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Telecom Egypt Company
Consolidated Financial Statements
Prepared in Accordance with IFRSs
For The Financial Year Ended December 31, 2019
And Independent Auditor's Report

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KPMG

Hazem Hassan
Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Telecom Egypt Company

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Telecom Egypt Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the international Ethical Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in accordance with the provisions of the Egyptian laws, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (35) of the notes to the consolidated 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 defences 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.

Key Audit Matters

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

Revenue recognition and related IT Systems	
The key audit matters	**How the matter was addressed in our audit**
We have considered this as a key audit matter due to the estimates and judgments involved in the application of the revenue recognition accounting standards; and the complexity of IT systems and processes used in the group's revenue recognition.	We tested revenue through a combination of controls testing, data analytics and substantive audit procedures covering, in particular: ➢ Understanding the significant revenue processes And identifying the relevant controls (including IT Systems, interfaces and reports); ➢ Tested IT general controls, covering pervasive IT Risks around access security, change management, Data center and network operations. ➢ Assessed the Group's selected accounting policies and checked compliance of revenue recognition therewith; ➢ Performed data analysis and analytical reviews on significant revenue streams; ➢ Tested IT application controls around input, data validation and processing of transactions; and ➢ Tested automated and manual controls, and performing substantive tests, to ascertain accuracy and completeness of revenue. Further, we instructed the auditors of the Group's significant component to perform consistent audit procedures on revenue. We also assessed the adequacy and presentation of revenue related disclosures in notes of the consolidated financial statements.
For further information on revenue recognition and related IT Systems refer to the following notes of the consolidated financial statements: • Note 39o (Significant Accounting Policies) • Note 4 (Revenue)	

Provisions, Impairment loss and contingent liabilities from tax, Legal and other regulatory matters	
Key audit matters	**How the matter was addressed in our audit**
The Group operates in multiple jurisdictions, which exposed it to certain tax, legal and other regulatory matters. The accounting of these matters requires high level of judgments by management in estimating the provisions and presenting the related disclosures in accordance with IFRS.	In responding to this area of focus, our procedures included the following: ➢ Understanding the group's policies in addressing tax, legal and regulatory requirements; ➢ Assessed the adequacy of the design and implementation of controls over the appropriateness and completeness of provisions; ➢ Discussed open matters with the group's tax, legal and regulatory teams; ➢ Read external legal opinions and other relevant documents supporting management's conclusions on these matters, where available; and ➢ Obtained direct confirmation and/or discussion with third party legal counsel and tax representatives regarding material cases, where applicable. Further, we have instructed the component auditors to perform consistent audit procedures. We corroborated the completeness and appropriateness of the related disclosures in notes of the consolidated financial statements.
For further information on provisions, impairment loss and contingent liabilities from tax, legal and other regulatory matters refer to the following notes of the consolidated financial statements: • Note 2d (Use of Judgments and Estimates) • Notes 39f & 39n (Significant Accounting Policies) • Note 27 (Provisions) • Note 33 (Tax Position) • Note 35 (Significant Claims and Litigations)	

<table>
<tr><th colspan="2">Recognition of deferred tax assets</th></tr>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group has recognized deferred tax assets for deductible temporary differences that it believes are recoverable.

The recoverability of recognized deferred tax assets is in part dependent on the Group's ability to generate future taxable profits sufficient to utilize deductible temporary differences

We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</td><td>Our audit procedures in this area included, among others:
➢ using our own tax specialists to evaluate the tax strategies the Group expects will enable the successful recovery of the recognized deferred tax assets;
➢ assessing the accuracy of forecast future taxable profits by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit, including where applicable their consistency with business plans and forecasts used for impairment testing purposes; and

Further, we have instructed the component auditors to perform consistent audit procedures.

We have evaluated the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.</td></tr>
<tr><td colspan="2">For further information on deferred tax assets refer to the following notes of the consolidated financial statements:
• Note 2d (Use of Judgments and Estimates)
• Note 39r (Significant Accounting Policies)
• Note 18 (Deferred tax assets and liabilities)</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information comprises all information included in the Board of Directors' report of the Group for the financial year ended 31 December 2019 but does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

KPMG Hazem Hassan

KPMG Hazem Hassan

Cairo, March 18, 2020

KPMG Hazem Hassan
Public Accountants and Consultants
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Telecom Egypt Company
Consolidated statement of financial position

In thousands of Egyptian Pound	Note	31 December 2019	31 December 2018
			Restated
Assets			
Property, plant and equipment	13,39c	36 301 170	26 813 187
Intangible assets	14,39d	10 823 421	10 684 983
Equity-accounted investees	15,39a	10 763 157	13 396 524
Available-for-sale investments	16,39f	79 811	79 811
Other financial assets	17	60 072	74 672
Deferred tax assets	18,39q	341 223	239 160
Non-current assets		58 368 854	51 288 337
Inventories	19,39g	2 353 882	1 788 922
Held-to-maturity investment (treasury bills)		25 829	105 488
Trade and other receivables	20	10 515 202	9 072 217
Cash and cash equivalents	21	1 433 184	892 775
Current assets		14 328 097	11 859 402
Total assets		72 696 951	63 147 739
Equity			
Share capital	22,39i	17 070 716	17 070 716
Reserves	22,39j	4 755 558	4 872 335
Retained earnings		12 437 757	9 578 959
Equity attributable to owners of the company		34 264 031	31 522 010
Non–controlling interests	39a	14 904	14 967
Total equity		34 278 935	31 536 977
Liabilities			
Loans and borrowings	24	4 785 550	550 168
Trade and other payables	25	5 376 579	3 667 798
Deferred revenue	26	308 313	371 930
Deferred tax liabilities	18,39q	1 558 975	1 294 839
Non-current liabilities		12 029 417	5 884 735
Loans and borrowings	24	11 666 363	13 303 507
Trade and other payables	25	12 096 241	10 155 518
Deferred revenue	26	803 743	471 354
Credit accounts due to associates		1 049 642	1 055 119
Provisions	27,39n	772 610	740 529
Current liabilities		26 388 599	25 726 027
Total liabilities		38 418 016	31 610 762
Total equity and liabilities		72 696 951	63 147 739

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"

Independent auditor's report " attached "

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

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Telecom Egypt Company

Consolidated statement of profit or loss and other comprehensive income

In thousands of Egyptian Pound	Note	For the year ended 31 December 2019	2018 Restated
Continuing operations			
Revenue	4,39o	**25 751 905**	22 952 795
Operating costs	5	**(17 240 498)**	(14 873 877)
Gross profit		**8 511 407**	8 078 918
Other income	6	**470 936**	344 600
Selling and distribution expenses	7	**(2 918 812)**	(2 710 297)
Administrative expenses	8	**(4 216 505)**	(2 701 284)
(Impairment loss) Reversal on trade and other receivables		**(177 235)**	3 607
Other expenses	9	**(150 045)**	(197 837)
Operating profit		**1 519 746**	2 817 707
Finance income	11	**1 679 338**	183 412
Finance costs	11	**(1 488 742)**	(1 499 017)
Net finance income / (cost)	11	**190 596**	(1 315 605)
Share of profit of equity-accounted investees, net of tax		**2 772 260**	2 180 825
Profit before tax		**4 482 602**	3 682 927
Income tax	12,39r	**(1 002 583)**	(1 040 200)
Profit		**3 480 019**	2 642 727
Other comprehensive income			
Foreign operations - foreign currency translation differences		**(183 277)**	(9 274)
Other comprehensive income , net of tax		**(183 277)**	(9 274)
Total comprehensive income		**3 296 742**	2 633 453
Profit attributable to:			
Owners of the company		**3 474 165**	2 636 453
Non - controlling interests		**5 854**	6 274
		3 480 019	2 642 727
Total comprehensive income attributable to:			
Owners of the company		**3 290 888**	2 627 179
Non - controlling interests		**5 854**	6 274
		3 296 742	2 633 453
Earning per share			
Basic earnings per share (LE)	23,39s	2.04	1.54
Diluted earnings per share (LE)	23,39s	2.04	1.54

