Emirates Telecommunications Group Company PJSC

Report and consolidated financial statements for the year ended 31 December 2020

Emirates Telecommunications Group Company PJSC

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BOARD OF DIRECTORS

Chairman	H.E. Obaid Humaid Matar Al Tayer
Vice Chairman	Essa Abdulfattah Kazim Al Mulla
Members	Sheikh Ahmed Mohd Sultan Al Dhahiri Hesham Abdulla Qassim Al Qassim Mariam Saeed Ahmed Ghobash Saleh Abdulla Ahmad Lootah Juan Villalonga Samer Saleh Mah'd Halawa Abdelmonem Bin Eisa Bin Nasser Alserkal Khalid Abdulwahid Hassan Alrustamani Otaiba Khalaf Ahmed Al Otaiba
Group Corporate Secretary	Hasan Mohamed Hasan Al Hosani

AUDIT COMMITTEE

Chairman	Essa Abdulfattah Kazim Al Mulla
Members	Sheikh Ahmed Mohd Sultan Al Dhahiri Samer Saleh Mah'd Halawa Khalid Abdulwahid Hassan Alrustamani Salim Sultan Al Dhaheri (external member)

NOMINATIONS AND REMUNERATIONS COMMITTEE

Chairman	Hesham Abdulla Qassim Al Qassim
Members	Mariam Saeed Ahmed Ghobash Abdelmonem Bin Eisa Bin Nasser Alserkal Otaiba Khalaf Ahmed Al Otaiba

INVESTMENT AND FINANCE COMMITTEE

Chairman	H.E. Obaid Humaid Matar Al Tayer
Members	Mariam Saeed Ahmed Ghobash Saleh Abdulla Ahmad Lootah Juan Villalonga Otaiba Khalaf Ahmed Al Otaiba
HEAD OFFICE:	Etisalat Building Intersection of Zayed, The 1st Street and Sheikh Rashid Bin Saeed Al Maktoum Street P.O. Box 3838 Abu Dhabi Telephone: +971 2 6283333 Fax: +971 2 6317000 Telex: 22135 ETCHO EM www.etisalat.ae
REGIONAL OFFICES:	Abu Dhabi, Dubai, Northern Emirates

Emirates Telecommunications Group Company PJSC

Report and consolidated financial statements for the year ended 31 December 2020

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KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Corniche Road, P.O. Box 7613
Abu Dhabi, United Arab Emirates
Tel. +971 (2) 401 4800, www.kpmg.com/ae

