standard requires a company to evaluate financial assets in its financial statements according to the cash flow characteristics of financial assets and the company's related business models for a particular class of financial assets.

Egyptian Accounting Standard 47 no longer has an "available for sale" classification of financial assets. The new standard contains different requirements for financial assets in debt or equity instruments.

**- Debt instruments must be classified and measured in one of the following ways:**

Amortized cost, as the effective interest rate method or

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

**- Investments in equity instruments other than those that are considered and for which equity accounting should be applied must be classified and measured in one of the following:**

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

The company continues to initially measure financial assets at fair value plus transaction cost upon initial recognition, excluding financial assets measured at fair value through profit and loss in line with current practices. The classification of most financial assets has not been affected. By moving to Egyptian Accounting Standard No. 47 on January 1, 2021, with regard to the reclassification statement that took place when the transition to Egyptian Accounting Standard No. 47 was clarified in the previous countries in this clarification, EAS 47 retains to a large extent the current requirements of it in the Accounting Standard. The Egyptian No. 26 for classification and measurement of current liability.

The application of Egyptian Accounting Standard No. 47 had no impact on the company's accounting policies relating to financial liabilities and derivative financial instruments.

**-Impairment**

Egyptian Accounting Standard No. 47 uses the expected credit loss model. Which replaces the actual loss model in the Egyptian Accounting Standard No. 26, as there was no need to create a provision for doubtful debts except in cases where a loss actually occurred. In contrast, the ECL model requires the company to recognize an allowance for doubtful debts on all financial assets listed at amortized cost as well as debt instruments classified as financial assets at FVTOCI since the initial recognition, regardless of whether the loss occurred.

As a result, an increase in impairment for financial assets increased for the company when applying the Egyptian Accounting Standard No. 47 on January 1, 2021, as the effect of applying the expected credit loss model appears in the previous table of this note.

**-Hedge accounting**

Egyptian Accounting Standard No. 47 increases the company's ability to apply hedge accounting. In addition, the requirements of the standard have been more closely aligned with the Company's risk management policy, and the effectiveness of the hedging will be measured in the future.

Notes to the separate financial statements

For the financial year ended December 31, 2021 (continued)

Translation from Arabic

**-Transitional period**

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in the retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

**(B) Egyptian Accounting Standard No. 48 - Revenue from contracts with customers**

Egyptian Accounting Standard No. 48 defines a comprehensive framework for determining the value and timing of revenue recognition. This replaces the standard in place of the following Egyptian standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts") Revenue is recognized when the customer can take Control of units and services. The timing of the transfer of control - over a period of time or at a point in time - requires a measure of personal judgment.

**- Revenue recognition**

Due to the nature of the company's activities, in addition to the company's current accounting policies, the application of the Egyptian Accounting Standard No. 48 did not have a material impact on the recognition of revenue by the company, as shown in the previous table in this note.

**- The costs of obtaining a contract with the client**

Under Egyptian Accounting Standard No. 48, some of the additional costs incurred in obtaining a contract with a customer (contract costs) that were previously not eligible for recognition as an asset under any of the other accounting standards have been deferred in the separate financial position statement.

There is no effect of capitalizing contract costs resulting from the application of Egyptian Accounting Standard No. 48 in the previous table in this note.

**-Transitional period**

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

The effect of applying the Egyptian Accounting Standard No. 48 to the opening balances of the financial position of the company, as of January 1, 2021, is shown in the previous table in this note.

**(C) Egyptian Accounting Standard No. (49) - Lease Contracts**

The Egyptian Accounting Standard No. 49 replaces the Egyptian Accounting Standard No. 20 - Accounting rules and standards related to finance lease operations.

Egyptian Accounting Standard No. 49 "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a liability that represents the current value of unpaid lease payments within the company's liability, taking into account that contracts are not classified for the lessee an operating lease contract or a finance lease contract. There are optional exemptions for short-term and low-value leases.

- With regard to the lessor, the lessor must classify each of his lease contracts as either an operating lease contract or a finance lease contract.
- With regard to the financial lease, the lessor must recognize the assets held under a finance lease contract in the statement of the financial position and present them as dues in an amount equal to the net investment in the lease contract.
- With regard to operating lease, the lessor must recognize lease payments from operating lease contracts as income, either on a straight-line basis or any other regular basis.

**Recognition and measurement**

At the commencement of the contract, the company evaluates whether the contract contains lease arrangements and for such arrangements for lease contracts, the company recognizes right of use assets and lease contract liabilities, with the exception of short-term leasing contracts and low-value asset contracts as follows:

subsequent recognition: right of use of asset is measured as the amount equal to the lease liability that is initially measured and adjusted for pre-contract lease payments, initial direct cost, incentives, the discounted value of the estimated costs of dismantling and removing the asset.

In the subsequent measurement: the right of use is measured at cost minus the accumulated depreciation and the accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the right of use assets or the lease term, whichever is less.

The lease liability is measured at the beginning of the lease contract at the present value of the unpaid lease payments on that date over the lease period, and lease payments must be deducted using the additional borrowing rate prevalent in the country. In general, the company uses the additional borrowing rate as the discount rate. Then the lease contract liability is measured at amortized cost using the effective interest rate method.

*Notes to the separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

**- The right of use assets and the liability of the lease contracts will be re-measured later in the event that one of the following events occurs:**

- The change in the lease price due to the link to the price or the rate that has become effective for the period.
- Amendments to the lease contract.
- Reassessment of the lease term.
- contract for leasing non-core assets that are not related to the main operating activities of the company, which are short-term in nature (less than 12 months including renewal options) and low value commodity leases are included in the income statement as incurred.

**-Transitional period**

The company applied the EAS No. 49 using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

When switching to Egyptian Accounting Standard No. (49), The company has chosen to apply the practical method to exclude the evaluation under which translations represent lease contracts , The company applied EAS 49 only to contracts that were previously identified as lease contracts that were not identified as leases under EAS 20 were not reassessed consequently , the definition of a lease under EAS 49 was applied to contracts signed or changed before January 1 ,2020 and the company also adopted practiced icentives . when applying Egyptian Accounting Standard No. (49) to lease contracts previously classified as operating lease under Egyptian Accounting Standard No.(20)

Lease contracts previously classified as operating leases under the Egyptian Accounting Standard No. (20): The company has also chosen to use recognition exemptions for lease contracts whose lease period does not exceed 12 months or less from the date of initial implementation and does not contain the option to purchase "short-term lease contracts" as well as low-value leasing contracts for "low-value assets."

- Implementing of a single discount rate to a group of lease contracts with reasonably similar characteristics which recognized on January 1, 2021.
- implementig of the exemption by not recognizing the assets and liabilities of the right of use asset that expire during the year 2021
- Excluding the initial direct cost from measuring the right of use asset on the date of its initial implementation.

**- Important provisions in determining the lease term for contracts that include renewal options**

The company defines the lease term as the irrevocable period of the lease contract, along with any periods covered by the option to extend the lease contract if this right can be exercised in a very reasonable degree, or any periods covered by the option to terminate the lease contract, if it is certain that Exercise this right.

The company has the option under some lease contracts to lease assets for additional periods. The company applies judgment in assessing whether it is certain and to a reasonable degree to exercise the renewal option, and this means that all relevant factors that create an economic incentive to practice the renewal are taken into account.

After the commencement date, the company will return the lease term if there is a major event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example) a change in business strategy.

**3. OPERATING REVENUES**

	<b>For the financial year ended:</b>	
	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Home and personal communications	5 308 661	4 441 269
Enterprise	2 367 089	2 049 039
Domestic wholesale	12 844 426	10 171 017
International carriers	4 243 562	4 395 547
International cables and networks	3 023 389	3 539 044
	<b><u>27 787 127</u></b>	<b><u>24 595 916</u></b>

**4. OPERATING COSTS**

	<b>Note No.</b>	<b>For the financial year ended:</b>	
		<b>31/12/2021</b>	<b>31/12/2020</b>
		<b><u>L.E. (000)</u></b>	<b><u>Restated L.E. (000)</u></b>
Interconnection cost		6 021 393	5 584 788
Depreciation of fixed assets	(13)	4 581 568	3 982 648
Amortization of other assets	(17)	801 910	671 913
Salaries and wages*		2 214 875	1 961 630
Company's social insurance contribution*		231 221	207 969
Employees vacations allowance*		7 640	7 640
Frequencies and licences charges (NTRA)		1 052 591	1 001 719
Fuel		862 719	841 678
Right of use (IRU) outside Egypt		347 766	237 161
Leased circuits & satellite subscriptions		339 241	282 495
Cost of merchandise available for sale		83 626	66 614
Spare parts		268 217	203 142
Maintenance*		545 325	502 805
Organizations services cost		457 839	429 917
Company's call costs		90 245	96 246
Electricity and water*		73 889	75 877
Transportation cost		57 542	66 183
Materials, supplies and miscellaneous printed		67 914	93 308
Other operating costs		148 501	237 321
		<b><u>18 254 022</u></b>	<b><u>16 551 054</u></b>

\*Restatement and reclassification were made to comparative figures as shown in Note no (35-2).

