

telecomegypt



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Financial Statements
For the Financial Year Ended December 31, 2019
And Auditor's Report

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(An Egyptian Joint Stock Company)
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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, 2019 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.

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, 2019, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (34) of the notes to the separate financial statements, a dispute arose between the company and both Orange Egypt Company and Etisalat Misr Company and its subsidiaries (plaintiff companies) in regards to the company's change of technology used in the infrastructure necessary to provide internet service to customers which the plaintiff companies contracted to rent from the company, the plaintiff companies have filed lawsuits against the company regarding this matter and those litigations are still under deliberation before the judicial bodies and expert committees and the final ruling has not been issued, the plaintiffs companies filed complaints to the Egyptian Competition Authority (ECA) against the company on the basis that the company has carried out practices limiting competition in the Egyptian market, ECA mentioned in those complaints has concluded that the company violated some of the articles of the Law of Protection of Competition and the Prohibition of Monopolistic Practices.

According to the opinion of the company's legal consultant, these lawsuits are still in the process of submitting documents and judicial defenses from both sides of the dispute before the judicial bodies and expert committees and that it is not possible to determine the final legal position of those cases, It is difficult, in the meantime to determine the outcome of the above mentioned lawsuits till the final ruling of the judicial bodies is issued.

Report on Other Legal and Regulatory Requirements

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

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



KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 19, 2020

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

	Note	31/12/2019	31/12/2018
	No.	L.E. (000)	L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(13)	29 829 655	22 120 402
Projects in progress	(14)	6 763 708	5 336 110
Investments in subsidiaries and associates	(15)	6 644 879	6 644 879
Available-for-sale investments	(16)	78 561	78 561
Other assets	(17)	9 801 690	10 258 796
Deferred tax assets	(28-1)	212 816	238 797
Total Non Current Assets		53 331 309	44 677 545
Current Assets			
Inventories	(18)	1 839 458	1 422 011
Trade receivables	(19)	4 095 375	3 669 369
Debtors and other debit balances	(20)	5 194 549	4 521 831
Debit balances with subsidiaries and associates	(32)	41 539	-
Held-to-maturity investments -treasury bills		-	102 259
Cash and cash equivalents	(21)	791 558	201 393
Total Current Assets		11 962 479	9 916 863
Total Assets		65 293 788	54 594 408
Equity			
Capital	(26)	17 070 716	17 070 716
Reserves	(27)	4 640 565	4 578 032
Retained earnings		7 265 622	2 953 141
Total Equity		28 976 903	24 601 889
Non Current Liabilities			
Loans and credit facilities	(22)	4 785 550	550 168
Creditors and other credit balances	(23)	4 975 712	3 696 799
Deferred tax liabilities	(28-1)	822 478	583 909
Total Non Current Liabilities		10 583 740	4 830 876
Current Liabilities			
Loans and credit facilities installments due within one year	(22)	11 651 026	13 290 192
Creditors and other credit balances	(23)	9 782 411	8 540 554
Credit balances due to subsidiaries and associates	(32)	3 631 704	2 692 893
Provisions	(24)	668 004	638 004
Total Current Liabilities		25 733 145	25 161 643
Total Liabilities		36 316 885	29 992 519
Total Equity and Liabilities		65 293 788	54 594 408

The attached notes on pages from (8) to (42) are an integral part of these separate financial statements.

Director of Financial Affairs

Senior Director of Financial Affairs

Chief Financial Officer

Managing Director
& Chief Executive Officer



" Ehab Abdo "



" Wael Hanafy "



" Mohamed Shamroukh "



"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Auditor's Report "attached"

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

	Note No.	<u>For the financial year ended</u>	
		<u>31/12/2019</u>	<u>31/12/2018</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Operating revenues	(3)	20 384 129	18 006 460
Operating costs	(4)	(14 550 072)	(11 956 248)
Gross Profit		5 834 057	6 050 212
Other income	(5)	509 708	399 432
Selling and distribution expenses	(6)	(2 048 709)	(1 813 020)
General and administrative expenses	(7)	(3 558 647)	(2 072 486)
Other expenses	(8)	(134 624)	(161 365)
Operating profit		601 785	2 402 773
Finance income	(9)	1 531 835	168 230
Finance cost	(9)	(1 383 226)	(1 496 322)
Net finance income / (cost)	(9)	148 609	(1 328 092)
Income from investments in subsidiaries and associates	(10)	5 348 779	687 034
Profit before income tax		6 099 173	1 761 715
Income tax		(398 140)	(34 413)
Deferred tax	(28-1)	(264 550)	(476 644)
Total income tax	(28-3)	(662 690)	(511 057)
Net profit for the year		5 436 483	1 250 658
Basic and diluted earning per share for the year (L.E. / Share)	(12)	2.79	0.36

The attached notes on pages from (8) to (42) are an integral part of these separate financial statements.

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

	<u>For the financial year ended:</u>	
	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the year	5 436 483	1 250 658
<u>Other Comprehensive Income Items</u>		
Other Comprehensive Income Items	-	-
Total Comprehensive Income	5 436 483	1 250 658

The attached notes on pages from (8) to (42) 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, 2019

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of January 1, 2018	17 070 716	1 753 537	2 796 578	2 797 513	24 418 344
<u>Comprehensive income</u>					
Net profit for the year	-	-	-	1 250 658	1 250 658
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	1 250 658	1 250 658
<u>Transactions with shareholders</u>					
Transferred to legal reserve	-	27 917	-	(27 917)	-
Dividends for year 2017 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	(640 345)	(640 345)
Total transactions with shareholders	-	27 917	-	(1 095 030)	(1 067 113)
Balance as of December 31, 2018	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
Balance as of January 1, 2019	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
<u>Comprehensive income</u>					
Net profit for the year	-	-	-	5 436 483	5 436 483
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	5 436 483	5 436 483
<u>Transactions with shareholders</u>					
Transferred to legal reserve	-	62 533	-	(62 533)	-
Dividends for year 2018 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(634 701)	(634 701)
Total transactions with shareholders	-	62 533	-	(1 124 002)	(1 061 469)
Balance as of December 31, 2019	17 070 716	1 843 987	2 796 578	7 265 622	28 976 903

The attached notes on pages from (8) to (42) are an integral part of these separate financial statements.