Independent Auditors' Report

To the Shareholders of Emirates Telecommunications Group Company PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 2020, 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition _Refer to notes 3, 4 and 6 to the consolidated financial statements_	
Revenue recognition is considered a key audit matter because of: - reliance on multiple, complex information technology (IT) systems and tools used in the initiation, processing and recording of revenue transactions; - variety of customer offerings with multiple pricing and tariff structures, which may frequently change during the course of the year; - judgments and estimates involved in revenue recognition of multiple element arrangements; and - large volume of transactions. Revenue recognition involves the exercise of a number of key judgments and estimates around the identification of performance obligations that the Group has in its contracts with the customers, determination of stand-alone selling prices, allocation of transaction prices to the various performance obligations and the timing of fulfilling those obligations. We also identified a risk of management override through inappropriate manual topside revenue journal entries as revenue is a key performance indicator for management performance. Refer to notes 3 and 4 for accounting policies and critical accounting judgements and key sources of estimation uncertainty.	Our procedures included, amongst others, those described below: • We understood the significant revenue processes and performed walkthroughs to identify key systems, IT controls and manual controls that are relevant to revenue recognition; • We evaluated the design and tested the operating effectiveness of the manual controls and general information technology controls & application controls around the Group's IT environment relevant to initiation, processing and recording of revenue transactions. In doing so, we involved our IT specialists to assist in the audit of IT system controls, including interface controls between different IT systems; • We tested the reconciliations between the general ledgers and the IT systems for all the key revenue streams; • We undertook analytical reviews and performed substantive analytical procedures on significant revenue streams; • On a sample basis, we tested that the revenue recognised during the year agrees with underlying contractual arrangements for digital and non-digital services; • On a sample basis, we evaluated the revenue recognition relating to multiple element arrangements with customers in accordance with the applicable financial reporting framework; and • On a sample basis, we tested supporting evidence for manual journal entries posted to revenue accounts.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Federal royalty	
Refer to notes 4, 7 and 25 to the consolidated financial statements	
The Group is liable to pay federal royalty to the UAE Government in accordance with the Cabinet of Ministers decision no. 320/15/23 dated 9 December 2012 "(the Decision"), the new Federal Royalty Scheme issued by UAE Ministry of Finance ("MoF") dated 20 February 2017 ("the Scheme) and the subsequent clarifications and correspondences with MoF. The federal royalty charge for the year ended 31 December 2020 and the federal royalty liability as of that date is AED 5,594 million and AED 5,594 million, respectively. As disclosed in notes 4 and 7, computation of the federal royalty charge requires exercise of critical judgments around the segregation of revenue and costs between regulated and non-regulated activities and determination of which particular items are eligible to be excluded in arriving at that charge and liability.	Our procedures included, amongst others, those described below: • We obtained and inspected the Decision and the Scheme issued by the MoF, and subsequent clarifications and correspondences with the MoF; • We tested the Group's federal royalty computations for reasonableness, including assessing the critical judgements made in the computation of the federal royalty charge for the year; • We tested, on a sample basis, the classification of regulated and non-regulated revenues and costs in the computation of the federal royalty charge for the UAE telecom operations; • We tested, on a sample basis, the items which are eligible to be excluded in computing the federal royalty charge and liability; • We tested the allocation of indirect costs on non-regulated operations based on the clarifications received from MoF; • We checked the arithmetical accuracy of the computation of the federal royalty charge for the year; and • We inspected the correspondence between the Group and the MoF with respect to federal royalty to corroborate the accuracy of the associated federal royalty charge and liability in the consolidated financial statements for the year ended 31 December 2020.

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**

Assessment of carrying value of goodwill and investments in associates and joint ventures

Refer to notes 3, 4, 11, 12 and 17 to the consolidated financial statements

The Group holds significant investments in telecommunication and related businesses in various geographical locations. The carrying value of goodwill as of 31 December 2020 totaled AED 11,842 million after the recognition of an impairment loss of AED 148 million for the year then ended. Moreover, the Group's investments in associates and joint ventures totaled AED 4,250 million as of 31 December 2020.

The carrying value of the goodwill is assessed for impairment on the occurrence of a triggering event or at least annually in accordance with IAS 36 _Impairment of Assets_. Investments in associates and joint ventures are assessed for impairment where indicators of impairment are present.

The impairment testing of goodwill requires management to identify cash-generating units ("CGUs") in accordance with IAS 36 _Impairment of Assets_. In arriving at the carrying value of a CGU, judgment is applied by management on which assets and liabilities form part of that CGU. For the CGUs which contain goodwill and investments in associates and joint ventures subject to impairment testing, the determination of recoverable amount, being the higher of fair value less costs of disposal and value in use, requires judgment on the part of management. The testing then requires comparing the carrying value of each CGU or investment to its recoverable amount, which was estimated as the current value of its future projected cash flows.

Our audit approach included an understanding and assessment of the design and operating effectiveness of controls over the impairment assessment process.

With respect to the recoverable amount, we challenged the Group's methodology in relation to identification of CGUs given our understanding of its operating and business structure, process of management review and reporting and the independence of the cash flows associated with the respective CGUs.