Notes to the separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

## 5. OTHER INCOME

	<b>For the financial year ended:</b>	
	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>Restated L.E. (000)</u></b>
Fines and earned delay interest	127 506	80 583
Unoperational assets revenues	53 816	44 254
Provisions no longer required	41 829	-
Sundry revenues*	443 356	413 709
	<b><u>666 507</u></b>	<b><u>538 546</u></b>

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

## 6. SELLING AND DISTRIBUTION EXPENSES

	<b>Note No</b>	<b>For the financial year ended:</b>	
		<b>31/12/2021</b>	<b>31/12/2020</b>
		<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Salaries and wages*		1 032 423	931 878
Company's social insurance contribution*		113 162	101 835
Employees vacations allowance*		3 460	3 460
Depreciation	(13)	8 380	7 257
Amortization	(13)	25 276	-
Tax and duties		110 357	97 282
Advertising and Marketing		410 698	424 744
Organizations services cost		415 699	401 051
Commissions		416 115	350 780
Other selling and distribution expenses		113 649	107 535
		<b><u>2 649 219</u></b>	<b><u>2 425 822</u></b>

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

## 7. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>Note No.</b>	<b>For the financial year ended:</b>	
		<b>31/12/2021</b>	<b>31/12/2020</b>
		<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Salaries and wages*		1 968 883	1 716 487
Company's social insurance contribution*		157 003	141 371
End of service compensation - (early retirement scheme)	(11-1)	-	101 672
Employees vacations allowance*		4 900	4 900
The company's contribution in loyalty and belonging fund	(11-2)	200 000	180 000
Depreciation	(13)	39 809	31 773
Amortization	(17)	8 523	-
Tax and duties		178 236	134 982
Organization services and consulting cost		449 676	413 501
Bank charges		24 271	15 141
Other general and administrative expenses		200 806	168 975
		<b><u>3 232 107</u></b>	<b><u>2 908 802</u></b>

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

Notes to the separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

## 8. OTHER OPERATING EXPENSES

	Note No.	<u>For the financial year ended:</u>	
		31/12/2021	31/12/2020
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Provisions	(24)	-	184 197
Capital losses		59 186	19 798
Sale of slow moving		2 030	21 465
Donations		44 324	135 533
		<u>105 540</u>	<u>360 993</u>

## 9. NET FINANCE COST

	<u>For the financial year ended:</u>	
	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<b><u>Finance income</u></b>		
Interest income	32 447	15 638
Treasury bills income	11 711	-
Net translation gain of foreign currencies balances and transactions	569 275	-
Finance income for Present Value		-
<b><u>Income from available for sale Investment</u></b>		
Civil Information Technology Co.	756	620
Egyptian Company for tracking & information technology	1 106	2 237
Arabsat	1 435	3 043
<b>Total finance income</b>	<u>616 730</u>	<u>21 538</u>
<b><u>Finance costs</u></b>		
Interest expense	( 959 663)	(1 083 111)
Finance cost for credit contracts	( 243 471)	( 259 654)
Impairment loss on financial assets	( 30 591)	( 140 487)
Impairment loss on available-for-sale investments	-	( 3 705)
Net translation loss of foreign currencies balances and transactions	-	( 16 104)
<b>Total finance cost</b>	<u>(1 233 725)</u>	<u>(1 503 061)</u>
<b>Net finance cost</b>	<u>( 616 995)</u>	<u>(1 481 523)</u>

## 10. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the financial year ended:</u>	
	31/12/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt Telecommunications Company (VFE)	4 494 575	651 714
WE Data	50 000	600 000
Middle East Radio Communications (Merc)	5 372	5 513
The Egyptian Telecommunication Company for information systems (Xceed)	62 500	62 500
Centra Technology Company (Centra)	4 921	14 690
	<u>4 617 368</u>	<u>1 334 417</u>

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

## 11. EMPLOYEE'S BENEFITS

### 11-1 Early retirement scheme

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

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

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

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

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

The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme. Currently, the said committee is completing the study of the remaining applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its work and all the liabilities that the company had born as a result of the application of the optional early retirement scheme by an amount of L.E 1 368 221 K with balance of L.E 24 385 K on December 31, 2021.

Notes to the separate financial statements

For the financial year ended December 31, 2021 (continued)

Translation from Arabic

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

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

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents contribution to be determined annually according to a board of directors decree and the company had contributed by an amount of L.E 200 000 K for the year ended in December 31, 2021 (against an amount of L.E. 180 000 K for year 2020) stated in the general and administrative expenses as shown in (Note no. 7).

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

	<b>For the financial year ended</b>	
	<b>31/12/2021</b>	<b>31/12/2020</b>
		<b><u>Restated</u></b>
Net profit for the year (L.E. (000))*	6 955 931	2 159 526
<b><u>Less:</u></b>		
Employees' share in dividends (L.E. (000))	693 720	657 093
Board of Directors share in profit (L.E. (000))	14 300	9 378
<b>Net profit for the year available for distribution (L.E. (000))</b>	<b>6 247 911</b>	<b>1 493 055</b>
Number of shares available during the year (share)	1 707 071 600	1 707 071 600
<b>Basic and diluted earning per share for the year (L.E. / share)</b>	<b>3.66</b>	<b>0.87</b>

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

*Notes to the separate financial statements*  
*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

13- FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment & information technologies	Vehicles	Furniture	Tools & supplies	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Cost as at January 1, 2020	2 349 427	34 177 064	29 593 476	167 984	384 587	164 438	66 836 976
Additions during the year	21	4 910 568	6 516 092	51 249	63 058	65 254	11 606 242
Disposals during the year	( 10 475)	( 893 175)	( 776 882)	( 13 820)	( 4 688)	( 2 190)	(1 701 230)
<b>Cost as at January 1, 2021 ( Restated )</b>	<b>2 338 973</b>	<b>38 194 457</b>	<b>35 332 686</b>	<b>205 413</b>	<b>442 957</b>	<b>227 502</b>	<b>76 741 988</b>
Additions during the year	47 401	3 715 459	5 730 496	59 074	67 624	12 559	9 632 613
Disposals during the year	-	( 291 513)	( 7 824 895)	( 18 005)	( 10 233)	( 2 275)	(8 146 921)
<b>Cost as at December 31, 2021</b>	<b>2 386 374</b>	<b>41 618 403</b>	<b>33 238 287</b>	<b>246 482</b>	<b>500 348</b>	<b>237 786</b>	<b>78 227 680</b>
Accumulated depreciation as at January 1, 2020 ( Restated )	-	15 996 942	20 513 668	106 577	282 981	107 153	37 007 321
Depreciation for the year	-	1 697 915	2 261 939	9 066	29 930	22 828	4 021 678
Accumulated depreciation for disposals	-	( 736 921)	( 766 846)	( 13 667)	( 4 688)	( 2 190)	(1 524 312)
<b>Accumulated depreciation as at January 1, 2021 ( Restated )</b>	<b>-</b>	<b>16 957 936</b>	<b>22 008 761</b>	<b>101 976</b>	<b>308 223</b>	<b>127 791</b>	<b>39 504 687</b>
Depreciation for the year	-	1 710 272	2 838 584	17 804	37 364	25 733	4 629 757
Accumulated depreciation for disposals	-	( 231 868)	( 7 812 781)	( 17 860)	( 10 234)	( 2 267)	(8 075 010)
<b>Accumulated depreciation as at December 31, 2021</b>	<b>-</b>	<b>18 436 340</b>	<b>17 034 564</b>	<b>101 920</b>	<b>335 353</b>	<b>151 257</b>	<b>36 059 434</b>
<b>Net carrying amounts as at December 31, 2021</b>	<b>2 386 374</b>	<b>23 182 063</b>	<b>16 203 723</b>	<b>144 562</b>	<b>164 995</b>	<b>86 529</b>	<b>42 168 246</b>
<b>Net carrying amounts as at December 31, 2020</b>	<b>2 338 973</b>	<b>21 236 521</b>	<b>13 323 925</b>	<b>103 437</b>	<b>134 734</b>	<b>99 711</b>	<b>37 237 301</b>

- Cost of fixed assets includes an amount of L.E. 14 147 Million fully depreciated assets and still in use.

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

	Note	<u>For the financial year ended</u>	
		<u>2021</u>	<u>2020</u>
	No.	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Adjustments on the beginning balance			
Operating costs	( 4)	4 581 568	3 982 648
Selling and distribution expenses	( 6)	8 380	7 257
General and administrative expenses	( 7)	39 809	31 773
		<b>4 629 757</b>	<b>4 021 678</b>

**14. PROJECTS IN PROGRESS**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>LE (000)</u></b>	<b><u>LE (000)</u></b>
Land	199 148	37 845
Buildings and Infrastructure	1 130 331	1 437 326
Furniture	-	12 016
Tools and suppliers	4 590	11 139
Centrals and information technology equipment	2 383 093	2 835 618
Other Assets (cables)	641 274	547 625
Advance payments - Fixed assets	<u>1 772 714</u>	<u>1 601 816</u>
	<b><u>6 131 150</u></b>	<b><u>6 483 385</u></b>

The balance of projects in progress is represented in the part that has been executed from capital and contracts commitments, and the advanced payment until December 31, 2021.