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

	Note No.	For the financial year ended:	
		31/12/2019 L.E.(000)	31/12/2018 L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		12 322 321	11 292 058
Cash receipts from related party		4 696 285	3 696 557
Value added tax collected from customers		400 409	354 492
Stamp tax and fees collected (from third party)		34 285	32 070
Deposits collected from customers		2 936	1 009
Cash paid to suppliers		(4 739 485)	(3 383 930)
Payments of NTRA license fees		(535 338)	(450 919)
Dividends paid to employees and Board of Directors		(5 619)	(311 768)
Cash paid to employees and Board of Directors		(5 721 203)	(3 595 168)
Cash paid on behalf of employees to third party		(869 634)	(700 617)
Cash provided by operating activities		5 584 957	6 933 784
Interest paid		(1 007 591)	(920 402)
Payments to Tax Authority - income tax		-	(182 447)
Payments to Tax Authority - value added tax		(898 120)	(1 874 739)
Payments to Tax Authority - other taxes		(1 019 230)	(778 472)
Cash paid to third parties for claims		-	(919 278)
Other payments		(312 616)	(58 828)
Net cash provided by operating activities		2 347 400	2 199 618
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets , project in progress and other assets		(9 046 417)	(7 867 053)
Payments for purchase of other assets		(747 097)	(780 178)
Payments for acquisition of investments		-	(268 578)
Payments for purchase of held-to-maturity investment - treasury bills		-	(201 053)
Cash paid to lend one of subsidiaries		-	(1 604 700)
Proceeds from payments the loan to one of subsidiaries		-	1 604 700
Interest received		16 770	13 405
Dividends collected from investments		5 084 495	679 404
Proceeds from sale of available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - treasury bills		100 051	209 422
Proceeds from income of securities (treasury bills interest)		9 749	10 156
Net cash used in investing activities		(4 582 449)	(8 204 468)
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(4 248 748)	(60 926)
Proceeds from credit facilities		7 408 680	6 633 922
Dividends paid to shareholders		(426 768)	(426 768)
Net cash provided by financing activities		2 733 164	6 146 228
Net change in cash and cash equivalents during the year		498 115	141 378
Cash and cash equivalents at the beginning of the year	(21)	187 604	46 226
Cash and cash equivalents at the end of the year	(21)	685 719	187 604

The attached notes on pages from (8) to (42) 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, 2019**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 were approved by the company's Board of Directors for issuance on February 19, 2020.

2. BASIS OF PREPERATION OF THE SEPARATE FINANCIAL STATEMENTS**2-1 Statement of compliance**

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

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Use of estimates and assumptions

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

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

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

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

2-5 Fair value measurement

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

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

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

2-6 Segment reporting

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

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

3. OPERATING REVENUES

	<u>For the financial year ended:</u>	
	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	3 454 562	2 659 672
Enterprise	2 143 248	2 556 640
Domestic wholesale	8 253 659	6 767 627
International carriers	4 383 205	4 424 255
International cables and networks	2 149 455	1 598 266
	20 384 129	18 006 460

4. OPERATING COSTS

	<u>Note No.</u>	<u>For the financial year ended:</u>	
		<u>31/12/2019</u>	<u>31/12/2018</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost		4 826 851	4 295 373
Depreciation of fixed assets	(13)	2 722 958	1 903 304
Amortization of other assets	(17)	660 458	599 654
Salaries and wages		2 456 051	1 612 095
Company's social insurance contribution		264 943	200 670
Employees vacations allowance		5 000	5 410
Frequencies and licences charges (NTRA)		552 839	570 455
Fuel		786 503	638 210
Right of use (IRU) outside Egypt		404 967	228 022
Leased circuits & satellite subscriptions		250 966	239 537
Cost of merchandise available for sale		46 454	682 288
Spare parts		169 356	126 813
Maintenance		460 570	387 661
Organizations services cost		271 073	80 752
Company's call costs		86 750	58 333
Electricity and water		70 868	53 679
Transportation cost		105 674	84 067
Materials, supplies and miscellaneous printed		47 012	46 654
Other operating costs		360 779	143 271
		14 550 072	11 956 248

5. OTHER INCOME

	For the financial year ended:	
	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fines and earned delay interest on company's receivables	94 574	120 117
Unoperational assets revenues	39 003	48 407
Sundry revenues	376 131	230 908
	<u>509 708</u>	<u>399 432</u>

6. SELLING AND DISTRIBUTION EXPENSES

	Note No	For the financial year ended:	
		31/12/2019	31/12/2018
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages		844 390	811 620
Company's social insurance contribution		82 579	92 113
Employees vacations allowance		1 600	3 840
Depreciation	(13)	6 868	-
Tax and duties		94 280	87 656
Advertising and Marketing		439 701	442 441
Organizations services cost		303 397	209 828
Commissions		196 355	92 603
Other selling and distribution expenses*		79 539	72 919
		<u>2 048 709</u>	<u>1 813 020</u>

*Reclassified was made to comparative figures as shown in (Note no. 34).