With respect to each identified significant CGU and investment in associate and joint venture subject to impairment testing, our procedures included, amongst others, those described below:

- We tested the operating effectiveness of controls over the impairment assessment process;
- We tested management judgments around which assets and liabilities should form part of a CGU for reasonableness;
- We engaged our valuation specialists and external experts to test the reasonableness of the key assumptions underpinning the valuation, including each CGU's or investment's respective discount rate, terminal growth rate and the valuation of any other assets underpinning the recoverable amount;
- We tested the mathematical accuracy and integrity of the respective impairment workings;

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of carrying value of goodwill and investments in associates and joint ventures *Refer to notes 3, 4, 11, 12 and 17 to the consolidated financial statements*	
The estimation of the recoverable amount involves significant judgments, including assumptions around the current and future market conditions in the various geographies that the Group has operations, forecast cash flows, discount rates and any other assets underpinning the recoverable amount. The estimation uncertainty increased during 2020 as a result of the effects of the COVID-19 pandemic on the macroeconomic factors used in arriving at the assumptions which underpin valuations.	• We reconciled the cash flows used in the valuation workings to business plans approved by the Group's Board of Directors; • We assessed the reasonableness of the Board approved cash flow projections used in the impairment models, including consideration of impact of the COVID-19 pandemic on the assumptions underpinning the cash flow forecasts; • We assessed whether the estimates with respect to cash flow projections made in prior periods were reasonable compared to actual performance; • We evaluated the adequacy of impairments that were recognized during the year; • We conducted sensitivity analyses around the key inputs; and We assessed the adequacy of disclosures in the consolidated financial statements in accordance with the applicable financial reporting framework.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities _Refer to notes 3, 4, 7, 9, 10, 25, 31 and 37 to the consolidated financial statements_	
The Group has exposures to legal, regulatory, tax and other commercial disputes in various geographical jurisdictions in which it operates. The consolidated financial statements include provisions with respect to these exposures, and note 37 describes those exposures that represent contingent liabilities. The recognition of provisions and disclosure of contingent liabilities involves significant judgment around the merit of the Group's legal and commercial positions. These provisions are based on judgments and estimates made by management in determining the likelihood and magnitude of claims.	Our procedures included, amongst others, those described below: For legal cases, we obtained a summary of all the legal disputes that the Group is engaged in, discussed the status of the significant cases with the Group's legal counsel and, where we deemed appropriate, also liaised with the Group's external legal counsel and obtained their opinions on the merits of the Group's legal positions to corroborate with those of management. In view of these procedures we assessed the Group's positions on significant legal cases and their accounting treatments for reasonableness. For regulatory exposures we enquired of relevant management teams to understand the status of the disputes/assessments, reviewed any relevant correspondence between the Group and the counter party and assessed any historical experience with the respective counter parties to evaluate the merit of the Group's calculation of the provision for these exposures. We also considered the sufficiency and reasonableness of the associated disclosures provided in the consolidated financial statements. For provisions and exposures relating to other significant commercial positions we enquired of relevant management teams to understand the status of the disputes, reviewed any relevant correspondence between the Group and the counter party, assessed any historical experience with the respective counter parties to evaluate the merit of the Group's calculation of the provision for these exposures and liaised with the Group's internal counsel and obtained legal opinion around the merit of the Group's legal position with respect to each significant dispute.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities	
Refer to notes 3, 4, 7, 9, 10, 25, 31 and 37 to the consolidated financial statements	
	Where considered necessary we also obtained independent advice on the interpretation of clauses in legal agreements from legal counsel retained by us. We also considered the sufficiency and reasonableness of the associated disclosures provided in the consolidated financial statements For tax related exposures we obtained an understanding of the status of the tax cases, the merits of the Group's position in view of tax rules, historical experience of their resolutions and cited correspondence with the relevant tax authorities, where applicable. In light of the above, we assessed the adequacy of disclosures in the consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Property, plant and equipment	
Refer to notes 3, 4 and 13 to the consolidated financial statements	
The carrying value of the Group's property plant and equipment ("PPE") amounts to AED 45,803 million, which represents 34% of the Group's total assets as of 31 December 2020. This reflects the Group's wide-spread footprint of network infrastructures and the technological and highly specialised nature of these assets. We focused on this area of the consolidated financial statements, due to the significance of the PPE balance and management's judgments and estimates involved in relation to its carrying value.	Our audit approach included a combination of controls and substantive testing as described below: We evaluated the design and implementation and tested the operating effectiveness of relevant controls for the PPE capitalization and depreciation. On a sample basis, we performed test of details on costs capitalized during the year ended 31 December 2020 which included examination of management's assessment as to whether the costs met the criteria set forth in IAS 16 _Property, Plant and Equipment_.