**15. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

	Note	<b>31/12/2021</b>		<b>31/12/2020</b>	
	No.	<b>Ownership</b>	<b>LE (000)</b>	<b>Ownership</b>	<b>LE (000)</b>
		%		%	
<b>15-1 Investments in subsidiaries</b>					
- Telecom Egypt France (TE France)		100.00	69 220	100.00	69 220
- WE Data		99.99	252 461	99.99	252 461
- TE Investment Holding		99.99	39 998	99.99	39 998
- Egyptian international submarine cables company (Eisce)		99.00	267 578	99.00	267 578
- Egyptian telecommunication integrated services company		98.00	246	98.00	246
- Egyptian Telecommunication for Information System (Xceed)		97.66	31 250	97.66	31 250
- Centra Technology		58.76	14 737	58.76	14 737
- Middle East Radio Communication (Merc)		49.00	7 350	49.00	7 350
<b>15-2 Investments in associates</b>					
- Wataneya for Telecommunications		50.00	125	50.00	125
- Vodafone Egypt Telecommunications Company (VFE)		44.95	5 960 054	44.95	5 960 054
- Egypt Trust		35.71	10 000	35.71	10 000
			<b><u>6 653 019</u></b>		<b><u>6 653 019</u></b>
<b>Less:</b>					
Impairment loss on investments of subsidiaries and associates*	(25)		7 894		7 894
			<b><u>6 645 125</u></b>		<b><u>6 645 125</u></b>

\*Impairment loss on investments of subsidiaries and associates is formed for Telecom Egypt France, Egyptian telecommunication integrated services company and wataneya for Telecommunications.

Notes to the separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

16. <u>Available-for-sale investments</u>	Note No.	31/12/2021	31/12/2020
		<u>LE (000)</u>	<u>LE (000)</u>
- Participations in foreign satellite companies and organizations		26 676	26 676
- Investments in other companies		88 205	88 205
		<u>114 881</u>	<u>114 881</u>
<b>Less:</b>			
Impairment loss on available for sale investments	(25)	40 025	40 025
		<u><b>74 856</b></u>	<u><b>74 856</b></u>

17 - OTHER ASSETS

	Fourth generation Network license <u>L.E. (000)</u>	Usefruct Projects <u>L.E. (000)</u>	Lease ROU <u>L.E. (000)</u>	Submarine cables <u>L.E. (000)</u>	Land (Possession) <u>L.E. (000)</u>	Right Of Way National <u>L.E. (000)</u>	Licenses and programs <u>L.E. (000)</u>	Total <u>L.E. (000)</u>
Cost as at January 1, 2020	8 633 330	-	-	1 916 501	440 684	522 722	160 847	11 674 084
Additions during the year	-	34 296	-	23 649	-	21 174	86	79 205
Disposals during the year	-	-	-	(55 028)	-	(2 801)	(56 382)	(114 211)
Cost at December 31, 2020	<u>8 633 330</u>	<u>34 296</u>	<u>-</u>	<u>1 885 122</u>	<u>440 684</u>	<u>541 095</u>	<u>104 551</u>	<u>11 639 078</u>
Cost at December 31, 2021	<u>8 633 330</u>	<u>34 296</u>	<u>-</u>	<u>1 885 122</u>	<u>440 684</u>	<u>541 095</u>	<u>104 551</u>	<u>11 639 078</u>
Adjustments on beging balance	-	-	767 196	-	-	-	-	767 196
Additions during the year	2 451 050	281 240	182 567	262 991	-	-	-	3 177 848
Disposals during the year	-	-	-	(86 303)	-	(787)	-	(87 090)
Cost at December 31, 2021	<u>11 084 380</u>	<u>315 536</u>	<u>949 763</u>	<u>2 061 810</u>	<u>440 684</u>	<u>540 308</u>	<u>104 551</u>	<u>15 497 032</u>
Accumulated amortization as at January 1, 2020	1 050 439	-	-	665 411	-	65 340	91 204	1 872 394
Amortization for the year	459 569	764	-	116 839	-	59 862	34 879	671 913
Accumulated amortization for disposals	-	-	-	(7 438)	-	(700)	(56 382)	(64 520)
Accumulated amortization as at December 31, 2020	<u>1 510 008</u>	<u>764</u>	<u>-</u>	<u>774 812</u>	<u>-</u>	<u>124 502</u>	<u>69 701</u>	<u>2 479 787</u>
Adjustments on beging balance	-	-	213 403	-	-	-	-	213 403
Reclassification	-	41	-	-	-	-	-	41
Amortization for the year	488 875	5 655	114 788	130 287	-	61 254	34 850	835 709
Accumulated amortization for disposals	-	-	-	(27 516)	-	(483)	-	(27 999)
Accumulated amortization as at December 31, 2021	<u>1 998 883</u>	<u>6 460</u>	<u>328 191</u>	<u>877 583</u>	<u>-</u>	<u>185 273</u>	<u>104 551</u>	<u>3 500 941</u>
Net carrying amounts as at December 31, 2021	<u>9 085 497</u>	<u>309 076</u>	<u>621 572</u>	<u>1 184 227</u>	<u>440 684</u>	<u>355 035</u>	<u>-</u>	<u>11 996 091</u>
Net carrying amounts as at December 31, 2020	<u>7 123 322</u>	<u>33 532</u>	<u>-</u>	<u>1 110 310</u>	<u>440 684</u>	<u>416 593</u>	<u>34 850</u>	<u>9 159 291</u>

- Other assets cost includes at December 31, 2021 an amount of L.E 272 Million, other assets fully amortized and still in use in operating

Amortization for the year is charged to statement of income as follows:

	Note No.	For the financial year ended	
		31/12/2021 <u>L.E. (000)</u>	31/12/2020 <u>L.E. (000)</u>
Operating costs	(4)	801 910	671 913
Selling and Distribution expenses	(6)	25 276	-
General and administrative expenses	(7)	8 523	-
		<u>835 709</u>	<u>671 913</u>

**18. INVENTORIES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	726 508	753 246
Material supplies	810 738	927 417
Merchandise for sale	53 419	95 186
Others	20 236	22 874
	<b><u>1 610 901</u></b>	<b><u>1 798 723</u></b>
<b>Add:</b>		
Letters of credit	341 483	162 857
	<b><u>1 952 384</u></b>	<b><u>1 961 580</u></b>

Inventory's value was written down by L.E. 113 095 K (against L.E. 13 561 K at December 31, 2020) for obsolete and slow-moving items deducted directly from the cost of each type of inventory (Note no. 25)

**19. TRADE RECEIVABLES**

	Note	31/12/2021	31/12/2020
	<b><u>No.</u></b>	<b><u>L.E. (000)</u></b>	<b><u>Reclassified</u></b>
		<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National*		3 780 592	4 016 411
Trade Receivables - International		2 924 903	3 864 720
		<b><u>6 705 495</u></b>	<b><u>7 881 131</u></b>
<b>Less:</b>			
Impairment loss on trade receivables	(25)	1 944 129	1 739 377
		<b><u>4 761 366</u></b>	<b><u>6 141 754</u></b>

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

**20. DEBTORS AND OTHER DEBIT BALANCES**

	Note	31/12/2021	31/12/2020
	<b><u>No.</u></b>	<b><u>L.E. (000)</u></b>	<b><u>Restated</u></b>
		<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Suppliers – advanced payments		556 978	878 736
Deposits with others		305 890	269 252
Customs Authority - deposits		2 345	2 204
Accrued revenues		4 932	11 119
Tax Authority – value added tax		865 464	1 483 623
Tax Authority – withholding tax		1 310 159	826 976
Payments on the account of income tax		39 452	29 552
Due from Ministries, organizations and companies*		432 307	859 832
Temporary debts due from employees		693 720	657 093
Other debit balances*		805 035	513 058
		<b><u>5 016 282</u></b>	<b><u>5 531 445</u></b>
<b>Less:</b>			
Impairment loss on debtors and other debit balances	(25)	99 679	55 199
		<b><u>4 916 603</u></b>	<b><u>5 476 246</u></b>

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

**21. CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>No.</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
Banks - time deposits (less than 3 months)		552 223	1 064 991
Banks - current accounts		914 722	520 809
Cash on hand		2 243	1 343
Treasury bills (less than 3 months)		846 642	-
<b>Cash and cash equivalents</b>		<b>2 315 830</b>	<b>1 587 143</b>
<b>Less:</b>			
Restricted cash and cash equivalents at banks	(30)	40 959	48 411
<b>Cash and cash equivalents as per cash flows statement</b>		<b>2 274 871</b>	<b>1 538 732</b>

Notes to the separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

## 22- LOANS AND CREDIT FACILITIES

Description	Loan Currency	Balance as of 31/12/2021	Long term loan installments due within one year	Long term loan installments due within more than one year	Balance as of 31/12/2021	Balance as of 31/12/2020	Annual interest rate	<u>Repayment schedule</u>
		<u>currency</u> (000)	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	
Foreign Loans	U.S.\$	680 211	1 813 847	8 858 657	10 672 504	4 249 364	Variable interest rate	Quarter installments ending on Oct,2027
Foreign loans	EURO	23 043	34 801	374 822	409 623	483 161	0.75% - 5.5%	Semi-annual installments ending on June,2027
Foreign suppliers' facilities	EURO	79	1 405	-	1 405	1 527	5.50%	
Bank facilities	LE	1 365 951	1 365 951	-	1 365 951	6 556 979	Variable interest rate	
Bank facilities	U.S.\$	224 975	1 796 674	1 733 202	3 529 876	7 576 907	Variable interest rate	
Bank facilities	EURO	15 935	283 268	-	283 268	1 385 409	Variable interest rate	
			<b>5 295 946</b>	<b>10 966 681</b>	<b>16 262 627</b>	<b>20 253 347</b>		