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

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Telecom Egypt Company
Consolidated statement of changes in equity
For the year ended 31 December 2019

In thousands of Egyptian Pound	Note	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
		Attributable to owners of the company							
Balance as at 1 January 2018		17 070 716	1 845 776	189 443	2 796 578	7 702 020	29 604 533	11 695	29 616 228
Total comprehensive income for the year									
Profit for the year (Restated)		-	-	-	-	2 636 453	2 636 453	6 274	2 642 727
Other comprehensive income		-	-	(9 274)	-	-	(9 274)	-	(9 274)
Total comprehensive income (Restated)		-	-	**(9 274)**	-	**2 636 453**	**2 627 179**	**6 274**	**2 633 453**
Transactions with owners of the company									
Restatements on retained earnings in associates		-	-	-	-	4 495	4 495	-	4 495
Restatements on retained earnings in subsidiries		-	-	-	-	(20 099)	(20 099)	-	(20 099)
Transferred to reserves		-	53 252	-	-	(53 252)	-	-	-
Dividends		-	-	-	-	(426 768)	(426 768)	(3 002)	(429 770)
Acquistion of non-controlling interest in subsidairies		-	-	(3 440)	-	(263 890)	(267 330)	-	(267 330)
Total transactions with owners of the company		-	**53 252**	**(3 440)**	-	**(759 514)**	**(709 702)**	**(3 002)**	**(712 704)**
Balance as at 31 December 2018 (Restated)		**17 070 716**	**1 899 028**	**176 729**	**2 796 578**	**9 578 959**	**31 522 010**	**14 967**	**31 536 977**
Balance at 1 January 2019 (Restated)		17 070 716	1 899 028	176 729	2 796 578	9 578 959	31 522 010	14 967	31 536 977
Impact of adjustments on comparative figures	3 E	-	-	-	-	(47 041)	(47 041)	-	(47 041)
Balance at 1 January 2019		17 070 716	1 899 028	176 729	2 796 578	9 531 918	31 474 969	14 967	31 489 936
Total comprehensive income for the year									
Profit for the year		-	-	-	-	3 474 165	3 474 165	5 854	3 480 019
Other comprehensive income		-	-	(183 277)	-	-	(183 277)	-	(183 277)
Total comprehensive income		-	-	**(183 277)**	-	**3 474 165**	**3 290 888**	**5 854**	**3 296 742**
Transactions with owners of the company									
Transferred to reserves		-	66 500	-	-	(66 500)	-	-	-
Dividends		-	-	-	-	(426 768)	(426 768)	(5 917)	(432 685)
Restatements on retained earnings in associates		-	-	-	-	(75 058)	(75 058)	-	(75 058)
Total transactions with owners of the company		-	**66 500**	-	-	**(568 326)**	**(501 826)**	**(5 917)**	**(507 743)**
Balance as at 31 December 2019		**17 070 716**	**1 965 528**	**(6 548)**	**2 796 578**	**12 437 757**	**34 264 031**	**14 904**	**34 278 935**

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

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Telecom Egypt Company
Consolidated statement of cash flows

In thousands of Egyptian Pound	Note	For the year ended 31 December 2019	2018
Cash flows from operating activities			
Cash receipts from customers		**21 793 626**	21 008 454
Value added tax collected from customers		**493 921**	412 710
Stamp tax and fees collected (from third party)		**34 285**	32 070
Deposits collected from customers		**2 936**	1 009
Cash paid to suppliers		**(5 794 968)**	(5 154 249)
Payments of NTRA license fees		**(736 585)**	(604 355)
Dividends paid to employees and Board of Directors		**(96 288)**	(374 267)
Cash paid to employees and Board of Directors		**(7 060 502)**	(4 603 676)
Cash paid on behalf of employees to third party		**(1 051 627)**	(825 476)
Interest paid		**(1 010 484)**	(921 712)
Payments to Tax Authority - income tax		**(127 983)**	(292 042)
Payments to Tax Authority - value added tax		**(1 635 336)**	(2 467 970)
Payments to Tax Authority - other taxes		**(1 491 021)**	(978 400)
Provision Used		**(11 746)**	-
Cash paid to third parties for claims		-	(919 278)
Cash paid on long-term liabilities		-	(784 389)
Other payments		**(316 856)**	(32 868)
Net cash from operating activities		**2 991 372**	3 495 561
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		**(9 664 893)**	(8 027 576)
Payments for purchase of intangible assets		**(747 744)**	(780 178)
Proceeds from sale of property, plant and equipment and intangible assets		**48**	66
Payments for acquisition of investements		**(56 867)**	(993 465)
Payments for retrieval of held -to- maturity investments - treasury bills		**(34 358)**	(219 517)
Interest received		**55 538**	44 785
Dividends of profit collected from investments		**5 067 193**	453 595
Proceeds from sale of available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - treasury bills		**108 957**	227 472
Proceeds from income of securities (treasury bills - mutual fund)		**10 702**	22 411
Net cash used in investing activities		**(5 261 424)**	(9 272 400)
Cash flows from financing activities			
Payments for loans and other facilities		**(4 248 748)**	(48 090)
Proceeds from loans and other facilities		**7 410 702**	6 633 922
Dividends paid to shareholders		**(432 683)**	(429 927)
Net cash from financing activities		**2 729 271**	6 155 905
Net increase in cash and cash equivalents		459 219	379 066
Cash and cash equivalents at 1 January	21	873 555	506 936
Effect of movements in exchange rate on cash hold		(21 383)	(12 447)
Cash and cash equivalents at 31 December	21	1 311 391	873 555

The notes on pages 11 to 55 are an integral part of these consolidated financial statements.

1. Reporting entity

- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated interim financial statements of the Company for the financial year ended December 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

- 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.
  - Real estate investment for serving its purposes and executing its projects.
  - The registered office of the Company is 26 Ramses Street, Cairo, Egypt.
  - The nominal shares for the company are traded in the Egyptian Stock Exchange and London Stock Exchange.

2. Basis of preparation

a. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS. They were approved by the company's Board of Directors for issuance on March 15, 2020.

This is the first set of the group's annual financial statements in IFRS 16 "Leases" has been applied. Changes to significant accounting policies are described in note no. (3).

b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following:
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

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

c. Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d. *Use of judgements and estimates*

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

- Impairment of non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets and liabilities.
- Useful life of property, plant & equipment.

e. *Measurement of fair value*

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. Changes in significant accounting polices

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts

1. **Reporting entity**

- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated interim financial statements of the Company for the financial year ended December 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

- 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.
  - Real estate investment for serving its purposes and executing its projects.
  - The registered office of the Company is 26 Ramses Street, Cairo, Egypt.
  - The nominal shares for the company are traded in the Egyptian Stock Exchange and London Stock Exchange.

2. **Basis of preparation**

a. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS. They were approved by the company's Board of Directors for issuance on March 15, 2020.

This is the first set of the group's annual financial statements in IFRS 16 "Leases" has been applied. Changes to significant accounting policies are described in note no. (3).

b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

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

c. Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

- Impairment of non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets and liabilities.
- Useful life of property, plant & equipment.

e. Measurement of fair value

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. Changes in significant accounting polices

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts

That were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group leases many assets including buildings and infrastructure. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

C. As a lessee

i. Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.
- The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.
- The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

ii. Leases classified as finance leases under IAS 17

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

D. As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right- of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Group has also entered into a sub-lease during 2019, which has been classified as a finance lease.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

E. Impact on the consolidated financial statements

i. Impact on transition*

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarized below.