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Property, plant and equipment	
Refer to notes 3, 4 and 13 to the consolidated financial statements	
There are a number of areas where management judgments and estimates impact the carrying value of PPE. Key judgments and estimates made by the management in accounting for PPE include: - assessment of whether the costs incurred are eligible for capitalisation; and - the annual review of assets' useful lives and their residual values, if any. Refer to notes 3 and 4 for accounting policies and critical accounting judgments and key sources of estimation uncertainty.	On a sample basis, we evaluated the reasonableness of depreciation rates and residual values assigned to asset categories. We also tested on a sample basis, whether depreciation commenced when these were available for use as intended by management and recomputed the depreciation charge for the year.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Chairman's Statement and Group CEO's Statement, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 we have performed on the other information that we obtained prior to the date of the auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) these consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Chairman's Statement is consistent with the books of account of the Group;

v) as disclosed in note 15 to these consolidated financial statements, the Group has purchased additional shares during the year ended 31 December 2020;

vi) note 19 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020; and

viii) notes 7 and 42 to the consolidated financial statements disclose the social contributions made during the year.

KPMG Lower Gulf Limited

Richard Ackland
Registration number: 1015
Abu Dhabi, UAE
Date:22 February 2021

Emirates Telecommunications Group Company PJSC

Consolidated statement of profit or loss for the year ended 31 December

	Notes	2020 AED'000	2019 AED'000
Revenue	6 (a)	51,708,211	52,186,413
Operating expenses	7 (a)	(31,839,996)	(32,225,456)
Impairment loss on trade receivables and contract assets	35 (b)	(1,159,364)	(1,114,703)
Impairment loss on other assets - net	12	(296,704)	(1,185,903)
Share of results of associates and joint ventures	16	197,407	(36,254)
Operating profit before federal royalty		**18,609,554**	**17,624,097**
Federal royalty	7 (b)	(5,594,431)	(5,826,594)
Operating profit		**13,015,123**	**11,797,503**
Finance and other income	8	1,112,374	1,363,042
Finance and other costs	9	(2,361,052)	(2,051,524)
Profit before tax		**11,766,445**	**11,109,021**
Income tax expenses	10	(1,450,709)	(1,614,443)
Profit for the year		**10,315,736**	**9,494,578**
Profit attributable to:			
Owners of the Company		9,026,522	8,692,516
Non-controlling interests	15(c)	1,289,214	802,062
		10,315,736	**9,494,578**
Earnings per share			
Basic and diluted	39	AED 1.04	AED 1.00

Chairman

Board Member

The accompanying notes on pages 17 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 11.

Emirates Telecommunications Group Company PJSC

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December

	Notes	2020 AED'000	2019 AED'000
Profit for the year		10,315,736	9,494,578
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations - net of tax		103,136	37,008
Share of other comprehensive loss of associates and joint ventures – net of tax		(12,669)	(1,456)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1,508,303	(470,726)
(Loss) / gain on net investment hedge during the year	28,34	(720,856)	56,416
Fair value loss arising on cash flow hedges during the year		(76,498)	(64,602)
(Loss) / gain on revaluation of financial assets during the year		(4,635)	42,552
Cumulative loss transferred to profit or loss on disposal of foreign operation		-	23,924
Share of other comprehensive loss of associates and joint ventures – net of tax		(11,546)	(12,079)
Total other comprehensive income / (loss) - net of tax		**785,235**	**(388,963)**
Total comprehensive income for the year		**11,100,971**	**9,105,615**
Total comprehensive income attributable to:			
Owners of the Company		9,402,898	8,663,042
Non-controlling interests		1,698,073	442,573
		11,100,971	**9,105,615**

The accompanying notes on pages 17 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 11.