Notes to the separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

### 23. CREDITORS AND OTHER CREDIT BALANCES

	<u>Note</u> <u>No.</u>	<u>31/12/2021</u> <u>L.E. (000)</u>	<u>31/12/2020</u> <u>Restated</u> <u>L.E. (000)</u>
Suppliers		1 084 853	1 364 820
Tax Authority-Income Tax		547 293	-
Tax Authority (taxes other than income tax)		754 549	190 311
Deposits from others		559 732	528 022
Assets creditors		11 061 305	11 085 577
Dividends creditors		770	770
Accrued interest		63 632	108 762
Leases Obligations*		746 524	-
Accrued expenses**		1 114 721	659 781
Social Insurance Authority		56 392	54 666
Customers - credit balances		1 580 585	725 028
Liabilities of early retirement scheme	(11-1)	24 385	67 140
Credit balances - organizations and companies		277 034	355 651
Deferred revenues**		495 685	632 650
National Telecommunication Regulatory Authority (NTRA)		707 981	661 203
Other credit balances		591 888	622 727
		19 667 329	17 057 108
<b><u>Less balances due within more than one year:</u></b>			
Other assets creditors		4 139 703	5 055 227
Leases Obligation***		630 062	-
Deferred revenues		25 359	28 177
		<b>4 795 124</b>	<b>5 083 404</b>
<b>Non current creditors and other credit balances</b>		<b>4 795 124</b>	<b>5 083 404</b>
<b>Current creditors and other credit balances</b>		<b>14 872 205</b>	<b>11 973 704</b>
<b>Total creditors and other credit balances</b>		<b>19 667 329</b>	<b>17 057 108</b>

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

\*\* Deferred Revenue

The deferred revenues amounting to L.E.495 685 K which are represented in both rent of transmission systems for mobile and internet companies by an amount of L.E 191 437 K (against L.E 356 447 K at December 31, 2020) and deferred revenues for mobile services by an amount of L.E 269 866 K (against L.E 241 102 K at December 31, 2020) and revenues from operating services and maintenance cables by an amount of L.E 32 283 K (against 35 101 K at December 31, 2020) and deferred revenues for Customers' compensation by an amount of L.E 2 099 K (against Null at December 31, 2020).

### **\*\*\*Lease Obligations**

The Present Value of the total liabilities from the ROU as following :

	<b>31/12/2021</b>	<b>1/1/2021</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Beginning balance of Present value for Lease obligation	812 134	685 539
Payments	( 141 145)	( 120 610)
Lease obligation interest	75 535	64 638
	<b><u>746 524</u></b>	<b><u>629 567</u></b>
<b><u>Less:</u></b>		
<b>Current Liabilities</b>	<b><u>116 462</u></b>	<b><u>66 777</u></b>
<b>Non Current Liabilities</b>	<b><u>630 062</u></b>	<b><u>562 790</u></b>

**24. PROVISIONS**

	Note No.	Balance as of 1/1/2021 <u>L.E. (000)</u>	Reclassification during year <u>L.E. (000)</u>	Used during year <u>L.E. (000)</u>	Reversal Of Provisions <u>L.E. (000)</u>	Balance as of 31/12/2021 <u>L.E. (000)</u>
Claims and liabilities provision Others	(8)	852 201	229 343	( 361)	( 41 829)	1 039 354
Claims and liabilities provision*		<b>852 201</b>	<b>229 343</b>	<b>( 361)</b>	<b>( 41 829)</b>	<b>1 039 354</b>

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

**25. IMPAIRMENT LOSS ON ASSETS**

	Note No.	Balance as of 31/12/2020 <u>L.E. (000)</u>	Charged to Retained Earnings During Year <u>L.E. (000)</u>	Balance as of 01/01/2021 <u>L.E. (000)</u>	Charged to incom statement During Year <u>L.E. (000)</u>	Reversal Of Provisions <u>L.E. (000)</u>	Balance as of 31/12/2021 <u>L.E. (000)</u>
Impairment loss on investments in subsidiaries and associates	(15)	7 894	-	7 894	-	-	7 894
Impairment loss on available-for-sale investment	(16)	40 025	-	40 025	-	-	40 025
Write-down of Inventories	(18)	13 561	-	13 561	99 534	-	113 095
Impairment loss on trade receivables	(19)	1 739 377	169 706	1 909 083	35 046	-	1 944 129
Impairment loss on debtors and other debit balances	(20)	55 199	48 935	104 134	-	( 4 455)	99 679
		<b>1 856 056</b>	<b>218 641</b>	<b>2 074 697</b>	<b>134 580</b>	<b>( 4 455)</b>	<b>2 204 822</b>

\*Impairment of Trade receivables, debtors and other debit balances was made according to expected credit loss and to verify the expected credit loss value some factors like current aging and Liquidity are taken into consideration .

**26. CAPITAL**

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

**27. RESERVES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Legal reserve	2 223 826	2 115 811
General reserve*	2 762 626	2 762 626
Revaluation reserve available for sale investments	6 814	6 814
Capital reserve	18 110	18 110
	<b><u>5 011 376</u></b>	<b><u>4 903 361</u></b>

\* General reserve amounting to L.E. 2 762 626 K as at December 31, 2021 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 916 530 K which represents the net adjustments on the fixed assets for land item during the years from 2005 to 2014 and transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings according to Ordinary General Assembly decree which was held on March 20, 2016.

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

	<b><u>31/12/2021</u></b>		<b><u>31/12/2020</u></b>	
	Assets	(Liabilities)	Assets	(Liabilities)
	<b><u>L.E.</u></b>	<b><u>L.E. (000)</u></b>	<b><u>L.E.</u></b>	<b><u>L.E. (000)</u></b>
	<b><u>(000)</u></b>		<b><u>(000)</u></b>	
Fixed assets	-	(1 081 838)	-	(932 278)
Other assets	-	(449 126)	-	(347 408)
Impairment loss on available for sale investments	3 813	-	3 813	-
Write-down of inventories	25 447	-	3 052	-
Impairment loss on trade receivables and other debit balances	62 387	-	80 274	-
Provisions	14 625	-	14 625	-
Accrued liabilities	28 243	-	29 445	-
<b>Total deferred tax asset \ liability</b>	<b><u>134 515</u></b>	<b><u>(1 530 964)</u></b>	<b><u>131 209</u></b>	<b><u>(1 279 686)</u></b>
<b>Net deferred tax asset \ liability</b>	<b><u>-</u></b>	<b><u>(1 396 449)</u></b>	<b><u>-</u></b>	<b><u>(1 148 477)</u></b>
<b>Deferred tax charged to the income statement for the year</b>		<b><u>(247 972)</u></b>		<b><u>(538 815)</u></b>

Notes to the Separate Financial Statements  
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**28-2 Unrecognized deferred tax assets**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Impairment loss on trade recivables	399 245	369 508
Impairment loss on debtors & other debit balances	11 417	12 420
	<b><u>410 662</u></b>	<b><u>381 928</u></b>

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

**28-3 Reconciliation of effective tax rate**

	<b><u>For the financial year ended:</u></b>	
	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
		<b><u>Restated</u></b>
Net profit for the year before income tax	8 213 119	2 740 685
Income tax according to the current tax law (22.5%)	1 847 952	616 654
Tax on dividends from subsidiaries and associaties	461 923	66 805
<b><u>Add / (Less):</u></b>		
Exempted investments income	(1 039 650)	( 234 317)
Provisions and Fixed assets Impairment	( 6 377)	( 29 074)
Adjustments on retained earnings	( 18 440)	-
Adjustments on other items	11 780	185 552
Adjustments on previous year tax	-	( 24 461)
	<b><u>( 590 764)</u></b>	<b><u>( 35 495)</u></b>
<b>Income tax</b>	<b><u>1 257 188</u></b>	<b><u>581 159</u></b>
<b>Effective tax rate</b>	<b><u>15.31%</u></b>	<b><u>21.20%</u></b>

**29. CAPITAL COMMITMENTS**

The company's capital commitments for the unexecuted parts of contracts until December 31, 2021 L.E 2 648 million (against L.E. 271 million as at December 31, 2020).

**30. CONTINGENT LIABILITIES**

**In addition to the amounts included in the separate statement of financial position as the following contingent liabilities at December 31, 2021 :**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
- Letters of guarantee issued by banks on behalf of the company*	2 357 470	1 773 804
- Letters of credit	876 808	1 858 140

\* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others include letters of guarantee have been issued against restricted cash and cash equivalent at banks (Note no.21).