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended:	
		31/12/2019	31/12/2018
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages		1 168 290	1 355 009
Company's social insurance contribution		143 514	127 765
End of service compensation - early retirement scheme	(11-1)	1 266 549	-
Employees vacations allowance		10 600	8 203
The company's contribution in loyalty and belonging fund	(11-2)	276 182	-
Fixed assets depreciation	(13)	36 847	40 861
Tax and duties		111 591	108 953
Organization services and consulting cost		369 815	294 459
Bank charges		15 564	12 075
Other general and administrative expenses*		159 695	125 161
		<u>3 558 647</u>	<u>2 072 486</u>

*Reclassified was made to comparative figures as shown in (Note no. 34).

8. OTHER OPERATING EXPENSES

	Note No.	<u>For the financial year ended:</u>	
		31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
Provisions	(24)	31 418	69 573
Capital losses		25 467	17 012
Sale of slow moving inventories losses		979	3 085
Donations		76 760	71 695
		<u>134 624</u>	<u>161 365</u>

9. NET FINANCE COST

		<u>For the financial year ended:</u>	
	Note	31/12/2019	31/12/2018
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<u>Finance income</u>			
Interest income		18 444	14 082
Treasury bills income		7 541	18 695
Reversal of impairment loss on financial assets	(25)	53 158	35 840
Net translation gain of foreign currencies balances and transactions		1 441 753	85 152
Gain on sale of available for sale Investments		-	1
<u>Income from available for sale Investment</u>			
Civil Information Technology Co.		562	398
Egyptian Company for tracking services & information technology		2 677	2 158
Arabsat		7 700	11 904
Total finance income		1 531 835	168 230
<u>Finance costs</u>			
Interest expense		(1 068 900)	(1 090 544)
Finance cost for credit contracts		(314 326)	(405 778)
Total finance cost		(1 383 226)	(1 496 322)
Net finance income / (cost)		148 609	(1 328 092)

10. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the financial year ended:	
	31/12/2019	31/12/2018
	L.E. (000)	L.E. (000)
Vodafone Egypt Telecommunications Company (Vodafone)	5 330 567	449 458
WE Data	10 000	200 000
Middle East Radio Communications (Merc)	5 915	2 998
The Egyptian Telecommunication Company for information systems (Xceed)	1 562	31 250
Centra Technology Company	735	3 328
	5 348 779	687 034

This income is represented in the company's share in the cash dividends from investment 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.

Notes to the separate financial statements

For the financial year ended December 31, 2019 (continued)

Translation from Arabic

- 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, 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, the said committee have completed the study of all the applications submitted to it by the employees of the company, issuing its recommendations and have prepared the final reports of the results of its work were all the liabilities that the company had borne as a result of the application of the optional early retirement scheme an amount of L.E 1 266 549 K for the year ended December 31, 2019 (Note no. 7).

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

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

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 276 182 K for the year ended in December 31, 2019 (Nil for year 2018) stated in the general and administrative expenses as shown in (Note no. 7).

12. BASIC AND DILUTED EARNING PER SHARE

	<u>For the financial year ended</u>	
	31/12/2019	31/12/2018
Net profit for the year (L.E. (000))	5 436 483	1 250 658
<u>Less:</u>		
Employees' share in profit (L.E. (000)) *	659 841	628 401
Board of Directors share in profit (L.E. (000)) *	7 025	6 300
Net profit for the year available for distribution (L.E. (000))	4 769 617	615 957
Number of shares available during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earning per share for the year (L.E. / share)	2.79	0.36

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

Notes to the separate financial statements
For the financial year ended December 31, 2019 (continued)

13- FIXED ASSETS

	Land L.E. (000)	Buildings & Infrastructure L.E. (000)	Technical equipment & information technologies L.E. (000)	Vehicles L.E. (000)	Furniture L.E. (000)	Tools & supplies L.E. (000)	Total L.E. (000)
Cost as at January 1, 2018	2 344 390	24 895 481	24 757 308	137 162	314 093	130 908	52 579 342
Reclassification on beginning balance	-	32 984	(32 953)	-	(31)	-	-
Additions during the year	47	3 496 352	2 719 594	7 139	36 448	12 274	6 271 854
Disposals during the year	-	(283 330)	(125 038)	(4 886)	(3 509)	(1 252)	(418 015)
Cost as at December 31, 2018	2 344 437	28 141 487	27 318 911	139 415	347 001	141 930	58 433 181
Additions during the year	4 990	6 848 029	3 847 084	32 740	40 654	12 129	10 785 626
Disposals during the year	-	(812 452)	(1 572 519)	(4 171)	(3 068)	(1 204)	(2 393 414)
Cost as at December 31, 2019	2 349 427	34 177 064	29 593 476	167 984	384 587	152 855	66 825 393
Accumulated depreciation as at January 1, 2018	-	14 773 018	19 540 934	103 165	236 858	72 858	34 726 833
Reclassification on beginning balance	-	(954)	954	-	-	-	-
Depreciation for the year	-	729 438	1 173 866	5 268	24 594	10 999	1 944 165
Accumulated depreciation for disposals	-	(227 853)	(120 777)	(4 828)	(3 509)	(1 252)	(358 219)
Accumulated depreciation as at December 31, 2018	-	15 273 649	20 594 977	103 605	257 943	82 605	36 312 779
Depreciation for the year	-	1 234 571	1 482 848	6 980	28 106	14 168	2 766 673
Accumulated depreciation for disposals	-	(511 278)	(1 564 157)	(4 008)	(3 068)	(1 203)	(2 083 714)
Accumulated depreciation as at December 31, 2019	-	15 996 942	20 513 668	106 577	282 981	95 570	36 995 738
Net carrying amounts as at December 31, 2019	2 349 427	18 180 122	9 079 808	61 407	101 606	57 285	29 829 655
Net carrying amounts as at December 31, 2018	2 344 437	12 867 838	6 723 934	35 810	89 058	59 325	22 120 402

- Cost of fixed assets includes an amount of L.E. 21 507 Million fully depreciated assets and still in use.