Emirates Telecommunications Group Company PJSC
Consolidated statement of financial position as at 31 December

	Notes	2020 AED'000	2019 AED'000
Non-current assets			
Goodwill and other intangible assets	11	26,276,442	24,966,218
Property, plant and equipment	13	45,803,436	45,069,729
Right-of-use assets	14	2,700,102	2,744,332
Investments in associates and joint ventures	17	4,250,007	4,077,380
Other investments	18	3,160,512	3,018,182
Other receivables	21	343,459	320,219
Finance lease receivables	23	159,535	167,922
Contract assets	22	450,242	478,750
Deferred tax assets	10	175,489	65,188
		83,319,224	80,907,920
Current assets			
Inventories	20	704,908	783,020
Trade and other receivables	21	14,572,812	14,640,653
Current income tax assets		630,896	612,944
Finance lease receivables	23	-	4,838
Due from related parties	19	75,300	112,852
Contract assets	22	1,295,065	1,547,510
Other investments	18	1,074,823	-
Cash and bank balances	24	31,344,883	29,656,596
		49,698,687	47,358,413
Total assets		133,017,911	128,266,333
Non-current liabilities			
Other payables	25	1,407,792	2,203,389
Borrowings	27	13,819,946	17,349,932
Payables related to investments and licenses	29	73,155	-
Derivative financial instruments	28	16,027	51,331
Deferred tax liabilities	10	2,540,592	2,637,109
Lease liabilities	30	2,211,130	2,159,210
Provisions	31	345,572	422,735
Provision for employees end of service benefits	32	1,194,993	1,287,639
Contract liabilities	26	30,885	44,053
		21,640,092	26,155,398
Current liabilities			
Trade and other payables	25	29,040,664	28,097,830
Contract liabilities	26	3,055,458	3,119,051
Borrowings	27	12,881,074	6,539,159
Payables related to investments and licenses	29	11,022	11,022
Current income tax liabilities		278,074	280,502
Lease liabilities	30	573,748	549,773
Provisions	31	4,652,246	5,619,093
Derivative financial instruments	28	149,053	14,321
Due to related parties	19	84,083	548
Provision for employees end of service benefits	32	102,376	112,537
		50,827,798	44,343,836
Total liabilities		72,467,890	70,499,234
Net assets		60,550,021	57,767,099
Equity			
Share capital	33	8,696,754	8,696,754
Reserves	34	28,400,580	27,812,896
Retained earnings		11,936,605	10,101,659
Equity attributable to the owners of the Company		49,033,939	46,611,309
Non-controlling interests	15	11,516,082	11,155,790
Total equity		60,550,021	57,767,099

Chairman

Board Member

To the best of our knowledge, the financial information included in these consolidated financial statements presents fairly, in all material respects, the financial position, results of operations and cash flows of the Group as of, and for, the years presented therein.

The accompanying notes on pages 17 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 11.