### **31.TAX POSITION**

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

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

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

- Tax inspection for the years 2010 until 2015 was performed and the tax differences were settled.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

#### **31- 3 Salary & wages Tax**

- Tax inspection was performed for the years till December 31 ,2014 and the Company was notified with tax differences and all due taxes were settled, the company disputed for one item and has been transferred to the Internal Committee and the dispute is being followed up.
- Tax inspection for the year 2015 and 2016 is in process.
- Tax returns are submitted according to the provisions of Law No. 206 of 2020 issuance.

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

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

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

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates. Provisions were formed to meet any tax liabilities that may arise from the tax inspection

*Notes to the Separate financial statements  
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*Translation from Arabic*

32. **RELATED PARTY TRANSACTIONS**

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions are approved by the company's management, the following statement contain the most important transactions during the financial year and the balances shown in the separate interim financial statements date:

**Transactions with subsidiaries & associates**

	Nature of transaction during the year	Amount of transactions during the year stated in the income statement L.E. 000	Movement during the year		Balance as of 31/12/2021 Debit/(Credit) L.E. 000	Balance as of 31/12/2020 Debit/(Credit) L.E. 000
			Debit L.E. 000	Credit L.E. 000		
<b><u>Debit balances due from subsidiaries and associates</u></b>						
- TE Data Jordan	Participation contract	-	-	310	-	310
<b><u>Credit balances due to subsidiaries and associates</u></b>						
- Egyptian Telecommunication Company for Information Systems	Lease of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets	49 366	1 416 384	1 245 825	304 939	134 380
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	551 764	774 933	981 548	( 521 097)	( 314 482)
			<b>2 191 317</b>	<b>2 227 373</b>	<b>( 216 158)</b>	<b>( 180 102)</b>
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	27 943	12 230 737	16 710 230	( 5 867 221)	( 1 387 728)
- WE Data	Leased circuits and information transfer network rendered	7 506 753	11 694 947	10 237 707	167 657	( 1 289 583)
			<b>23 925 684</b>	<b>26 947 937</b>	<b>( 5 699 564)</b>	<b>( 2 677 311)</b>
- TE Data Jordan	Participation contract	51 282	<b>58 479</b>	<b>59 119</b>	<b>( 640)</b>	-
- Egyptian International Submarine Cables Company ( EISCC )	Leased sites for subsidiary company	20	20	20	-	-
- Egyptian International Submarine Cables Company ( EISCC )	Purchasing of intangible assets from subsidiaries company	-	617 984	-	( 2 768)	( 620 752)
- Egyptian International Submarine Cables Company ( EISCC )	Selling of intangible assets to subsidiaries company	-	1	-	1	-
			<b>618 005</b>	<b>20</b>	<b>( 2 767)</b>	<b>( 620 752)</b>
- Centra for Technologies	Maintenance & supplying devices	182 587	931 619	559 249	( 105 165)	( 477 535)
- Centra for Electronic Industries	Maintenance & supplying devices	1 507	3 410	1 723	( 1 973)	( 3 660)
- Middle East Radio Communication (MERC)	Leased of information circuits	3 174	3 648	3 618	-	( 30)
- T E investment Holding	Rendered services from subsidiary company	151 464	224 527	235 968	( 24 820)	( 13 379)
- T E investment Holding	Leased sites for subsidiary company	18	20	30	( 5)	5
			<b>224 547</b>	<b>235 998</b>	<b>( 24 825)</b>	<b>( 13 374)</b>
- TE France	Participation contract	29 259	<b>33 168</b>	<b>32 686</b>	<b>( 80 046)</b>	<b>( 80 528)</b>
- TE Globe	Participation contract	3 642	<b>2 275</b>	<b>3 926</b>	<b>( 1 651)</b>	-
- Mena Cable	Maintenance - Rendered services from subsidiary company	7 999	45 165	95 412	( 54 421)	( 4 174)
- Mena Cable	Paid of expenses on behalf of parent company	1 889	1 263	11 560	( 10 330)	( 33)
- Mena Cable	Paid of expenses on behalf of parent company	-	69 419	79 681	( 26 544)	( 16 282)
- Mena Cable	Prepayment	155	3 990	12 685	185	8 880
- Mena Cable	IRU Equipment upgrade - Rendered services from subsidiary company	3 188	3 191	3	4 760	1 572
- Mena Cable	Maintenance - Rendered services to subsidiary company	-	-	587 701	( 587 701)	-
			<b>123 028</b>	<b>787 042</b>	<b>( 674 051)</b>	<b>( 10 037)</b>
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services for associate company	1 568 743				
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	1 452 557	<b>4 876 128</b>	<b>4 591 673</b>	<b>( 1 047 450)</b>	<b>( 1 331 905)</b>
			<b>32 991 308</b>	<b>35 450 674</b>	<b>( 7 854 290)</b>	<b>( 5 395 234)</b>

\*The amount of the transaction during the year which recorded in income statement doesn't include VAT.

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

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

<u>Description</u>	<u>Note</u>	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>No.</u>	<u>L.E. (000)</u>	<u>Restated</u> <u>L.E. (000)</u>
Available-for-sale investments	(16)	74 856	74 856
Trade receivables	(19)	4 761 366	6 141 754
Debtors and other debit balances - short term	(20)	4 916 603	5 476 246
Cash and cash equivalents	(21)	2 313 587	1 585 800
		<u>12 066 412</u>	<u>13 278 656</u>

**33-2 Liquidity risk**

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

<u>Description</u>	<u>Carrying</u> <u>Amount</u> <u>L.E. (000)</u>	<u>One year or</u> <u>less</u> <u>L.E. (000)</u>	<u>From 1-2</u> <u>years</u> <u>L.E. (000)</u>	<u>From 3-5</u> <u>years</u> <u>L.E. (000)</u>	<u>More than</u> <u>5 years</u> <u>L.E. (000)</u>
<b><u>December 31, 2021</u></b>					
Creditors and other credit balances	19 667 329	14 872 205	3 478 242	531 081	785 801
Loans and credit facilities	16 262 627	5 295 946	5 004 650	5 962 031	-
	<u>35 929 956</u>	<u>20 168 151</u>	<u>8 482 892</u>	<u>6 493 112</u>	<u>785 801</u>
<b><u>December 31, 2020</u></b>					
Creditors and other credit balances*	17 057 108	11 973 704	2 207 383	2 649 498	226 523
Loans and credit facilities	20 253 347	16 975 203	2 908 761	113 778	255 605
	<u>37 310 455</u>	<u>28 948 907</u>	<u>5 116 144</u>	<u>2 763 276</u>	<u>482 128</u>

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

Notes to the Separate financial statements  
For the financial year ended December 31, 2021 (continued)

Translation from Arabic

33-3 **Currency risk**

Description	U.S. Dollar ( 000 )	Euro ( 000 )	Total LE ( 000 )
<b>December 31, 2021</b>			
Trade receivables	190 658	-	2 991 424
Banks-current accounts & time deposits	70 315	4 703	1 186 844
<b>Total assets in currency</b>	<b>260 973</b>	<b>4 703</b>	<b>4 178 268</b>
Creditors & other credit balances	286 039	206 819	8 164 397
Foreign loans & facilities	905 187	39 058	14 896 685
<b>Total liabilities in currency</b>	<b>1 191 226</b>	<b>245 877</b>	<b>23 061 082</b>
<b>Risk surplus (deficit)</b>	<b>( 930 253 )</b>	<b>( 241 174 )</b>	<b>(18 882 814)</b>
<b>Equivalent in Egyptian Pound</b>	<b>(14 595 670)</b>	<b>(4 287 144)</b>	<b>(18 882 814)</b>
<b>December 31, 2020</b>			
Trade receivables - International Clearance	247 051	-	3 883 642
Banks-current accounts & time deposits	96 920	69	1 524 915
<b>Total assets in currency</b>	<b>343 971</b>	<b>69</b>	<b>5 408 557</b>
Creditors & other credit balances	354 136	163 832	8 731 736
Foreign loans & facilities	752 307	96 811	13 696 350
<b>Total liabilities in currency</b>	<b>1 106 443</b>	<b>260 643</b>	<b>22 428 086</b>
<b>Risk deficit</b>	<b>( 762 472 )</b>	<b>( 260 574 )</b>	<b>(17 019 529)</b>
<b>Equivalent in Egyptian Pound</b>	<b>(11 986 060)</b>	<b>(5 033 469)</b>	<b>(17 019 529)</b>

**Exchange rates for currencies against Egyptian pound:**

	Average exchange rate during:		Closing exchange rate as at:	
	2021 L.E.	2020 L.E.	2021 L.E.	2020 L.E.
U.S. Dollar	15.6838	15.8092	15.6900	15.7200
Euro	18.5697	18.0816	17.7762	19.3169

33-4 **Sensitivity analysis**

A 10% power of the foreign currencies against the EGP as of December 31, 2021, may lead to losses increase by an amount of L.E. 1 888 281 K (against L.E. 1 701 953 K as of December 31, 2020). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2020.