In thousands of L. E	1 January 2019
– Right-of-use assets – presented in intangible assets	496 576
– Deferred tax asset	116 842
– Deferred tax liabilities	(111 730)
– Trade and other receivables	(29 431)
– Lease liabilities	(519 298)
– Retained earnings	(47 041)

For the impact of IFRS 16 on profit or loss for the period. For the impact of IFRS 16 on segment information and EBITDA. For the details of accounting policies under IFRS 16 and IAS 17.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 6%.

In thousands of L. E	1 January 2019
– Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	1 265 290
– Discounted using the incremental borrowing rate at 1 January 2019	519 298
– Finance lease liabilities recognised as at 1 January 2019	519 298

E. Impact on the consolidated financial statements

i. Impact on transition*

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In thousands of L. E	**1 January 2019**
– Right-of-use assets – presented in intangible assets	**496 576**
– Deferred tax asset	**116 842**
– Deferred tax liabilities	**(111 730)**
– Trade and other receivables	**(29 431)**
– Lease liabilities	**(519 298)**
– Retained earnings	**(47 041)**

For the impact of IFRS 16 on profit or loss for the period. For the impact of IFRS 16 on segment information and EBITDA. For the details of accounting policies under IFRS 16 and IAS 17.

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In thousands of L. E	**1 January 2019**
– Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	**1 265 290**
– Discounted using the incremental borrowing rate at 1 January 2019	**519 298**
– Finance lease liabilities recognised as at 1 January 2019	**519 298**

4. Revenue

In thousands of Egyptian Pound	For the year ended 31 December 2019	2018
Home and personal communications	**10 420 847**	8 246 495
Enterprise	**3 809 122**	3 215 287
Domestic wholesale	**4 154 647**	3 570 733
International carrier	**4 383 205**	4 424 255
International cables and networks	**2 984 084**	3 496 025
	25 751 905	22 952 795

5. Operating costs

In thousands of Egyptian Pound	Note	For the year ended 31 December 2019	2018 Restated
Interconnection cost		**4 831 623**	4 295 373
Fuel		**786 503**	638 210
Spare parts		**170 323**	128 807
Maintenance		**472 264**	392 863
Leased circuits & satellite subscriptions		**272 998**	237 754
Property, plant and equipment depreciation*	13	**2 722 851**	1 933 999
Amortization of intangible assets*	14	**842 146**	628 441
Salaries and wages	10	**2 998 923**	2 077 766
Company's social insurance contribution		**310 382**	236 487
Employee's compensated absence		**5 000**	5 410
Employees' share in profit		**430 054**	325 845
Frequencies and licenses		**931 612**	780 843
Cost of merchandise available for sale		**673 664**	602 408
(IRU) outside Egypt*		**385 268**	1 563 212
Organizations service cost		**753 585**	441 850
Other operating costs		**653 302**	584 609
		17 240 498	14 873 877

* Restatement was made to the comparative figures as shown in note no . (38 - 2).

6. Other income

In thousands of Egyptian Pound	For the year ended 31 December 2019	2018
Fines and delay interest collected	**94 574**	120 117
Others	**376 362**	224 483
	470 936	344 600

7. Selling and distribution expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December 2019	2018 Reclassified
Salaries & wages	10	**1 120 433**	1 034 420
Company's social insurance contribution		**107 033**	111 328
Employees' compensated absence		**1 600**	3 840
Employees' share in profit		**160 673**	162 223
Property, plant & equipment depreciation	13	**24 441**	463
Amortization of intangible assets	14	**20 694**	35
Tax & fees		**173 836**	87 656
Rent		**29 403**	12 611
Advertisements		**844 495**	937 272
Organizations service cost		**60 967**	506
Sales and collection commissions		**259 110**	242 267
Others selling and distribution expenses*		**116 127**	117 676
		2 918 812	2 710 297

* Reclassification was made to the comparative figures as shown in note no . (38 - 2).

8. Administrative expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December 2019	2018 Reclassified
Salaries & wages	10	**1 498 349**	1 598 879
Company's social insurance contribution		**161 775**	140 533
Employees' compensated absence		**10 600**	8 203
Early retirement compensations	10	**1 266 549**	-
End of service benefits	10	**276 182**	-
Employees' & BOD share in profit		**229 159**	261 661
Property, plant & equipment depreciation	13	**94 738**	78 177
Amortization of intangible assets	14	**4 486**	71
Organizations service cost		**209 701**	212 931
Tax & duties		**122 331**	119 384
Bad debts		-	396
Takaful contribution expense		85 211	41 890
Bank charges		20 831	16 343
Other administration expenses*		236 593	222 816
		4 216 505	2 701 284

* Reclassification was made to the comparative figures as shown in note no . (38 - 2).

9. Other expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2019	2018
Provisions formed	27	43 841	102 083
Net loss on disposal of property plant & equipment		25 444	17 000
Donations		79 781	75 668
Others		979	3 086
		150 045	197 837

10. Personnel expenses

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2019	2018
Salaries and wages:			
Operating cost	5	2 998 923	2 077 766
Selling and distribution expenses	7	1 120 433	1 034 420
Administrative expenses	8	1 498 349	1 598 879
		5 617 705	4 711 065
Compulsory social security contributions		579 190	488 348
Early retirement compensations	8	1 266 549	-
End of service benefits	8	276 182	-
Employees compensated absence		17 200	17 453
Employees' & BOD share in profit		819 886	749 729
		8 576 712	5 966 595

Employees' Benefits

(i) Early Retirement Scheme (Telecom Egypt Company)

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

The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, 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 have prepared the final reports of the results of its work, liabilities that the company had borne as a result of the application of the optional early retirement scheme were an amount of L.E 1 266 549 K for the year ended December 31,2019 (Note no. 8).

(ii) 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 the year 2018) stated in the general and administrative expenses as shown in (Note no. 8).

11. Net finance income/(Cost)

In thousands of Egyptian Pound	For the year ended 31 December 2019	2018
Interest income	**91 463**	92 215
Divided income from available for sale investment	**10 939**	14 460
Translation gain of foreign currencies balances and transactions	**1 576 936**	76 736
Gain from sale of available for sale investments		1
Finance income	**1 679 338**	183 412
Interest expense	**(1 071 788)**	(1 093 239)
Finance costs of deffered payments contracts	**(416 954)**	(405 778)
Finance costs	**(1 488 742)**	(1 499 017)
Net finance income/ (Cost)	**190 596**	(1 315 605)

12. Income tax

In thousands of Egyptian Pound	For the year ended 31 December 2019	2018
Amounts recognised in profit or loss		
Current tax expense		
Current year	**(835 398)**	(351 693)
Deferred tax		
Origination and reversal of temporary differences	**(167 185)**	(688 507)
Tax expense	**(1 002 583)**	**(1 040 200)**

Notes to the consolidated financial statements prepared in accordance with (IFRSs)
For the year ended December 31, 2019 (continued)

13. Property, plant and equipment

In thousands of Egyptian Pound	Land, buildings &infrastructure	Technical equipments & information technologies & fixtures on trunk radio network	Vehicles	Office furniture & fixtures	Tools & supplies	Under construction	Total
Cost							
Balance at 1 January 2018	27 059 648	25 446 685	184 385	916 106	131 488	2 881 630	56 619 942
Reclassification	32 984	(32 953)	-	(31)	-	-	-
Acquisitions asset cost (Restated)	776 623	52 918	-	4 898	-	-	834 439
Additions	2 446 909	2 775 187	8 097	76 146	12 434	7 816 614	13 135 387
Disposals	(511 312)	(125 062)	(5 136)	(6 961)	(1 273)	(5 339 264)	(5 989 008)
Transfer to assets	(2 933)	(5 562)	(7)	(850)	-	-	(9 352)
Balance at 31 December 2018 (Restated)	29 801 919	28 111 213	187 339	989 308	142 649	5 358 980	64 591 408
Balance at 1 January 2019 (Restated)	29 801 919	28 111 213	187 339	989 308	142 649	5 358 980	64 591 408
Additions	6 853 019	4 360 755	37 523	164 088	12 381	12 641 997	24 069 763
Disposals	(790 022)	(1 572 522)	(4 576)	(4 922)	(1 204)	(11 427 766)	(13 801 012)
Effect of movements in foreign exchange	(53 888)	(21 387)	(49)	(4 844)	-	-	(80 168)
Balance at 31 December 2019	35 811 028	30 878 059	220 237	1 143 630	153 826	6 573 211	74 779 991

*Restatement was made to the comparative figures as shown in note no . (38-1).