Emirates Telecommunications Group Company PJSC

Consolidated statement of changes in equity for the year ended 31 December 2020

		Attributable to owners of the Company					
		Share capital	Reserves	Retained earnings	Owners' equity	Non-controlling interests	Total equity
	Notes	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2019		**8,696,754**	**26,904,769**	**9,345,504**	**44,947,027**	**12,298,376**	**57,245,403**
Profit for the year		-	-	8,692,516	8,692,516	802,062	9,494,578
Other comprehensive (loss) / income for the year		-	(47,758)	18,284	(29,474)	(359,489)	(388,963)
Total comprehensive (loss) / income for the year		**-**	**(47,758)**	**8,710,800**	**8,663,042**	**442,573**	**9,105,615**
Other movements in equity		-	-	(44,364)	(44,364)	22,858	(21,506)
Transfer to reserves		-	955,885	(955,885)	-	-	-
Transactions with owners of the Company:							
Repayment of advances to non-controlling interests		-	-	-	-	(23,839)	(23,839)
Dividends	38	-	-	(6,954,396)	(6,954,396)	(1,584,178)	(8,538,574)
Balance at 31 December 2019		**8,696,754**	**27,812,896**	**10,101,659**	**46,611,309**	**11,155,790**	**57,767,099**
Balance at 1 January 2020		**8,696,754**	**27,812,896**	**10,101,659**	**46,611,309**	**11,155,790**	**57,767,099**
Profit for the year			-	9,026,522	9,026,522	1,289,214	10,315,736
Other comprehensive income for the year		-	334,582	41,794	376,376	408,859	785,235
Total comprehensive income for the year		**-**	**334,582**	**9,068,316**	**9,402,898**	**1,698,073**	**11,100,971**
Other movements in equity		-	5,222	(31,094)	(25,872)	4,118	(21,754)
Transfer to reserves		-	247,880	(247,880)	-	-	-
Transactions with owners of the Company:							
Dividends	38	-	-	(6,954,396)	(6,954,396)	(1,341,899)	(8,296,295)
Balance at 31 December 2020		**8,696,754**	**28,400,580**	**11,936,605**	**49,033,939**	**11,516,082**	**60,550,021**

The accompanying notes on pages 17 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 11.

Emirates Telecommunications Group Company PJSC

Consolidated statement of cash flows for the year ended 31 December

	Notes	2020 AED'000	2019 AED'000
Operating profit		13,015,123	11,797,503
Adjustments for:			
Depreciation		6,203,909	5,878,239
Amortisation		1,695,888	1,586,994
Impairment loss on other assets - net		296,704	1,185,903
Share of results of associates and joint ventures		(197,407)	36,254
Provisions and allowances		(1,198,892)	154,463
Unrealised currency translation loss / (gain)		745,698	(169,197)
Operating cash flows before changes in working capital		**20,561,023**	**20,470,159**
Changes in:			
Inventories		84,421	(65,206)
Due from related parties		37,552	6,657
Trade and other receivables including contract assets		811,300	922,396
Trade and other payables including contract liabilities		(521,673)	161,228
Cash generated from operations		**20,972,623**	**21,495,234**
Income taxes paid		(1,786,826)	(1,884,506)
Payment of employees end of service benefits		(217,311)	(184,978)
Net cash generated from operating activities		**18,968,486**	**19,425,750**
Cash flows from investing activities			
Proceeds from disposal of investments at amortised cost		-	113,655
Acquisition of investments at amortised cost		(658,433)	(333,344)
Acquisition of subsidiaries *(net of cash and bank balances acquired)*	41	(153,059)	(420,864)
Acquisition of investments classified as fair value through profit or loss		(1,168,939)	(355,210)
Proceeds from disposal of investments classified as fair value through profit or loss		624,724	48,939
Acquisition of investments classified as fair value through other comprehensive income ("OCI")		(1,668)	(16,616)
Proceeds from disposal of investments classified as fair value through OCI		13,645	24,503
Purchase of property, plant and equipment		(6,073,778)	(7,793,989)
Proceeds from disposal of property, plant and equipment		128,756	87,415
Purchase of intangible assets		(1,021,812)	(979,163)
Proceeds from disposal of intangible assets		1,997	136
Dividend income received from associates, joint ventures and other investments		80,744	24,006
Term deposits made with maturities over three months		(18,692,281)	(56,934,961)
Term deposits matured with maturities over three months		27,359,270	47,623,611
Cash flows from unwinding of derivative financial instruments - *net*	28	-	(67,013)
Finance and other income received		1,098,518	1,064,942
Net cash from / (used in) investing activities		**1,537,684**	**(17,913,953)**
Cash flows from financing activities			
Proceeds from borrowings	27(c)	4,599,030	7,291,969
Repayments of borrowings	27(c)	(3,372,872)	(6,856,965)
Payments of lease liabilities		(739,592)	(682,875)
Equity repayment to non-controlling interests for acquisition of a subsidiary		-	(23,839)
Dividends paid		(8,401,773)	(8,531,076)
Finance and other costs paid		(1,528,272)	(875,093)
Net cash used in financing activities		**(9,443,479)**	**(9,677,879)**
Net increase / (decrease) in cash and cash equivalents		**11,062,691**	**(8,166,082)**
Cash and cash equivalents at the beginning of the year		2,827,314	10,819,008
Effect of foreign exchange rate changes		(684,475)	174,388
Cash and cash equivalents at the end of the year	24	**13,205,530**	**2,827,314**