33-5 **Interest rate risk**

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

Description	Note	31/12/2021	31/12/2020
	No.	L.E. (000)	L.E. (000)
<b>Financial instruments with fixed interest rate</b>			
Financial assets – deposits	(21)	552 223	1 064 991
Financial liabilities (loans-credit facilities)	(22)	16 262 627	20 253 347

33-6 **Fair values for financial instruments**

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

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

**34-SIGNIFICANT CLAIMS AND LITIGATION:****The Existing Remedy lawsuit between Telecom Egypt “TE”, Etisalat Misr Company & its subsidiaries: the EGY Net and Nile on Line)**

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

where the claiming companies ( Etisalat misr and other subsidiry ) claim that Telecom Egypt implemented the process of replacing and installing the modern fiber-optic cable “MSAN” network suddenly replaces and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators , and at the May 28, 2019 case session, the court decided to reserve the lawsuit for the judgment for the 25th of June 2019 session, so that the court issued a preliminary ruling delegating a tripartite experts committee. Which has been finalized and submitted its report officially to the court on the second half of January 2021, and still now the lawsuit is before the Economic Court in Cairo, On March 08, 2022 the session is being determiend to consider before another experts committee

**The TE’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 measurments and procedures are under way for a leagl response on the report as to submit it to the court and regest to return the file again to the experts to reconsider the report’s result .

**35. Comparative figures**

- During the year, a settlement agreement was implemented with one of the company’s service suppliers for the dues of previous years, and this led to a reduction in the amounts owed by the company from previous years by an amount of LE. 27 587 K.
- Reclassification was made to some of the comparative figuers of the Separate statement of financial position, Separate statement of income to conform to the current presentation of the Separate financial statements.
- The following is the effect of restatement and reclassification on the Separate financial statements:

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

	<b>1/1/2020 Before <u>Restatement</u> debit / (credit) <u>LE(000)</u></b>	<b>Adjustments debit / (credit)</b>	<b>1/1/2020 <u>Restated</u> debit / (credit) <u>LE(000)</u></b>
Debtors and other Debit balances	5 194 549	( 19 725)	5 174 824
Creditors and other credit balances ( Current )	(10 061 096)	48 082	(10 013 014)
Retained Earnings	(7 265 622)	( 28 357)	(7 293 979)

	<b>31/12/2020 <u>Before restatement</u> debit / (credit) <u>LE(000)</u></b>	<b>Adjustments debit / (credit)</b>	<b>Reclassification debit / (credit)</b>	<b>31/12/2020 <u>Restated</u> debit / (credit) <u>LE(000)</u></b>
Trade Receivable	5 733 086	-	408 668	6 141 754
Debtors and other debit balance	5 905 409	( 20 495)	( 408 668)	5 476 246
Creditors and other Credit balance ( Current )	(12 021 786)	48 082	-	(11 973 704)
Retained Earnings	(8 058 960)	( 27 587)	-	(8 086 547)

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

	For the financial year ended			For the financial year ended
	31/12/2020 <u>before restatement</u> <u>debit / (credit)</u> <u>LE(000)</u>	Adjustments <u>debit / (credit)</u>	Reclassification <u>debit / (credit)</u>	31/12/2020 <u>Restated</u> <u>debit / (credit)</u> <u>LE(000)</u>
Operating Costs	(16 766 744)	( 7 418)	223 108	(16 551 054)
Other Operating Revenue	538 898	6 648	-	538 546
Selling and distribution expenses	(2 263 161)	-	( 162 661)	(2 425 822)
General and administrative expenses	(2 848 355)	-	( 60 447)	(2 908 802)

**36- SIGNIFICANT EVENTS**

Most of countries in the world included Egypt during the first quarter of 2020, have been exposed to the outbreak of Coronavirus (Covid-19) and the company had taken considerations performing the precautionary measures to protect its employees and customers from the risk of spreading the virus.

The Company's executive management assigned an overall plan and precautionary measures for dealing with the pandemic.

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

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

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

The company has been taking the customers safety in consideration during this exceptional circumstances, with the availability for all electronic means of payments through Telecom Egypt website or the digital wallet (WE Pay).

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

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

**Hereunder the main risks that defined by crisis management team and approved by the company:****1- The risks of collection, deposit and credit liquidity**

- The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a strong and balanced financial position supported by the company's cash sales and collections from the market, and the company has a distinct credit rating with Egyptian and international banks.

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

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

**3- Selling and distribution risks**

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

*Notes to the Separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's Separate financial statements, for the financial year ended December 31, 2021 as well as during the subsequent periods of that date.

**37. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the Separate Financial Statements as of December 31, 2021.

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

**37-1 Basic of consolidation**

The business combination inside the group is accounted for using the acquisition method when control is transferred to the group.

- Both the transferred consideration, as well as the identifiable net value of acquired assets at the time of acquisition, are measured at fair value.
- An impairment test is performed annually for the goodwill (if any) resulting from the acquisition Any gain from a negotiated purchase is recognized immediately in profit or loss.
- The costs related to the acquisition are treated as an expense in the periods in which costs are incurred and services are received, with one exception, which is the issuance of securities against indebtedness or equity.
- The transferred consideration does not include the amounts paid to settle pre-existing relationships between the acquirer and the acquirer, and these amounts are usually recognized in profit or loss.
- The contingent consideration is measured at fair value on the date of acquisition, and in the event that the obligation to pay the contingent consideration satisfies the conditions specified for the definition of an equity instrument, it is classified under equity and is not re-measured and the subsequent settlement is processed within equity, unlike the foregoing, any material consideration Another contingency that is re-measured to fair value at the date of preparing the financial statements with any changes in fair value recognized in profit or loss.

**37-2 Foreign currencies translation**

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

**37-3 Fixed assets and depreciation**

**(A) Recognition and measurement**

- Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses note no. (37-11)
- The cost of fixed assets include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the assets and they are recognized in Separate statement of income.

**(B) Subsequent costs**

The cost of replacing part of an item of property, fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can

*Notes to the Separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

be measured reliably. The costs of the day-to-day servicing of fixed assets are recognized in Separate statement of income.

**(C) Depreciation**

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets. Land is not depreciated.

The current year estimated useful lives for the fixed are as follows:

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

**37-4 Other assets**

Other assets are licenses, submarine cables, right-of-way, land-possession and usufruct that can be controlled and which It is expected that future economic benefits will flow to the company.

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

**37-4-1 Licenses**

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

**37-4-2 Right of way and right of use**

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

**37-5 Projects in Progress**

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

**37-6 Investments in associate companies**

Investments in associate companies are recorded at cost, and in the event of impairment in their value, the book value is adjusted by the value of this impairment and charged to the income statement, for each investment separately.

**37-7 Financial Instruments**

**1) recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized at their inception. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless they are trade receivables without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly

*Notes to the Separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

*Translation from Arabic*

attributable to its acquisition or issue. trade receivables without a significant financing component are initially measured at the transaction price.

**2) Subsequent classifications and measurement**

Financial Assets - Policy applicable from 1 January 2021

Upon initial recognition, the financial asset is classified and measured at amortized cost, at fair value through other comprehensive income - debt securities, at fair value through other comprehensive income - equity instruments, or fair value through profit or loss.

Financial assets are not reclassified after initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the initial reporting period following the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and has not been designated at fair value through profit or loss:

If the retention of these assets is within the management's business model for the purpose of collecting future cash flows.

- If the contractual terms of these financial assets specify a specific date for the cash flows (principal and interest on the remaining unpaid principal amount).

Debt instruments are also measured at fair value through other comprehensive income if they meet the following conditions and if they were not previously classified as financial assets at fair value through profit or loss statement:

- If the retention of these assets within the business model of management includes both the collection of future cash payments and the sale of financial assets.

- If the contractual terms of these financial assets specify a specific date for the cash flows (principal amount and interest on the remaining unpaid principal amount).

Upon initial recognition of equity instruments that are not held for trading, the company may choose in a non-adjustable manner to present the subsequent changes in the fair value of these investments in the statement of other comprehensive income so that this choice is made for each investment separately.

All financial assets that are not measured at amortized cost or at fair value through the statement of other comprehensive income mentioned above must be measured at fair value through profit or loss statement, and this includes all derivative financial assets. Upon initial recognition, the company has the option to irrevocably choose classification and measurement financial assets at fair value through the statement of profit or loss and other comprehensive income if this substantially reduces the accounting mismatch that may arise.

The accounting policies related to the application are similar to the accounting policies followed by the company, with the exception of the following accounting policy, which became effective as of January 1, 2021.

**Financial Assets - Business Model Evaluation: Policy Applicable from January 1, 2021**

The company makes an evaluation of the objective of the business model in which the financial asset is held at the portfolio level because this reflects the best way of managing the business and providing information to management. The information taken into account includes:

The information taken into account includes:

*Notes to the Separate financial statements*

For the financial year ended December 31, 2021 (continued)

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- The policies and objectives set for the portfolio and the operation of those policies in practice. This includes whether the management's strategy was to focus on generating contractual interest income, maintaining a certain interest rate, matching the term of financial assets to the term of any related liabilities or cash outflows or realizing cash flows through the sale of assets and

- How to evaluate the performance of the portfolio and report to the company's management about it and

The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;

- How business managers are compensated - for example whether compensation is based on the fair value of the managed assets or contractual cash flows collected; And the

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations of future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for cancellation are not considered sales for this purpose, consistent with the Company's continued recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

**Financial assets - evaluation of whether the contractual cash flows are only payments of principal and interest: policy applicable from January 1, 2021**

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the principal amount due within a specified period of time, and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are payments of principal and interest only, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this evaluation, the Company considers the following:

Emergency events that change the amount or timing of cash flows;

- terms that may modify the contractual coupon rate, including the attributes of the variable rate;

- advance payment and extension features; And the conditions that limit the company's claim to cash flows from specific assets (for example, attributes of a non-recourse right).