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

	Note No.	For the financial year ended 2019 L.E. (000)	2018 L.E. (000)
Operating costs	(4)	2 722 958	1 903 304
General and administrative expenses	(7)	36 847	40 861
Selling and distribution expenses	(6)	6 868	-
		2 766 673	1 944 165

14. PROJECTS IN PROGRESS

	31/12/2019	31/12/2018
	LE (000)	LE (000)
Land	11 894	21 025
Buildings and Infrastructure	1 107 310	2 616 751
Vehicles	-	493
Furniture	19 404	2 108
Tools and suppliers	56 940	24 083
Centrals and information technology equipment	4 556 746	2 107 988
Other Assets (cables)	255 420	70 776
Advance payments - Fixed assets	755 994	492 886
	6 763 708	5 336 110

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, 2019.

15. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Note	31/12/2019		31/12/2018	
	No.	Ownership		Ownership	
		%	LE (000)	%	LE (000)
- 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 (Eiscc)		99.00	267 578	99.00	267 578
- Egyptian Telecommunication for Information System (Xceed)		97.66	31 250	97.66	31 250
- Centra Technology		58.76	14 737	58.76	14 737
- Wataneya for Telecommunications		50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)		50.00	54	50.00	54
- Middle East Radio Communication (Merc)		49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company		44.95	5 960 054	44.95	5 960 054
- Egypt Trust		35.71	10 000	35.71	10 000
- Consortium Algerian Telecommunications		33.00	133	33.00	133
			6 652 960		6 652 960
Less:					
Impairment loss on investments of subsidiaries and associates*	(25)		8 081		8 081
			6 644 879		6 644 879

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

16. Available-for-sale investments

	Note	31/12/2019	31/12/2018
	No.	LE (000)	LE (000)
- Participations in foreign satellite companies and organizations*		26 676	26 676
- Investments in other companies		87 205	87 205
		<u>113 881</u>	<u>113 881</u>
<u>Payment for purchase Available-for-sale investments</u>			
Egyptian company for tracking services and information technology		1 000	1 000
		<u>114 881</u>	<u>114 881</u>
<u>Less:</u>			
Impairment loss on investments in other companies	(25)	36 320	36 320
		<u>78 561</u>	<u>78 561</u>

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

17- OTHER ASSETS

	Fourth generation Network license	Submarine cables (right of way)	Land (Possession)	Right of traffic local	Land (Usufruct)	Licenses and programs	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, 2018	8 633 330	1 819 357	440 683	-	1	56 382	10 949 753
Additions during the year	-	149 889	-	522 722	-	-	672 611
Disposals during the year	-	(150 298)	-	-	-	-	(150 298)
Cost at December 31, 2018	8 633 330	1 818 948	440 683	522 722	1	56 382	11 472 066
Additions during the year	-	110 628	-	-	-	104 465	215 093
Disposals during the year	-	(13 075)	-	-	-	-	(13 075)
Cost at December 31, 2019	8 633 330	1 916 501	440 683	522 722	1	160 847	11 674 084
Accumulated amortization as at January 1, 2018	131 301	459 936	-	-	-	37 590	628 827
Amortization for the year	459 569	108 225	-	13 068	-	18 792	599 654
Accumulated amortization for disposals	-	(15 211)	-	-	-	-	(15 211)
Accumulated amortization as at December 31, 2018	590 870	552 950	-	13 068	-	56 382	1 213 270
Amortization for the year	459 569	113 795	-	52 272	-	34 822	660 458
Accumulated amortization for disposals	-	(1 334)	-	-	-	-	(1 334)
Accumulated amortization as at December 31, 2019	1 050 439	665 411	-	65 340	-	91 204	1 872 394
Net carrying amounts as at December 31, 2019	7 582 891	1 251 090	440 683	457 382	1	69 643	9 801 690
Net carrying amounts as at December 31, 2018	8 042 460	1 265 998	440 683	509 654	1	-	10 258 796

- Other assets amortization is charged to operating costs.

- Other assets cost includes at December 31, 2019 an amount of L.E 168 Million, other assets fully amortized and still in use in operating.

18. INVENTORIES

	31/12/2019 <u>L.E. (000)</u>	31/12/2018 <u>L.E. (000)</u>
Spare parts	1 011 876	753 004
Material supplies	977	977
Merchandise for sale	35 695	28 084
Others – project cables and supplies	638 654	505 152
	1 687 202	1 287 217
Add:		
Letters of credit	152 256	134 794
	1 839 458	1 422 011

Inventory's value was written down by L.E. 20 586 K (against L.E. 16 317 K at December 31, 2018) for obsolete and slow moving items deducted directly from the cost of each type of inventory (Note no. 25).