13. Property, plant and equipment (continued)

In thousands of Egyptian Pound	Land, buildings &infrastructure	Technical equipments & information technologies & fixtures on trunk radio network	Vehicles	Office furniture & fixtures	Tools & supplies	Under construction	Total
Depreciation							
Balance at 1 January 2018	14 602 632	20 021 301	149 130	713 526	73 135	-	35 559 724
Reclassification	(954)	954	-	-	-	-	-
Accumlated depreciation for acqusition asset cost (Restated)	707 094	42 658	-	4 310	-	-	754 062
Depreciation charge for the year (Restated)	641 237	1 281 899	5 700	72 691	11 112	-	2 012 639
Disposals	(409 422)	(120 801)	(5 078)	(6 890)	(1 273)	-	(543 464)
Effect of movements in foreign exchange	(1 511)	(2 647)	(7)	(575)	-	-	(4 740)
Balance at 31 December 2018 (Restated)	15 539 076	21 223 364	149 745	783 062	82 974	-	37 778 221
Balance at 1 January 2019 (Restated)	**15 539 076**	**21 223 364**	**149 745**	**783 062**	**82 974**	-	**37 778 221**
Depreciation charge for the year	**1 122 345**	**1 606 317**	**7 922**	**91 133**	**14 313**	-	**2 842 030**
Disposals	**(506 685)**	**(1 564 160)**	**(4 413)**	**(4 805)**	**(1 203)**	-	**(2 081 266)**
Effect of movements in foreign exchange	**(46 878)**	**(10 184)**	**(49)**	**(3 053)**	-	-	**(60 164)**
Balance at 31 December 2019	**16 107 858**	**21 255 337**	**153 205**	**866 337**	**96 084**	-	**38 478 821**
Carrying amounts							
At 1 January 2018	12 457 016	5 425 384	35 255	202 580	58 353	2 881 630	21 060 218
At 31 December 2018 (Restated)	14 262 843	6 887 849	37 594	206 246	59 675	5 358 980	26 813 187
At 31 December 2019	**19 703 170**	**9 622 722**	**67 032**	**277 293**	**57 742**	**6 573 211**	**36 301 170**

* Restatement was made to the comparative figures as shown in note no . (38-1).

13. Property, plant and equipment (continued)

Fully depreciated property, plant and equipment (PPE)
PPE cost includes an amount of L.E. 23 382 million relating to fully depreciated PPE that are still in use.

Depreciation
The depreciation charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2019	2018 Restated
Operating costs	5	2 722 851	1 933 999
Selling and distribution expenses	7	24 441	463
Administrative expenses	8	94 738	78 177
		2 842 030	2 012 639

14. Intangible assets

In thousands of Egyptian Pound	Fourth generation license	Right of way	Right of using ROU	Soft ware license	Internet service license	Land possession	Land usufruct	Under construction	Lease ROU	Goodwill *	Total
Cost											
Balance at 1 January 2018	8 633 330	1 822 190	153 003	56 382	23 283	440 683	1	29 767	-	-	11 158 639
acquisition assets cost (Restated)	-	3 563 592	562 317	-	-	-	-	-	-	15 839	4 141 748
Additions	-	149 889	524 648	-	-	-	-	715 546	-	-	1 390 083
Disposals	-	(3 511 865)	(358 246)	-	-	-	-	(674 537)	-	-	(4 544 648)
Effects of movements in foreign exchange	-	(273)	(846)	-	(286)	-	-	-			(1 405)
Balance at 31 December 2018 (Restated)	8 633 330	2 023 533	880 876	56 382	22 997	440 683	1	70 776	-	15 839	12 144 417
Balance at 1 January 2019 (Restated)	8 633 330	2 023 533	880 876	56 382	22 997	440 683	1	70 776	555 010	15 839	12 699 427
Additions	-	102 728	13 908	104 465	-	-	-	184 644	121 778	-	527 523
Disposals	-	(13 075)	-	-	-	-	-	-	-	-	(13 075)
Effects of movements in foreign exchange	-	(16 556)	(12 771)	-	(259)	-	-	-		-	(29 586)
Balance at 31 December 2019	8 633 330	2 096 630	882 013	160 847	22 738	440 683	1	255 420	676 788	15 839	13 184 289
Amortization											
Balance at 1 January 2018	131 301	462 769	133 573	37 590	21 915	-	-	-			787 148
Accumulated amortization acquisition assets (Restated)	-	3 111 831	207 801	-	-	-	-	-	-	-	3 319 632
Amortization for the year (Restated)	459 569	129 012	20 997	18 792	177	-	-	-	-	-	628 547
Disposals	-	(3 088 051)	(186 905)	-	-	-	-	-	-	-	(3 274 956)
Effects of movements in foreign exchange	-	(58)	(723)	-	(156)	-	-	-	-	-	(937)
Balance at 31 December 2018 (Restated)	590 870	615 503	174 743	56 382	21 936	-	-	-	-	-	1 459 434
Balance at 1 January 2019 (Restated)	590 870	615 503	174 743	56 382	21 936	-	-	-	58 434	-	1 517 868
Amortization for the year	459 569	122 143	80 642	34 822	159	-	-	-	169 991	-	867 326
Disposal	-	(1 334)	-	-	-	-	-	-	-	-	(1 334)
Effect of movements in foreign exchange	-	(13 161)	(9 672)	-	(159)	-	-	-	-	-	(22 992)
Balance at 31 December 2019	1 050 439	723 151	245 713	91 204	21 936	-	-	-	228 425	-	2 360 868
Carrying amounts											
At 1 January 2018 (Restated) *	8 502 029	1 359 421	19 430	18 792	1 368	440 683	1	29 767	-	-	10 371 491
At 31 December 2018(Restated) *	8 042 460	1 408 030	706 133	-	1 061	440 683	1	70 776	-	15 839	10 684 983
At 31 December 2019	7 582 891	1 373 479	636 300	69 643	802	440 683	1	255 420	448 363	15 839	10 823 421

- Intangible assets costs included L.E 175 Million intangible assets fully amortized and still in used.

- The goodwill have been resulted from the acquisition of Middle East and North Africa Submarine Cables (MENA)– Subsidiary company (Note no. 37.2).

* Restatement was made to the comparative figures as shown in note no . (38-1).

14. Intangible assets (continued)

- Accumulated amortization and impairment loss as at December 31,2019 include an amount of LE 79 825 K represented in impairment loss on Right of Use (ROU) and Internet Services Licensing by one of the subsidiaries.