The description of a cash payment corresponds to payments of principal and interest only if the amount of the advanced payments is substantially representing the unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination. In addition, for a financial asset obtained at a discount or premium to its contractual amount, which permits or requires advanced payments by an amount substantially more than the nominal amount plus the contractual accrued interest (but not paid) (which may also include reasonable additional amounts Compensation for early termination) in accordance with this standard if the fair value of the prepayment is immaterial on initial recognition.

Financial Assets - Subsequent Measurement and Profit and Loss: Policy Applicable from January 1, 2021.

Financial assets classified at fair value through profit or loss	Financial assets valued at fair value through profit or loss are measured at fair value, and changes in fair value, including any incomes or dividends, are recognized in profits or losses.
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## Notes to the Separate financial statements

For the financial year ended December 31, 2021 (continued)

Translation from Arabic

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. any gain or loss on derecognition is recognized in profit or loss.
Investments in equity instruments are measured at fair value through comprehensive income.	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and aren't reclassified to profit or loss.
Debt instruments measured at fair value through other comprehensive income.	These assets are subsequently measured at fair value. Calculated interest income is calculated using the effective interest method, foreign exchange gain and loss and impairment in profit or loss. other net gains and losses are recorded in the statement of other comprehensive income. on derecognition, the cumulative gain and loss in the income statement is reclassified to profit and loss.

**Financial Assets - Policy Applicable Before January 1, 2021**

The Company classifies financial assets into one of the following categories:

- Loans and debts.
- Investments held to maturity.
- Investments available for sale and
- At fair value through the statement of profit or loss.

**Financial Assets - Subsequent Measurement, Profit and Loss: Policy Applicable Before January 1, 2021**

Financial assets at fair value through profit or loss	They are measured at fair value and changes in fair value including any incomes or dividends are recognized in profits or losses.
Financial assets - held to maturity	amortized cost using the effective interest method.
Financial assets - available for sale	They are measured at fair value. Changes in fair value other than impairment losses and foreign exchange differences for debt instruments are recognized within the items of other comprehensive income and collected in the fair value reserve. On the derecognition of these assets, the cumulative profits or losses previously recognized in the items of other comprehensive income are reclassified to profit or loss.

**Financial liabilities - classification and subsequent measurement, gains and losses.**

Financial liabilities are classified as being measured at amortized cost or at fair value through profit or loss. A financial liability is designated at fair value through profit or loss if it is classified as held for trading, or if it is a derivative financial liability or has been designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net profit and loss, including any interest expense, is recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

**3) Derecognition****financial assets**

The company derecognizes the financial asset when the contractual right to receive cash flows from the financial asset expires, or it transfers the contractual right to receive cash flows from the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset have been transferred. Or if the company has not transferred or retained substantially all the risks and benefits of ownership of the financial asset and the company has not have a control.

*Notes to the Separate financial statements*

For the financial year ended December 31, 2021 (continued)

Translation from Arabic

The Company enters into transactions in which it transfers the assets recognized in its statement of financial position, but retains all or substantially all the risks and rewards of the transferred assets. In these cases, the identification of transferred assets is not eliminated.

**financial obligations**

The company excludes the financial obligation when it ends either by getting rid of it or canceling it or the expiry of its period mentioned in the contract. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified obligations are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of the financial liability, the difference between the carrying amount repaid and the consideration paid (including any non-cash assets transferred or liabilities incurred) is recognized in profit or loss.

**4) offsetting**

An offsetting between a financial asset and a financial liability is made and the net amount is presented in the statement of financial position when, and only when, binding legal rights are available, as well as when they are settled on a net basis, or the realization of assets and settlement of liabilities is at the same time.

**37-8 Inventories**

- Inventories are measure at the lower of cost or net realizable value at the date of financial position.
- Inventory cost of components, spare parts and merchandises for sale is determined using the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.

**37-9 Trade receivables, debtors and other debit balances**

Trade receivables, debtors and other debit balances are included as current assets unless they are contractually due over more than 12 months after the financial position date in which case they are classified as non-current assets. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

**37-10 Impairment**

**1) Non-derivative financial assets**

**The policy applies from January 1, 2021**

**Financial instruments and assets arising from the contract**

The Company recognizes loss allowances for expected credit losses for:

- financial assets that are measured at amortized cost;
- investments in debt instruments that are measured at fair value through other comprehensive income; And the Assets arising from the contract.

The Company measures the loss allowance at an amount equal to the lifetime ECL, except for the following, which are measured at an amount equal to the 12-month ECL:

- debt instruments that were identified as having low credit risk at the reporting date; And the
- Other debt instruments and bank balances in which the credit risk (the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Provisions for losses of commercial customers and assets arising from contracts are always measured at an amount equal to the expected credit losses over their life.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information

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and analysis, based on the Group's historical experience and known credit assessment including forward-looking information.

The company assumes that the credit risk of a financial asset has increased significantly.

**The Company considers a financial asset to be in default when:**

- It is unlikely that the borrower will pay its credit obligations to the group in full, without resorting to the company by procedures such as liquidating the guarantee (if any); or  
The Company considers debt instruments to have low credit risk when their credit risk rating equals the globally definition of "investment grade".  
Expected credit losses over the life of the asset are the expected credit losses that result from all possible failure events over the expected life of the financial instrument.  
12-month ECL is the portion of ECL that results from failure events that are possible within a period of 12 months after the reporting date (or a shorter period if the instrument has an expected life of less than 12 months).  
The maximum period considered in estimating ECL is the maximum contractual period over which the company is exposed to credit risk.

**Measuring expected credit losses**

It is a probability-weighted estimate of credit losses. The present value of all cash shortfalls is measured (that is, the difference between the cash flows due to the entity under the contract and the cash flows the company expects to receive).

Expected credit losses are discounted at the financial asset's effective interest rate.

**Credit impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments measured at FVOCI are credit-impaired. A financial asset is considered "credit impairment" when one or more events that have a detrimental effect on the estimated future cash flows of the financial asset occur.

**Evidence that financial assets are credit impaired includes observable data:**

- Significant financial difficulty for the lender or issuer and.
- Violation of the contract such as failure or being overdue
- the restructuring of a loan or an advance by the company on terms that the company will not take into account in one way or another; And the
- the borrower is likely to enter bankruptcy or other financial reorganization; or
- The disappearance of an active stock market due to financial difficulties.

**Display the provision for expected credit losses in the statement of financial position**

The loss allowance for financial assets measured at amortized cost is deducted from the total carrying amount of the assets.

For securities in debt securities that are measured at fair value through other comprehensive income, the loss allowance is charged to the profit or loss and is recognized in other comprehensive income.

**Debt write-offs**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering all or part of the financial asset. For single clients, the Company has a policy of writing off the gross book value when the financial asset is past due more than two years based on previous experience of recovering similar assets. For corporate clients, the Company makes an independent assessment of the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The company does not expect any significant recovery of the amount written off. However, financial assets that have been written off may still be subject to liability activities in order to comply with the Company's procedures for recovering amounts due.

**Policy applicable before January 1, 2021**Non-derivative financial assets

Financial assets not classified as valued at fair value through profit or loss, including shares that are accounted for using the equity method, the company, at the end of each fiscal year, assesses whether there is objective evidence of impairment in the value of the asset.

Objective evidence of impairment of the asset's value includes:

- Failure or delay in payment by a debtor.
- Rescheduling amounts due to the group on terms that the company would not have accepted in other circumstances.
- Indications of the bankruptcy of the debtor or issuer.
- Adverse changes in the repayment status of borrowers or issuers.
- The disappearance of an active market for a financial asset due to financial difficulties.
- The presence of clear data indicating a measurable decrease in the expected future cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment includes a significant or prolonged decline in the fair value below its cost.

Financial assets at amortized cost	The company has assessed whether there is objective evidence of impairment in the value of these assets individually or at the aggregate level. All assets that are of relative importance alone are assessed for impairment individually, and in the absence of evidence of impairment of these individual assets, they are collectively assessed for any impairment in value that has occurred and has not yet been identified on the individual assets. Assets that are not individually significant are assessed collectively for any impairment. For the purposes of aggregate assessment of assets, assets with similar risk characteristics are grouped together. When assessing impairment at the aggregate level of assets, the company used historical information about the timing of recovery of the impairment loss and the value of the losses incurred, and made adjustments if the current economic and credit conditions indicate that effective losses are likely to be more or less than expected by historical indicators. The impairment loss is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows, discounted at the financial asset's original effective interest rate.
Investments that are accounted for using the equity method	Impairment losses are measured in a financial investment that is accounted for using the equity method, by comparing its book value with the recoverable amount. The impairment loss is recognized in profit or loss, and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.
Financial assets available for sale	Impairment losses in available-for-sale financial assets are recognized by reclassifying losses that were previously recognized in other comprehensive income and separated in the fair value reserve and recognized in profit or loss. The amount of the separate loss excluded from equity and recognized in profit or loss represents the difference between The acquisition cost (net of any depreciation or repayment of any of the principal amount) and the fair value less any impairment loss for this financial asset previously recognized in profit or loss. When the fair value of a debt instrument classified as available for sale increases in any subsequent period, and this increase is objectively related to an event that occurred after recognizing the impairment loss in profit or loss, then this impairment loss is refunded in profit or loss. An impairment loss recognized in profit or loss for any investment in an equity instrument classified as available for sale is not reversed in profit or loss.