19. TRADE RECEIVABLES

	Note	31/12/2019	31/12/2018
	No.	L.E. (000)	L.E. (000)
Trade Receivables - National		3 676 764	3 134 685
Trade Receivables - International		2 345 236	2 504 215
		<u>6 022 000</u>	<u>5 638 900</u>
Less:			
Impairment loss on trade receivables	(25)	1 926 625	1 969 531
		<u>4 095 375</u>	<u>3 669 369</u>

20. DEBTORS AND OTHER DEBIT BALANCES

	Note	31/12/2019	31/12/2018
	No.	L.E. (000)	L.E. (000)
Suppliers – debit balances		595 086	284 659
Deposits with others		242 622	241 810
Customs Authority - deposits		1 630	2 397
Accrued revenues		16 452	9 492
Tax Authority – value added tax		1 826 670	1 785 732
Tax Authority – withholding tax		527 885	194 675
Debts and restricted amounts at banks		8 802	3 848
Payments on the account of income tax		29 481	28 023
Due from Ministries, organizations and companies		717 083	868 826
Temporary debts due from employees		659 841	628 401
Other debit balances		633 334	574 817
		<u>5 258 886</u>	<u>4 622 680</u>
Less:			
Impairment loss on debtors and other debit balances	(25)	64 337	100 849
		<u>5 194 549</u>	<u>4 521 831</u>

21. CASH AND CASH EQUIVALENTS

	Note	31/12/2019	31/12/2018
	No.	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		174 042	185 833
Banks - current accounts		616 040	14 143
Cash on hand		1 476	1 417
Cash and cash equivalents		<u>791 558</u>	<u>201 393</u>
Less:			
Restricted cash and cash equivalents at banks	(30)	105 839	13 789
Cash and cash equivalents as per cash flows statement		<u>685 719</u>	<u>187 604</u>

22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Long term loan		Balance as of 31/12/2019	Balance as of 31/12/2018	Annual interest rate	Repayment schedule
		installments due within one year	installments due within more than one year				
		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>%</u>	
Foreign Loans	U.S.\$	1 445 288	4 335 865	5 781 153	-	Variable interest rate	Quarter installments ending on 18/10/2023
Foreign loans	EURO	35 298	449 685	484 983	590 211	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 422	-	1 422	1 612	5.50%	
Bank facilities	LE	4 891 538	-	4 891 538	3 628 825	Variable interest rate	
Bank facilities	U.S.\$	5 277 480	-	5 277 480	9 619 712	Variable interest rate	
		<u>11 651 026</u>	<u>4 785 550</u>	<u>16 436 576</u>	<u>13 840 360</u>		

23. CREDITORS AND OTHER CREDIT BALANCES

	<u>Note</u>	31/12/2019	31/12/2018
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers		906 333	625 484
Tax Authority-Income Tax		130 618	-
Tax Authority (taxes other than income tax)		534 813	546 558
Deposits from others		490 793	453 557
Liabilities of early retirement scheme	(11-1)	108 262	-
Assets creditors		9 965 501	8 096 103
Dividends creditors		770	770
Accrued interest		119 308	46 614
Accrued expenses		535 824	611 572
Social Insurance Authority		52 965	55 559
Customers - credit balances		368 128	285 574
Credit balances - organizations and companies		233 350	452 818
Deferred revenues*		345 817	140 401
National Telecommunication Regulatory Authority (NTRA)		452 925	152 051
Other credit balances		512 716	770 292
		<u>14 758 123</u>	<u>12 237 353</u>
<u>Less balances due within more than one year:</u>			
Other assets creditors		4 944 717	3 662 987
Deferred revenues		30 995	33 812
<u>Non current creditors and other credit balances</u>		<u>4 975 712</u>	<u>3 696 799</u>
<u>Current creditors and other credit balances</u>		<u>9 782 411</u>	<u>8 540 554</u>
<u>Total creditors and other credit balances</u>		<u>14 758 123</u>	<u>12 237 353</u>

*The deferred revenues amounting to L.E.345 817 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 12 945 K (against L.E 30 312 K at December 31, 2018) and deferred revenues for mobile services by an amount of L.E 209 057 K (against L.E 49 750 K at December 31, 2018) and revenues from operating services and maintenance cables by an amount of L.E 45 545 K (against 60 339 K at December 31, 2018) and deferred revenues for hiring cables by an amount of L.E 78 270 K (against nothing at December 31 , 2018) .

24. PROVISIONS

Note No.	Balance as of 1/1/2019 L.E. (000)	Used during the year L.E. (000)	Charged to income statement the year L.E. (000)	Balance as of 31/12/2019 L.E. (000)
(8)	638 004	(1 418)	31 418	668 004
	638 004	(1 418)	31 418	668 004

Claims and liabilities provision*

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

25. IMPAIRMENT LOSS ON ASSETS

Note No.	Balance as of 1/1/2019 L.E. (000)	charged to income statement L.E. (000)	Reversal of impairment L.E. (000)	Used during the year L.E. (000)	Balance as of 31/12/2019 L.E. (000)
(15)	8 081	-	-	-	8 081
(16)	36 320	-	-	-	36 320
(32)	453 968	-	-	-	453 968
(18)	16 317	4 269	-	-	20 586
(19)	1 969 531	67 500	(84 146)	(26 260)	1 926 625
(20)	100 849	-	(36 512)	-	64 337
	2 585 066	71 769	(120 658)	(26 260)	2 509 917

Impairment loss on investments in subsidiaries and associates

Impairment loss on available-for-sale investment

Debit balances with subsidiaries and associates

Write-down of Inventories

Impairment loss on trade receivables

Impairment loss on debtors and other debit balances

26. CAPITAL

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

27. RESERVES

	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 843 987	1 781 454
General reserve*	2 771 654	2 771 654
Revaluation reserve available for sale investments	6 814	6 814
Capital reserve	18 110	18 110
	<u>4 640 565</u>	<u>4 578 032</u>

* General reserve amounting to L.E. 2 771 654 K as at December 31, 2019 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