Amortization charge

The amortization charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note	For the year ended 31 December	
		2019	2018 Restated
Operating costs	5	842 146	628 441
Selling and distribution expenses	7	20 694	35
Administrative expenses	8	4 486	71
		867 326	628 547

15. Equity-accounted investees

The Group has the following investment in associates:

In thousands of Egyptian Pound	Ownership		Carrying amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Wataneya for Telecommunication **	50.00%	50.00%	-	-
International Telecommunication Consortium Limited. (ITCL) **	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	10 763 003	13 396 377
Egypt Trust **	35.71%	35.71%	154	147
Consortium Algérien de Télé – communications (CAT) **	33.00%	33.00%	-	-
			10 763 157	13 396 524

- Investment in Wataneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounted to LE 54 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounted to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

*** Investment in Vodafone – Egypt**

The investments in Vodafone Egypt on December 31, 2019 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.
The financial year of Vodafone Egypt ends on March 31, the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the Consolidated Financial Statements as of December 31, 2019 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 31, 2019 that were authorized by the Company's management which presents the 12 months from the 1st of April 2018 till March 31, 2019, less the movements for the period from the 1st of April 2018 till December 31, 2018 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2018. Plus, the movements for the period from the 1st of April 2019 till December 31, 2019 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2019, to determine the share of financial period from January 1 to December 31, 2019 of business results.

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

Summary of financial information for equity accounted investees, not adjusted by the percentage of ownership held by the group:

In million of Egyptian Pound

	Assets	Liabilities	Equity	Revenues	Profit
31-12-2018:					(For the 9 months)
Vodafone Egypt	34 392	14 749	19 643	17 993	4 188
31-03-2019:					(For the financial year)
Vodafone Egypt	30 045	19 841	10 204	24 477	5 562
31-12-2019:					(For the 9 months)
Vodafone Egypt	31 621	17 843	13 778	18 900	4 794

16. Available-for-sale investments

In thousands of Egyptian Pound	31 December 2019	31 December 2018
Equity securities available-for-sale – Foreign*	26 676	26 676
Investment in other companies	87 205	87 205
Payment for purchase available for sale investments	2 250	2 250
	116 131	116 131
Less:		
Impairment loss on investment in other companies	36 320	36 320
	79 811	79 811

* 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 financial assets

In thousands of Egyptian Pound	31 December 2019	31 December 2018
Due from associate account investees *	453 902	453 902
Prepaid expenses	60 072	74 672
	513 974	528 574
Less:		
Impairment loss on other financial assets	453 902	453 902
	60 072	74 672

* The amount represented in the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, This company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT) . an impairment loss was formed for the full balance in the light of these circumstances, since there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

18. Deferred tax assets and liabilities

18.1 Recognized deferred tax assets and liabilities

Deferred tax assets \ (liabilities) are attributable to the following:

	Assets		Liabilities	
In thousands of Egyptian Pound	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Property, plant and equipment	-	-	(568 539)	(419 279)
Intangible assets	-	-	(261 408)	(153 917)
Write-down of inventory	4 632	3 672	-	-
Impairment loss on trade & other receivables	160 849	183 407	-	-
Provisions	14 643	13 518	-	-
Accrued liabilities	30 084	35 583	-	-
Net gain of translation of foreign currencies balances	-	-	(117)	(102)
Unrealized gain or loss for exchange curriencies	-	-	-	-
Losses of Re-valuation of available for sale financial investment	2 980	2 980	-	-
Undistributed profit in subsidiaries and associaties	-	-	(628 029)	(721 541)
Lease ROU	128 035	-	(100 882)	-
Total deferred tax assets (liability)	341 223	239 160	(1 558 975)	(1 294 839)

18.2 Unrecognized deferred tax assets

In thousands of Egyptian Pound	31 December 2019	31 December 2018
Impairment loss on trade and other receivables	550 400	533 457
Provision for liabilities and claims	17 395	15 605
Other	5 301	5 241
	573 096	554 303

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

18.3 Reconciliation of effective tax rate

In thousands of Egyptian Pound	31 December 2019	31 December 2018 Restated
Net profit for the year before income tax *	4 482 602	3 682 927
Income tax according to the current tax law (22.5%)	1 008 585	828 659
Tax on dividends from subsidiaries and associaties	268 007	35 833
Add / (Less):		
Tax rate difference for subsidiaries outside Egypt	(515)	(255)
Provisions and impairment	50 699	(18 597)
Exempted investments income	(1 210 647)	(5 100)
Unrealized foreign exchange differences	-	(61 468)
foreign tax paid outside Egypt	(4 321)	(3 945)
Adjustments on other items	926 205	54 326
Previous years tax difference	(248)	(5 905)
Tax on undistributed profit in subsidiaries and associates	(35 182)	216 652
	(274 009)	175 708
Income tax	1 002 583	1 040 200
Effective tax rate	22.37%	28.24%

* Restatement was made to the comparative figures as shown in note no . (38 - 2).

19. Inventories

In thousands of Egyptian Pound	31 December 2019	31 December 2018 Restated
Spare parts	1 012 846	754 080
Merchandise for sale telecommunication equipment and computers	534 207	385 586
Project cables and supplies*	638 654	505 152
Others	168 175	144 104
	2 353 882	1 788 922

- The value of inventory was written down by LE 23 375 K (against LE 19 215 K as at December 31, 2018) for obsolete and slow moving items deducted directly from the cost of each type of inventory

* Restatement was made to the comparative figures as shown in note no . (38-1).

20. Trade and other receivables

In thousands of Egyptian Pound	31 December 2019	31 December 2018
Trade receivables - National	2 749 314	2 182 172
Trade receivables - International	2 326 926	2 403 805
Notes Receivable	1 215	505
Other trade and notes receivable	5 077 455	4 586 482
Advance payments to suppliers	788 389	439 761
Deposits with others	256 206	254 891
Due from ministries & organizations and companies and franchises	993 908	1 129 171
Payments on the account of corporate tax	111 687	45 963
Tax authority - withholding tax	575 122	224 581
Tax authority - value added tax	2 341 449	1 910 067
Other receivables	370 986	481 301
Other receivables and pre-payments	5 437 747	4 485 735
	10 515 202	9 072 217

21. Cash and cash equivalents

In thousands of Egyptian Pound	Note	31 December 2019	31 December 2018
Bank balances		967 140	255 027
Time deposits (less than 3 months)		295 061	376 656
Cash on hand		4 322	10 832
Treasury bills (less than 3 months)		66 579	135 063
Money market funds (less than 3 months)		100 082	115 197
Cash and cash equivalents		1 433 184	892 775
Restricted Cash	31	(121 793)	(19 220)
Cash and cash equivalents in the statement of cash flows		1 311 391	873 555

22. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at December 31, 2019 based on the profit attributable to owners of the company of L.E. 3 474 165 K (December 31, 2018: L.E 2 636 453 K) and a number of ordinary shares outstanding during the period ended December 31, 2019 of 1 707 071 600 (December 31, 2018:1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the year ended 31 December 2019	2018 Restated
Profit for the year *	3 480 019	2 642 727
Profit attributable to owners of the company	3 474 165	2 636 453

Number of ordinary shares

In thousands	2019	2018
Issued ordinary shares at 1 January	1 707 072	1 707 072
Number of ordinary shares at 31 December	1 707 072	1 707 072
Basic earnings per share (L.E./share)	2.04	1.54
Diluted earnings per share (L.E./share)	2.04	1.54

* Restatement was made to the comparative figures as shown in note no . (38 - 2).

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk and interest rate risk, see note 28 (iii), (v).