**2) Non-financial assets**

At the end of each fiscal year, the company reviews the book values of the company's non-financial assets other than inventory, work in progress, and deferred tax assets to determine whether there is any indication of impairment. If this is the case, the company makes an estimate of the recoverable value of the asset. The impairment test of goodwill is performed annually.

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For the financial year ended December 31, 2021 (continued)

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To perform an impairment test for an asset, assets are grouped together into the smallest group of assets that includes the asset, which generates cash inflows from continuing use and is largely independent of cash inflows from other assets or groups of assets - cash generating units. The goodwill acquired upon business combination is distributed to the cash-generating units or groups of these units of the acquiring company and is expected to benefit from the combination.

The recoverable amount of an asset or cash-generating unit is its fair value less costs to sell or its value in use, whichever is greater. The value in use of an asset is the present value of the expected future cash flows discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. .

An impairment loss is recognized if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount.

The impairment loss is recognized in profit or loss. It is distributed first to reduce the book value of the goodwill distributed to the cash-generating unit, then to reduce the other assets of the unit in proportion to the book value of each asset in the unit.

The loss arising from the impairment of goodwill is not reversed in a subsequent period. For other assets, impairment losses are reversed to the extent that the carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and amortization) unless the impairment loss was recognized for the asset in previous years.

**37-11 Provisions**

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

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

**37-12 Cash and cash equivalents**

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

**37-13 Cost of Borrowing**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that require an extended period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Other borrowing costs are charged as an expense in the period in which they are incurred, and the borrowing costs are the interests and other costs as an expense in the period in which they are incurred, and the borrowing costs are the interests and other costs that the company spends to borrow money.

**37-14 Borrowing with interest**

Interest-bearing loans are initially recognized at fair value less transaction cost, and after initial recognition, interest-bearing loans are stated at amortized cost with any difference between cost and redemption value being included in the statement of profit or loss during the borrowing period based on the effective interest rate.

**37-15 Grants**

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

**37-16 Creditors and other credit balances**

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

*Notes to the Separate financial statements*

*For the financial year ended December 31, 2021 (continued)*

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**37-17 Expenses**

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

**37-17-1 Net financing (cost) / income**

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

**37-18 Employees benefits**

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

**37-19 lease contracts**

**1) Determining whether the arrangement contains a lease or not**

At the outset of the arrangement, the company determines whether the arrangement is or contains a lease.

Initially, or when reassessing an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement in those of the lease and those of the other components on the basis of their relative fair values. If the company concludes on a finance lease that it is not possible to separate the payments reliably, then the asset and liability are recognized in an amount equal to the fair value of the underlying asset; Thereafter, the liability is reduced when payments are made and a finance cost computed on the liability is recognized using the Group's incremental borrowing rate.

**2) leased assets**

Leases of property, plant and equipment that transfer substantially all the risks and rewards associated with ownership to the Company are classified as finance leases. The leased assets are initially measured at an amount equal to the lower of the fair value of the fair value and the present value of the minimum lease payments. After initial recognition, assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

**3) lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. The lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

The minimum lease payments made under finance leases are divided between finance charges and reduction of unpaid obligations. Finance expenses are charged for each period during the lease period to arrive at a constant periodic interest rate on the remaining balance of the obligation.

**37-20 revenue from contracts with customers**

- The company has implemented Egyptian Accounting Standard No. 48 as of January 1, 2021. Information was provided about the company's accounting policies related to contracts with customers and the impact of applying the standard was provided (note No. 2-6/b).

*Notes to the Separate financial statements*

For the financial year ended December 31, 2021 (continued)

Translation from Arabic

The company recognizes revenue from contracts with customers on the basis of a five-step model as defined in Egyptian Accounting Standard 48:

**Step 1:** Define the contract(s) with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and defines the criteria that must be met for each contract.

**Step 2:** Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

**Step 3:** Determine the transaction price: The transaction price is the amount of consideration that the company expects to receive in exchange for the transfer of promised goods or services to the 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 includes more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that specifies the amount in exchange for the contract that the company expects to receive in exchange for fulfilling each performance obligation.

**Step 5:** Revenue is recognized when (or whenever) the entity fulfills the performance obligation.

- The company fulfills the performance obligation and records the revenues over a period of time, if one of the following criteria is met:-

(a) The Company's performance does not create any asset that has an alternative use to the Company, and the Company has an enforceable right to pay it for performance completed to date.

(b) The company's creation or improvement of an asset that the customer controls when the asset is created or improved.

(c) The customer simultaneously receives and consumes the benefits provided by the company's performance as soon as the company performs.

- For performance obligations, in the event that one of the conditions mentioned above is fulfilled, revenue is recognized over a time period that represents the time in which the performance obligation is fulfilled.

- When the company fulfills a performance obligation by providing the promised services, it is created originally based on the contract on the amount of the contract corresponding to the performance obligation, when the amount of the contract consideration received from the customer exceeds the amount of revenue achieved, which results in advance payments from the customer (contract obligation).

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue and costs can be measured reliably, where appropriate.

The application of IFRS 48 requires management to use the following provisions:

**Fulfillment of performance obligations**

The company must conduct an assessment of all its contracts with customers to determine whether performance obligations are being met over time or at a point in time in order to determine the appropriate method for revenue recognition. Alternative use of the Company and usually has an enforceable right to pay for performance completed to date.

In these circumstances, the company recognizes revenue over a period of time. If this is not the case, then revenue is recognized at a point in time. For the sale of goods, revenue is usually recognized at a point in time.

**Set transaction prices**

- The company must determine the transaction price related to in its agreement with customers, and when using this provision, the company estimates the impact of any variable consideration in the contract due to discounts, penalties, the presence of any significant financing component in the contract, or any non-cash consideration in the contract.

**Transfer of control in contracts with customers**

- In the event that the company determines that the performance obligations will be satisfied at a point in time, revenue is recognized when control of the assets subject to the contract has been transferred to the customer.

- In addition, the application of the Egyptian Accounting Standard 48 led to the following:

**Distribution of the transaction price for the performance obligation in contracts with customers**

- The company has chosen to apply the input method in distributing the transaction price to the performance obligations so that the revenues are recognized over time. Input method. The company estimates the efforts or inputs to satisfy the performance obligation. In addition to the cost of fulfilling the contractual obligation with customers, these estimates include the time elapsed for service contracts.

**Other things to take into consideration**

Variable consideration: If the consideration promised in a contract includes a variable amount, then the company must estimate the amount of consideration that it is entitled to in exchange for transferring the promised goods or services to the customer. The company estimates the transaction price on contracts with variable consideration using the expected value or Most likely amount method. The method is applied consistently throughout the contract and for similar types of contracts.

**Important Financing Component**

The company must adjust an amount against the promised contract against the time value of money if the contract includes a significant financing component.

**revenue recognition**

Revenue represents the value of services performed, including sales value and customer balances from combined sales. Revenue is recognized according to the following:

**Services revenue:**

- Revenue from services is recognized when they are provided to customers, and no revenue is recognized in the event that there is no certainty of recovering the consideration for this revenue or the costs associated with it.

**Interest income**

- Interest is recognized on an accrual basis, taking into account the period of time and the effective interest rate.

The income from interest on deposits and securities is proven on an accrual basis, taking into account the target rate of return on the asset.

**Dividend revenue**

- Dividend income is recognized in the standalone profit or loss statement on the date on which the company's right to collect those distributions is established.

**Investment income**

Dividend income from investments in corporate equity is recognized within the limits of what the company is entitled to receive from the dividends for invested companies realized after the date of acquisition, as of the date of the issuance of the decisions of the assemblies of the investee companies regarding dividends.

The value of revenue is measured at the fair value of the consideration received or owed to the entity, and the revenue is realized when there is a sufficient expectation that there will be future economic benefits that will flow to the entity, and that the value of this revenue can be measured accurately, and no revenue is recognized in the event that there is no certainty of recovering the consideration for this revenue or costs associated with it.

**37-21 Earnings per share**

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

**37-22 Reserves**

- Legal Reserve: According to the company's Article of Associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital.
- Other reserves: the General Assembly may form other reserves based on the Board of Directors' recommendation.

**37-23 Income tax**

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

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

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured based on the method expected to measure the values of assets and liabilities using tax rates enacted at the Separate statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized during the next years.

**37-24 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework. Also identify and analyze the risks faced by the Group, to set appropriate risk levels and controls Monitoring those risks and their compliance with these levels.

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

**37-24-1 Credit risk**

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

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

**Trade receivable & other debtors**

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

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

**Cash and cash equivalents**

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

**37-24-2 Liquidity risk**

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

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

**37-24-3 Market risk**

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

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

**Currency risk**

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

**Interest rate risk**

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

**Other market prices risk**

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

**37-24-4 Capital management**

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