	31/12/2019		31/12/2018	
	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fixed assets	-	(563 906)	-	(434 144)
Other assets	-	(258 572)	-	(149 765)
Impairment loss on available for sale investments	2 980	-	2 980	-
Write-down of inventories	4 632	-	3 672	-
Impairment loss on trade receivables and other debit balances	160 495	-	183 062	-
Provisions	14 625	-	13 500	-
Accrued liabilities	30 084	-	35 583	-
Total deferred tax asset \ liability	<u>212 816</u>	<u>(822 478)</u>	<u>238 797</u>	<u>(583 909)</u>
Net deferred tax asset \ liability	<u>-</u>	<u>(609 662)</u>	<u>-</u>	<u>(345 112)</u>
Deferred tax charged to the income statement for the year		<u>(264 550)</u>		<u>(476 644)</u>

28-2 Unrecognized deferred tax assets

	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Impairment loss on trade recivables	393 833	381 390
Impairment loss on debtors & other debit balances	116 603	116 774
	<u>510 436</u>	<u>498 164</u>

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

28-3 Reconciliation of effective tax rate

	<u>For the financial year ended</u>	
	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Net profit for the year before income tax	6 099 173	1 761 715
Income tax according to the current tax law (22.5%)	1 372 314	396 386
Tax on dividends from subsidiaries and associates	267 522	34 413
Add / (Less):		
Provisions	-	(31 653)
Exempted investments income	(1 205 936)	-
Unrealized foreign exchange currency effect	-	(61 468)
Adjustments on other items	228 790	173 379
Income tax	<u>662 690</u>	<u>511 057</u>
Effective tax rate	<u>10.87%</u>	<u>29.01%</u>

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2019 L.E 738 Million (against L.E. 3 186 Million as at December 31, 2018).

30. CONTINGENT LIABILITIES

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

	31/12/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	982 252	816 278
- Letters of credit	2 796 897	1 357 440

* 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 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

31- 3 Salary Tax

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

31- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and appealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- 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, 2009 was performed and due taxes were settled and the disputed item has been transferred to the Internal Committee .
- Tax inspection for the years from 2010 to 2014 was performed and the disputed items were settled except for the relative stamp on salaries and wages which have been transfered to the Appeal Committee .
- Tax inspection for the years 2015 and 2016 is in process.

31- 5 Real Estate Tax

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

Notes to the Separate financial statements For the financial year ended December 31, 2019 (continued)

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

			Amount of transactions during the year stated in the income statement L.E. 000	Movement during the year Debit L.E. 000	Credit L.E. 000	Balance as of 31/12/2019 Debit/(Credit) L.E. 000	Balance as of 31/12/2018 Debit/(Credit) L.E. 000
Debit balances due from subsidiaries and associates	Nature of transaction during the year						
- Consortium Algerien de Telecommunications (CAT)*	Paid on behalf of associate to finance operating expenses		-	-	-	453 902	453 902
- International Telecommunication Consortium Limited (ITCL)*			-	-	-	66	66
- Egyptian Telecommunication Company for Information Systems	lease of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets		36 850	41 539	-	41 539	-
				41 539	-	41 539	-
Credit balances due to subsidiaries and associates							
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company		21 397	260 357	335 040	(486 264)	(411 581)
- WE Data	Leased circuits and information transfer network rendered		4 296 898	7 170 167	7 688 654	(658 943)	(140 456)
- Centra for Technologies	Maintenance & supplying devices		921 805	7 430 524	8 023 694	(1 145 207)	(552 037)
- Centra for Electronic Industries	Maintenance & supplying devices		1 435	745 393	1 231 412	(643 932)	(157 913)
				1 179	1 732	(1 568)	(1 015)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company		326 880	419 158	372 641	(37 227)	(83 744)
- Egyptian Telecommunication Company for Information Systems	Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets		-	10 461	26 055	37 227	52 821
				429 619	398 696	-	(30 923)
- Middle East Radio Communication (MERC)	Leased of information circuits		2 231	2 545	2 545	-	-
- Middle East Radio Communication (MERC)	Supplying & installing communication networks			224	-	(224)	(224)
- T E Investment Holding	Rendered services from subsidiary company		145 291	2 769	181 834	(14 416)	(19 987)
- T E Investment Holding	Leased sites for subsidiary company		18	187 405	18	-	-
- Jordanian Egyptian Company for data transfer	Participation contract		34 631	187 423	181 852	(14 416)	(19 987)
- TE France	Participation contract		25 885	71 178	67 110	(1 898)	(5 966)
				34 166	28 473	(71 770)	(77 463)
- Egyptian International Submarine Cables Company (EISCC)	Leased sites for subsidiary company		15	21	-	36	15
- Egyptian International Submarine Cables Company (EISCC)	Purchasing of intangible assets from subsidiaries company		-	127 333	-	(1 141 022)	(1 268 355)
- Egyptian International Submarine Cables Company (EISCC)	Selling of intangible assets to subsidiaries company		-	-	48 974	438 855	487 829
- Egyptian International Submarine Cables Company (EISCC)	Financing		-	63 516	-	63 516	-
				190 870	48 974	(638 615)	(780 511)
- Mena Cable	Maintenance - Rendered services from subsidiary company		7 965	171	9 347	(10 959)	(1 783)
- Mena Cable	Paid of expenses on behalf of parent company			48 581	59 050	(25 908)	(15 439)
- Mena Cable	Equipment upgrade - Rendered services from subsidiary company		37 881	2 603	37 881	(35 278)	-
- Mena Cable	Maintenance - Rendered services to subsidiary company		3 346	6 271	425	5 846	-
				57 626	106 703	(66 299)	(17 222)
- Vodafone Egypt Telecommunications Company	Ongoing calls and voice services for associate company		1 821 788				
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company		1 322 466	4 481 656	4 480 023	(1 047 999)	(1 049 632)
				13 632 403	14 571 214	(3 631 704)	(2 692 893)

- Amount of transactions during the period which included in the statement of income does not include the value added tax.