In thousands of Egyptian Pound	31 December 2019	31 December 2018
Non-current liabilities		
Unsecured bank loans:		
Foreign loans	**4 785 550**	550 168
	4 785 550	550 168
Current liabilities		
Current portion of unsecured bank loans:		
Foreign loans	**1 480 586**	40 043
Local bank facilities	**4 906 875**	3 642 140
Local banks foreign facilities	**5 277 480**	9 619 712
Foreign suppliers facilities	**1 422**	1 612
Total current liabilities	**11 666 363**	13 303 507

Repayment

In thousands of Egyptian Pound	Loan Currency	Effective Interest Rate	Total	12 months or less	1-2 Years	3-5 Years	More than 5 years
Foreign loans	U.S.$	Variable interest rate	**5 781 153**	1 445 288	2 890 577	1 445 288	-
Foreign loans	EURO	0.75 - 5.5%	**484 983**	35 298	70 597	105 895	273 193
Total foreign loans			**6 266 136**	1 480 586	2 961 174	1 551 183	273 193
Foreign suppliers' facilities - foreign	EURO	5.50%	**1 422**	1 422	-	-	-
Total suppliers' facilities			**1 422**	1 422	-	-	-
Local bank facilities	U.S.$	variable intrest rate	**5 277 480**	5 277 480	-	-	-
Local bank facilities	LE	variable intrest rate	**4 906 875**	4 906 875	-	-	-
Total bank facilities			**10 184 355**	10 184 355	-	-	-
			16 451 913	**11 666 363**	**2 961 174**	**1 551 183**	**273 193**

25. Trade and other payables

In thousands of Egyptian Pound	31 December 2019	31 December 2018 Restated
Local suppliers	1 983 339	1 149 074
Notes payable	17 440	18 975
Accrued expenses	874 600	898 184
Assets creditors*	9 993 357	8 171 998
Due to organizations and companies	315 657	532 003
Trade payables	13 184 393	10 770 234
Tax Authority - income tax	565 080	312 890
Tax Authority (taxes other than income tax)	623 018	638 569
Deposits from others	495 610	458 930
Customers advances	679 526	404 313
Dividends payable	3 392	3 442
Liabilities of early retirement scheme	108 262	-
Due to National Telecommuincation Regulatary Authority (NTRA)	701 182	384 843
Lease obligation	569 046	-
Other credit balances	543 311	850 095
Other payables	4 288 427	3 053 082
	17 472 820	13 823 316
Non current	5 376 579	3 667 798
Current	12 096 241	10 155 518
	17 472 820	13 823 316

* Restatement was made to the comparative figures as shown in note no . (38 - 1).

26. Deferred revenue

In thousands of Egyptian Pound	31 December 2019	31 December 2018
Internet and telecommunications services	462 065	334 875
Operating Sevices and maintenance	427 989	428 347
Mobile Services	209 057	49 750
Mobile Transmission	12 945	30 312
	1 112 056	843 284
Non current	308 313	371 930
Current	803 743	471 354
	1 112 056	843 284

27. Provisions

In thousands of Egyptian Pound	Note	31 December 2019 Provision for liabilities	31 December 2018 Provision for liabilities, Claims
Balance at 1 January		740 529	1 829 960
Reclassification		-	811
Provisions formed	9	43 841	102 083
Provisions used		(11 746)	(1 192 320)
Translation differences		(14)	(5)
Balance at end of the year		772 610	740 529

- Claims provision is related to contingent tax liabilities, lawsuits, compensation and social insurance claims in respect of contaracting contracts .

28. Financial instruments

The Group's principal financial instruments comprise of cash and cash equivalents, available- for- sale investments, borrowings, finance lease obligations and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from operations.

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

The main risks arising from the Group's operations are credit risk, liquidity risk, foreign currency risk and interest rate risk

(i) Credit risk

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

In thousands of Egyptian Pound	Note	Carrying amount 31 December 2019	 31 December 2018
Trade and other receivables	20	10 515 202	9 072 217
Held-to-maturity investment (treasury bills)		25 829	105 488
Cash at banks and cash equivalents	21	1 428 862	881 943
		11 969 893	10 059 648

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

In thousands of Egyptian Pound	31 December 2019	31 December 2018
At January 1	2 228 778	2 237 689
(Reversal) Impairment charged to statement of profit or loss and other comprehensive income	177 235	(3 607)
Impairment used	(49 240)	(4 762)
Exchange differences	-	(542)
	2 356 773	2 228 778

(ii) Liquidity risk

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

In thousands of Egyptian Pound	Carrying Amount	One year or less	From 1-2 Years	From 3-5 Years	More than five years
December 31, 2019					
Trade and other payables	17 322 113	11 945 534	2 500 558	2 649 498	226 523
Borrowings	16 451 913	11 666 363	2 961 174	1 551 183	273 193
	33 774 026	23 611 897	5 461 732	4 200 681	499 716
December 31, 2018 (Restated)					
Trade and other payables	13 823 316	10 155 518	2 934 373	490 028	243 397
Borrowings	13 853 675	13 303 507	80 085	120 128	349 955
	27 676 991	23 459 025	3 014 458	610 156	593 352

(iii) Foreign currency risk

The group's exposure to foregin currency risk was as follows based on notional amount :

Details

In thousands	**U.S. Dollars**	**Sterling Pound**	**Euro**	**Canadian Dollar**	**Swedish krona**	**Moroccan Dirham**	**Jordanian Dinar**	**Total LE**
December 31, 2019								
Trade and other receivables	321 694	-	26 765	3 563	-	75 801	151	5 814 152
Cash on hand & at banks	47 229	171	1 819	-	-	2 053	2 940	863 512
Total assets	**368 923**	**171**	**28 584**	**3 563**	**-**	**77 854**	**3 091**	**6 677 664**
Trade and other payables	395 487	5	101 739	-	5	27 902	29 540	8 884 797
Foreign loans & facilities	185 597	-	27 055	-	-	-	1 639	3 500 316
Total liabilities	**581 084**	**5**	**128 794**	**-**	**5**	**27 902**	**31 179**	**12 385 113**
Risk surplus (deficit)	**(212 161)**	**166**	**(100 210)**	**3 563**	**(5)**	**49 952**	**(28 088)**	**(5 707 449)**
Equivalent in Egyptian Pound	**(3 403 062)**	**3 494**	**(1 801 625)**	**43 754**	**(9)**	**82 920**	**(632 921)**	**(5 707 449)**
December 31, 2018 (Restated)								
Trade and other receivables	158 511	-	97	2 715	-	61 206	321	2 987 381
Cash on hand & at banks	77 740	221	1 390	1	-	2 826	2 201	1 480 098
Total assets	**236 251**	**221**	**1 487**	**2 716**	**-**	**64 032**	**2 522**	**4 467 479**
Trade and other payables	182 941	5	57 201	-	5	20 471	472	4 479 080
Foreign loans & facilities	160 968	-	29 018	-	-	-	-	3 461 879
Total liabilities	**343 909**	**5**	**86 219**	**-**	**5**	**20 471**	**472**	**7 940 959**
Risk surplus (deficit)	**(107 658)**	**216**	**(84 732)**	**2 716**	**(5)**	**43 561**	**2 050**	**(3 473 480)**
Equivalent in Egyptian Pound	**(1 919 542)**	**4 890**	**(1 728 101)**	**35 532**	**(10)**	**82 252**	**51 499**	**(3 473 480)**

The exchange rates applied in relation to the L.E. are as follows:

	Average exchange rate during the year ended:		Closing exchange rate as at:	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
U.S. Dollar	16.8207	17.7608	16.0400	17.8300
Sterling Pound	21.5130	23.6505	21.0494	22.6379
Euro	18.8846	20.9598	17.9785	20.3949
Canadian Dollar	12.6800	13.6000	12.2800	13.0825
Swedish Krona	1.7896	2.4053	1.7164	1.9868
Moroccan Dirham	1.7400	1.8800	1.6600	1.8882
Jordanian Dinar	23.8275	25.0529	22.5335	25.1215

(iv) 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 570 745 K (L.E. 347 348 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.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2019 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

(v) Interest rate risk

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

Description	31/12/2019 L.E. (000)	31/12/2018 L.E. (000)
Financial instruments with variable interest rate		
Financial assets – deposits	295 061	376 656
Financial liabilities (loans-credit facilities)	16 451 913	13 853 675

29. Fair value of financial instruments

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

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

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Securities

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

Interest-bearing loans

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

Finance lease liabilities

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

Receivables / payables

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

Interest rates used for determining fair value.