* Long-term debit balances amounted to L.E. 453 902 K are represented in the value of the finance provided by Telecom Egypt to Consortium Algerien de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, accordingly, impairment has been made for the full balance (Note no. 25), the mentioned company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT). In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerien de Telecommunication Company.

33. FINANCIAL INSTRUMENTS

33-1 Credit risk

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

<u>Description</u>	<u>Note No.</u>	<u>31/12/2019 L.E. (000)</u>	<u>31/12/2018 L.E. (000)</u>
Available-for-sale investments	(16)	78 561	78 561
Trade receivables	(19)	4 095 375	3 669 369
Debtors and other debit balances - short term	(20)	5 194 549	4 521 831
Held-to-maturity investments -treasury bills		-	102 259
Cash and cash equivalents	(21)	790 082	199 976
		<u>10 158 567</u>	<u>8 571 996</u>

33-2 Liquidity risk

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

<u>Description</u>	<u>Carrying Amount L.E. (000)</u>	<u>One year or less L.E. (000)</u>	<u>From 1-2 years L.E. (000)</u>	<u>From 3-5 years L.E. (000)</u>	<u>More than 5 years L.E. (000)</u>
<u>December 31, 2019</u>					
Creditors and other credit balances	14 758 123	9 782 411	2 099 691	2 649 498	226 523
Loans and credit facilities	16 436 576	11 651 026	2 961 257	1 555 056	269 237
	<u>31 194 699</u>	<u>21 433 437</u>	<u>5 060 948</u>	<u>4 204 554</u>	<u>495 760</u>
<u>December 31, 2018</u>					
Creditors and other credit balances	12 237 353	8 540 554	820 778	2 649 498	226 523
Loans and credit facilities	13 840 360	13 290 192	80 085	120 128	349 955
	<u>26 077 713</u>	<u>21 830 746</u>	<u>900 863</u>	<u>2 769 626</u>	<u>576 478</u>

33-: Currency risk

Description	U.S. Dollar (000)	Sterling Pound (000)	Euro (000)	Swedish Krona (000)	Total LE (000)
<u>December 31, 2019</u>					
Trade receivables	163 546	-	-	-	2 623 278
Accrued interest for time deposits	2	-	-	-	32
Banks-current accounts & time deposits	42 505	171	1 127	-	705 641
Total assets in currency	206 053	171	1 127	-	3 328 951
Creditors & other credit balances	365 183	5	78 569	5	7 270 202
Foreign loans & facilities	185 597	-	27 055	-	3 463 384
Total liabilities in currency	550 780	5	105 624	5	10 733 586
Risk surplus (deficit)	(344 727)	166	(104 497)	(5)	(7 404 635)
Equivalent in Egyptian Pound	(5 529 421)	3 494	(1 878 699)	(9)	(7 404 635)
<u>December 31, 2018</u>					
Trade receivables - International Clearance	147 886	-	-	-	2 636 807
Accrued interest for time deposits	3	-	-	-	53
Banks-current accounts & time deposits	-	221	564	-	16 506
Total assets in currency	147 889	221	564	-	2 653 366
Creditors & other credit balances	164 814	5	56 802	5	4 097 228
Foreign loans & facilities	160 968	-	29 018	-	3 461 879
Total liabilities in currency	325 782	5	85 820	5	7 559 107
Risk surplus (deficit)	(177 893)	216	(85 256)	(5)	(4 905 741)
Equivalent in Egyptian Pound	(3 171 832)	4 890	(1 738 789)	(10)	(4 905 741)

Exchange rates for currencies against Egyptian pound:

	<u>Average exchange rate during:</u>		<u>Closing exchange rate as at:</u>	
	<u>2019</u>	<u>2018</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
U.S. Dollar	16.8207	17.7608	16.0400	17.8300
Sterling Pound	21.5130	23.6505	21.0494	22.6379
Euro	18.8646	20.9598	17.9785	20.3949
Swedish Krona	1.7869	2.0453	1.7164	1.9868

33-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2019, may lead to losses increase by an amount of L.E. 740 464 K (against L.E. 490 574 K as of December 31, 2018). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2018.

33-5 Interest rate risk

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

Description	Note	31/12/2019	31/12/2018
	No.	L.E. (000)	L.E. (000)
Financial instruments with fixed interest rate			
Financial assets – deposits	(21)	174 042	185 833
Financial liabilities (loans-credit facilities)	(22)	16 436 576	13 840 360

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 –CLAIMS AND LITIGATION:**34-1 The Existing Remedy lawsuit between Telecom Egypt “TE”, Etisalat Misr Company & its subsidiaries: the EGY Net and Nile on Line)**

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

where the claiming companies claim that the Telecom Egypt implemented The process of replacing and installing the modern fiber-optic cable “MSAN” network suddenly replaces and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators, and at the 28 May 2019 case session, the court decided to reserve the lawsuit for the judgment for the 25th of June 2019 session, so that the court issued a preliminary ruling delegating a tripartite experts committee. The lawsuit is under investigation and analysis by the Committee of technical and financial experts and the committee has not completed its mission up to date.

The legal advisor of the TE’s believes that it is not possible to stand up to date on the legal position in the lawsuit, as the claiming telecom operators (Etisalat Misr & its subsidiaries) and TE are still in the stage of submitting documents before the experts’ committee.