The entity uses the government yield curve as of December 31, 2019 plus an adequate constant credit spread to discount financial instruments. The discount rate for minimum lease liabilities and receivables is 15.87 %.

30. Capital commitments

The group's capital commitments for the unexecuted parts of contracts until December 31, 2019 amounted to L.E 781 Million (against L.E. 3 206 Million for the year ended December 31, 2018).

31. Contingencies

In addition to the amounts included in the consolidated statement of financial position as of December 31, 2019, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	31 December 2019	31 December 2018
Letters of guarantee issued by banks on behalf of the Group	1 100 298	913 002
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.

32. Related parties

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates

During the financial year ended December 31, 2019, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 1 828 691 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 1 322 466 K and the balance due to Vodafone Egypt at December 31, 2019 amounted to LE L.E. 1 049 642 K.

33. Tax Position (Telecom Egypt company)

33-1 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.

33- 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 inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

33- 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.

33- 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 legal dates.
- 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, 2016 was performed and due taxes were settled.
- Tax inspection for the years 2017 and 2018 is in process.

33- 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.

34. Group entities

TE direct and indirect share in subsidiaries companies on December 31, 2019, which were included in the consolidated interim financial statements, is as follows:

Company name:	Country of incorporation	Ownership interest 31/12/2019	Ownership interest 31/12/2018
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
WE Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian international submarine cables company (Eiscc)*	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company (MENA CABLE)	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company (MENA CABLE ITALY)	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

* During 2018, the Group has acquired the rest of the shares of the Egyptian International Submarine Cables Company (EISCC) which represent 50% by an amount of USD 15 Million, and the group announced the acquisition of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC". The total enterprise value of MENA Cable is USD 87.78 Million which paid 84.6 Million USD in year 2018 and 3.2 Million USD during current year divided into USD 43.79 Million represents the equity value and the remaining amount USD 43.99 Million represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate LIBOR, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most, the loan have been fully paid during year 2018.

35. Significant Claims And Litigations

35-1 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.

35-2 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 (Orang 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.

36. Segment information

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. 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.

For the financial year ended December 31,2019

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Revenue	16 084 029	8 553 269	776 069	338 538	**25 751 905**
Operating costs	(13 655 805)	(2 671 094)	(618 624)	(294 975)	**(17 240 498)**
Gross profit	**2 428 224**	**5 882 175**	**157 445**	**43 563**	**8 511 407**
Credit interest	26 183	40 918	2 884	21 478	**91 463**
Debit interest and Finance cost	(1 454 775)	(31 223)	-	(2 744)	**(1 488 742)**
Depreciation and amortization	(3 494 852)	(162 760)	(48 235)	(3 509)	**(3 709 356)**
share of profit of equity-accounted investees, net of tax	-	-	-	2 772 260	**2 772 260**
Non cash items					
Impairment loss on financial assets	53 158	(230 815)	(600)	1 022	**(177 235)**
Provisions	31 418	11 403	218	802	**43 841**
Total assets	**69 252 158**	**2 550 698**	**495 735**	**398 360**	**72 696 951**
Total liabilities	**35 644 966**	**1 877 205**	**271 155**	**624 690**	**38 418 016**

For the financial year ended December 31,2018 (Restated)

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Revenue	15 409 099	6 656 409	633 688	253 599	**22 952 795**
Operating costs *	(13 028 976)	(1 066 814)	(550 359)	(227 728)	**(14 873 877)**
Gross profit *	**2 380 123**	**5 589 595**	**83 329**	**25 871**	**8 078 918**
Credit interest	33 923	38 582	3 944	15 766	**92 215**
Debit interest and Finance cost	(1 465 157)	(31 223)	-	(2 637)	**(1 499 017)**
Depreciation and amortization *	(2 469 027)	(139 260)	(30 806)	(2 093)	**(2 641 186)**
Share of profit of equity-accounted investees, net of tax	-	-	-	2 180 825	**2 180 825**
Non cash items					
Reversal /(impairment loss) on financial assets	34 888	(31 223)	-	(58)	**3 607**
Provisions	74 151	20 059	7 523	350	**102 083**
Total assets *	**60 322 999**	**2 130 749**	**468 743**	**225 248**	**63 147 739**
Total liabilities *	**29 544 966**	**1 312 893**	**221 155**	**531 748**	**31 610 762**

* Restatement and reclassification were made to the comparative figures as shown in note no . (38).

37. Business Combination

37.1 Acquisition of non- controlling interest (NCI) in subsidiary- "Egyptian International Submarine Cables Company-EISCC"

According to the Board of Directors decision on September 30, 2018 which approved the acquisition of non-controlling interest (NCI) (New Kimit Media For Announcing and Advertising) which represent 50% from total share of The Egyptian International Submarine Cables Company (EISCC) by an amount of USD 15 Million which equivalent to amount L.E 267 455 K.

The net of assets and liabilities of the Egyptian International Submarine Cables Company and also the result of acquisition process are stated as follows:

	30/9/2018 LE(000)
Net assets (L.E 250 K * 50%)	125
Consideration paid to NCI	(267 455)
The decrease in equity attributable to shareholders of the company	(267 330)

37-2 Acquisition on subsidiary- "Middle East and North Africa Submarine Cables Company-"MENA"

According to the Board of Directors decision on May 9, 2018 Telecom Egypt announces the conclusion of the acquisition of 100% of Middle East and North Africa Submarine cable "MENA Cable" through its subsidiary Egyptian International Submarine Cable Company "EISCC". By an amount of USD 88.6 Million of which USD 43.6 Million represents the equity and USD 45 Million represent MENA Cable outstanding debt.

The company determined the primary study for consolidation related to the acquisition of "MENA" company as of 31/7/2018 according to the study of PPA (Purchase Price Allocation) to determine the fair value for the acquired assets and liabilities including the intangible assets on the acquisition date. According to Egyptian Accounting Standard no. (29) "Business Combination".

The net of assets and liabilities of Middle East and North Africa Submarine Cable "MENA Cable" company as of acquisition date are shown as follows:

	31/7/2018 LE(000)
Assets	
Property, plant and equipment	1 416 234
Intangible assets	606 357
Project in progress	10 108
Total assets	**2 032 699**
Total liabilities	**(1 267 789)**
Net assets	**764 910**
Company's share of net assets 100%	**764 910**
Cash paid	**780 749**
Goodwill	**15 839**

38. Comparative figures

- Restatement was made to some of the comparative figures of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income as a result of recognition of the fair value of the acquired net assets of (MENA CABLE) at July 31,2018 the acquisition was made through (ESICC)- Subsidiary by differences between the PPA study (Purchase Price Allocation) and the provisional values used in preparing consolidated financial statements as of December 31, 2018.

- Reclassification was made to some of the comparative figuers of the consolidated statement of financial position, and consolidated statement of income to conform to the current presentation of the consolidated financial statements.

The following is the effect of restatement and reclassification on the consolidated financial statements.

38-1 Effect on the consolidated statement of financial position

	31/12/2018 as previously reported L.E.(000)	Restatement debit / (credit) L.E.(000)	31/12/2018 Restated L.E.(000)
Property, plantandequipment	26 827 223	(14 036)	26 813 187
Intangible assets	10 824 133	(139 150)	10 684 983
Inventories	1 766 009	22 913	1 788 922
Retained earnings	(9 766 290)	187 331	(9 578 959)
Trade and other payables	(13 766 258)	(57 058)	(13 823 316)

38-2 Effect on the consolidated statement of profit or loss and other comprehensive income

	For the financial year ended 31/12/2018 as previously reported L.E. (000)	Restatement (debit)/credit L.E. (000)	Reclassification (debit)/credit L.E. (000)	For the financial year ended 31/12/2018 Restated L.E. (000)
Operating cost	(14 686 546)	(187 331)	-	(14 873 877)
Selling and distribution expenses	(2 700 501)	-	(9 796)	(2 710 297)
Administrative expenses	(2 711 080)	-	9 796	(2 701 284)
Basic earning per share (L.E/Share)	1.65	(0.11)	-	1.54
Diluted earning per share (L.E/Share)	1.65	(0.11)	-	1.54

39. Significant accounting policy

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, expect if mentioned otherwise (see note no. 3).