34-2 The dispute between Telecom Egypt and Orange Egypt Company

On February 20, 2019, Orange Egypt filed a lawsuit in the "Economic Court" against Telecom Egypt "TE" and "WE-Data", This is based on the decision of the Egyptian Competition Protection Authority "ECA" on March 8, 2016, where the claiming companies had filed a complaint with the ECA against TE on the basis that the TE's has carried out practices that restrict competition in the Egyptian market, and the ECA decision to prove the violation of Telecom Egypt to Article 8 of the Law on Protection of Competition and Preventing Monopolistic Practices in paragraphs (a) and (b):

where the claiming company (Orange Egypt) claiming that TE developed a plan to swap and replace PSTN network "land-line network" outdoor cabinet which using copper cables network with new fiber optic cable network "MSAN cabins" and began implementing them, resulting in the cessation of Internet (Fixed broadband) service for the claiming telecom operators (Orange Misr and link.net) customers.

Moreover, the Legal Adviser of the TE's believes that it is not possible to stand up to date on the legal position in the case due to the lack of documents submitted by the claiming company pending the referral of the invitation to the experts.

35. Comparative figures

Reclassification was made to some of the comparative figures of the separate statement of income to conform to the current presentation of the separate financial statements.

*the following is the effect of reclassification on the separate statement of income:

	For the financial year ended 31/12/2018 <u>as previously reported</u> <u>(debit) / credit</u> <u>LE(000)</u>	Reclassification <u>(debit) / credit</u>	For the financial year ended 31/12/2018 <u>Reclassified</u> <u>(debit) / credit</u> <u>LE(000)</u>
Selling and distribution expenses	(1 803 224)	(9 796)	(1 813 020)
General and administrative expenses	(2 082 282)	9 796	(2 072 486)

36. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative figures have been reclassified to conform to the current presentation of separate financial statements (Note no. 34).

36-1 Foreign currencies translation

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

36-2 Fixed assets and depreciation**(A) Recognition and measurement**

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

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

(B) Subsequent costs

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

(C) Depreciation

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

The useful lives for the fixed assets are as follows:

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

36-3 Other assets

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

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

36-3-1 Licenses

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

36-3-2 Right of way and right of use

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

36-4 Projects in Progress

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

36-5 Investments in subsidiaries and associates

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

36-6 Available - for - sale investments

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

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

36-7 Financial asset at fair value through profit or loss (Held for trading investments)

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

36-8 Investments held- to- maturity (Treasury bills)

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

36-9 Inventories

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

36-10 Trade receivables, debtors and other debit balances

Trade receivables, debtors and other debit balances are included as current assets unless they are contractually due over more than twelve months after the financial position date in which case they are classified as non-current assets. These assets are recognized initially at fair value plus any directly

attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

36-11 Impairment loss of assets

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the statement of income.

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

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

36-12 Provisions

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

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

36-13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, money market fund and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the company's cash management preparing are

included as a component of cash equivalents for the purpose of preparing the statement of cash flows. The separate statement of cash flows is prepared and presented according to direct method.

36-14 Grants

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

36-15 Creditors and other credit balances

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

36-16 Revenue recognition

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

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

36-17 Expenses

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

36-17-1 Operating lease payments

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

36-17-2 Net financing (costs) / income

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

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

36-18 Employees benefits

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

36-19 Lease agreements**Financial lease**

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

Operating lease

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

36-20 Earnings per share

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

36-21 Reserves

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

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

36-22 Income tax

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

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

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

36-23 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

36-23-1 Credit risk

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

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

Trade receivable and other debtors

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

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

Cash and cash equivalents

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

36-23-2 Liquidity risk

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

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

36-23-3 Market risk

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

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

Currency risk

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

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

Interest rate risk

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

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

Other market prices risk

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

36-23-4 Capital management

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

37- New issues and amendments issued to the Egyptian Accounting Standards

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date. These amendments shall be effective from the date of application of the standard 47.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	(47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event 4. Pursuant to the requirements of this standard, the following criteria have been amended: - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial		

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"		
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted
New Egyptian Accounting Standard (49) "Leases"	1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it. 2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets		Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time. Except as of the effective date above, Standard No. 49 (2019) applies to leases that were

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	of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease. 3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease. 4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract. 5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.		subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard	Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42 "Consolidated

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	- Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. 17 "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "Interim Financial Statements" - Egyptian Accounting Standard No. (44) - "Disclosure of Interests in Other Entities"		Financial Statements", and amended 2019.
Issuance of an Egyptian Accounting Interpretation No. (1) "Arrangements for Privileges of Public Services"	This interpretation provides guidance on the accounting by operators of public service concession arrangements from a public entity to a private entity for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supplies and communications networks. ..., etc. This interpretation gives the option of continuing to apply the prior treatment of existing public service concession arrangements prior to 1 January 2019 to entities that had recognized and measured the assets of these arrangements as fixed assets in accordance with EAS 10 Fixed Assets and Depreciation until their expiry.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Interpretation No. (1) Applies to financial periods beginning on or after 1 January 2019.

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Egyptian Accounting Standard No. (22) "Earnings per share"	The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Egyptian Accounting Standard No. (34) Investment Property	- The use of the fair value model option for all properties is derecognized in subsequent measurement of its real estate investments and the obligation only to the cost model, with only real estate investment funds required to use the fair value model on subsequent measurement of all its real estate assets. Based on this amendment, both: - EAS 32 "Non-current Assets Held for Sale and Discontinued Operations". - Egyptian Accounting Standard No. (31) "Impairment of Assets"	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019