- Certain comparative figures have been restated and reclassified to conform the current presentation of the consolidated financial statements (see note no. 38)

a. Basis of consolidation

The consolidated financial statements represent the financial statements of the parent company and the companies under its control (subsidiaries) at the date of each financial statement. Control is achieved when the parent company does all of the following:
-Authority over the investee company.
- Exposure or right to variable returns through its contribution to the investee company.
- The ability to use his authority over the investee company to effect on the amount of returns obtained from it.
- The parent company must re-evaluate the control over the investee company. If the facts and circumstances indicate that, there are variables for one or more of the three control elements mentioned above.
The consolidated statement of income includes the income and expenses of subsidiaries, whether acquired or excluded during the year, as of the effective date of acquisition or the effective date of exclusion, as the case may be.
The total income of the subsidiaries is distributed among the shareholders of the parent company and the non-controlling interests, even if this results in a negative balance for the non-controlling interests (deficit).
The necessary adjustments shall be made to the financial statements of any of the group's companies whenever necessary, so that their accounting policies are consistent with the accounting policies applied to other companies in the group.
All transactions, balances, income and expenses exchanged between the group's companies are eliminated when the financial statements are compiled.
- The rights of the non-controlling interests in the subsidiaries are presented separately from the group's equity in it.

(i) Business combinations

Transactions (acquisitions) are accounted by using the acquisition method. The transferred consideration in business combination is measured at a fair value that is calculated on the basis of the sum of the fair values at the date of acquisition of the assets transferred from the group and the obligations incurred by the group's knowledge in favour of the previous owners of the acquired company as well as the equity instruments issued by the group in exchange for control of the acquired company.
Goodwill is measured on the basis that it represents the increase in (1) the sum: the transferred consideration, any rights of owners of non-controlling interests in the acquired company and the fair value of the share that the acquiring company has in the equity of the acquired company before the date of acquisition (if any) (2) net values: acquired assets and liabilities incurred at the date of acquisition. And if it appears after the re-evaluation that the net value of the acquired assets and the liabilities incurred exceeds the sum of the transferred consideration, any rights of owners of non-controlling interests in the acquired company and the fair value of the share that the acquiring company had in the equity of the acquired company before the date of acquisition (If any) then that increase is recognized directly in the profit or loss for the period as a gain from a bargain purchase.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests

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

(iv) Loss of control

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

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.
Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.
However, foreign currency differences arising from the translation of the following items are recognised in OCI:
Available-for-sale equity investments (except for impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.
Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy i).
Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a 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 property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and they are recognised in profit or loss and are recognized within other income/expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

The estimated useful lives for the fixed assets are as follows

	Estimated useful life /year
Buildings and Infrastructure	5 - 50
Technical equipment and information technologies	3 - 15
Vehicles	7 - 15
Office furniture and fixtures	5 - 10
Tools and supplies	2 - 8

d. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(i) Licenses

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

(ii) Right of way and Right of use

The Group recognises an intangible asset arising from a Right of Way and Right of Use of an assets when it has the exclusive right for using that asset and deriving the benefits of that uses. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use which ranges from 10 to 20 years and the term of the underlying agreement, starting from the date of the acquisition of the right.

(iii) Other intangible assets

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

(iv) Goodwill

Goodwill represents the excess of acquisition cost over the company's share in fair value of the company acquired net assets at the time of acquisition.
Goodwill impairment is re-measured at the financial position date and in case of any, the company estimates recognition this impairment and in the consolidated statement of income.

e. Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices.
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

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

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

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

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

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

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

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

f. Financial instruments – initial recognition, subsequent measurement and derecognition

Financial assets

(i) Initial recognition and measurement

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

***(ii) Classification* and subsequent measurement**

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018
The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.
Financial assets at FVOCI- Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to consolidated statement of profit or loss.
Financial assets at FVOCI - Equity investments at	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to consolidated statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.

(iii) Derecognition

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

(i) the Group has transferred substantially all the risks and rewards of the asset, or
(ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, accounts receivable and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

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

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

For all other financial assets, the Group considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.
- When there is a breach of financial covenants by the counterparty; or

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

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

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

(v) Financial assets carried at amortized cost

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

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

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

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

(vi) Financial assets classified as available for sale

For available for sale (AFS) investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective

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

(vii) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are are recognized in consolidated statement of profit or loss as incurred.

g. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses
The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.
Work in progress is valued at cost at the latest production process reached. Finished goods are valued at the manufactory cost.

h. Cash and cash equivalent

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

***i.* Share capital**

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

j. Reserves

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

(ii)Other Reserves
The General Assembly may form other reserves based on the Board of Directors' recommendation.

k. Employee benefits

Pension
The Group contributes to the government social insurance system for the benefits of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into

the system on a fixed percentage - of - salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to profit or loss using accrual basis of accounting.

*l. **Grants***

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

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

*m. **Dividends***

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

*n. **Provisions***

A provision is recognized if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

o. Revenue

The Group is in the business of providing telecommunication services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(i) Service

Revenue from services comprises airtime usage, text messaging, data service (fixed, mobile and internet) and other telecom services. The Group offers services in fixed term contracts and short term arrangement. Revenue from service is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Group allocates transaction price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If performance obligations are not distinct, revenue is recognized over the contract term. In arrangements, where Group is acting as agent, revenue from service is at net off amount transferred to third party. Revenue from additional consumption is recognized when services are rendered.

(ii) Sale of devices

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

(iii) Installation and activation services

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

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

(iv) Loyalty points program

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

(v) Service offering to carrier (wholesale)

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

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

Revenue from other wholesales service is recognized on the basis of gross value over contract term.

(vi) Determination of Transaction Price

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

Variable consideration

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

Significant financing component

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

discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Non-cash consideration

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

Consideration payable to the customer

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

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

p. Costs and expenses

(i) Cost of services and sales

Represent the cost of services and sales incurred during the period which include the costs of goods sold, inventory obsolescence, direct labor, governmental charges, interconnection costs and other overheads related to the revenues recognized.

(ii) Governmental charges

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

(iii) Interconnection costs

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

(v) Selling and marketing expenses

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

(vi) General and administrative expenses

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

q. Finance income and finance costs

The Group’s finance income and finance costs include:

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

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

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

r. *Income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the profit or loss except to the extent that it relates to business combination, or items recognized directly in equity, or other comprehensive income.
Current tax is the expected tax payable or the taxable income for the period, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous periods.
Deferred tax is provided using the financial position asset & liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

s. *Earnings per share*

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

t. **New standards and amendments issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.
The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

u. *Financial risk management*

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risk, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.
The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

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

(i) 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.

Trade and other receivables

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

In general Trade & other receivables included in current assets relate to a variety of smaller amounts due from a wide range of counterparties, therefore, the Group does not consider that it has a significant concentration of credit risk.

Cash and cash equivalents

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

The maximum exposure to credit risk is disclosed in note (28–i).

(ii) Liquidity risk

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

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

The table included in note (28–ii) analyzes the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(iii) Market risk

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

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

Currency risk

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

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

Interest rate risk

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

movements. In particular, the risk monitored relates to the impact of movements in floating rate indices on the Group's finance costs.

Other market prices risk

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

v. Capital management

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

w. Segment information

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. 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.