The accompanying notes on pages 17 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 11.

1. General information

Emirates Telecommunications Group Company PJSC (‘‘the Company’’), formerly known as Emirates Telecommunications Corporation (“the Corporation”) was incorporated in the United Arab Emirates (“UAE”), with limited liability, in 1976 by UAE Federal Government decree No. 78, which was revised by the UAE Federal Act No. (1) of 1991 and further amended by Decretal Federal Code No. 3 of 2003 concerning the regulation of the telecommunications sector in the UAE. In accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Corporation to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government.

The Decree by Federal Law no. 3 of 2015 (“the New Law”) has amended certain provisions of the Federal Law No. (1) of 1991 and new articles of association of Emirates Telecommunications Group Company PJSC (the “New AoA”) have been issued. Subsequent to the New Law and the New AoA, Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and is subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the “Companies Law”) unless otherwise stated in the New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC.

Federal Decree - Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the applicable requirements thereof no later than one year from the date on which the amendments came into effect.

Under the New Law and the New AoA: i) Two types of share have been introduced, i.e. ordinary shares and one Special Share held by the Emirates Investment Authority (“the Special Shareholder”) which carries certain preferential rights related to the passing of certain decisions by the Company or the ownership of the UAE telecommunication network. ii) The minimum number of ordinary shares held by any UAE government entity in the Company has been reduced from at least 60% of the Company’s share capital to not less than 51%, unless the Special Shareholder decides otherwise. iii) Shareholders, natural or legal person, who are Non UAE National may own up to 20% of the Company’s ordinary shares, however, the shares owned by such persons / entities shall not hold any voting rights in the Company’s general assembly, although holders of such shares may attend such meeting. On 11 October 2018, the Board of Directors of Etisalat Group approved by circulation to lift the restrictions on voting rights of foreign shareholders so that they shall enjoy the same voting rights of UAE citizens. Accordingly, a special resolution was passed during the Annual General Meeting held on 20 March 2019 to that effect, all required approvals were obtained and all necessary amendments were incorporated in the New AoA to put the afore-said resolution in place. Etisalat Group’s Board of Directors, in its meeting on 20 January 2021, recommended to increase the foreign ownership limit from 20% to 49% of the Company’s share capital subject to the approval of Etisalat Group’s General Assembly scheduled on 17 March 2021 and the approval of the competent authorities.

The address of the registered office of the Company is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Company’s shares are listed on the Abu Dhabi Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as “the Group”).

The principal activities of the Group are to provide telecommunications services, media and related equipment including the provision of related contracting and consultancy services to international telecommunications companies and consortia. These activities are carried out through the Company (which holds a full service license from the UAE Telecommunications Regulatory Authority valid until 2025), its subsidiaries, associates and joint ventures.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 22 February 2021.

2. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of UAE Federal Law No. (2) of 2015. The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the application of the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4. These consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the accounting policies set out herein.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique.

These consolidated financial statements are presented in UAE Dirhams (AED) which is the Company's functional and presentational currency, rounded to the nearest thousand except where otherwise indicated.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

New and amended standards issued and effective

The following revised new and amended standards have been adopted in the 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)*
- Interest Rate Benchmark Reform *(Amendments to IFRS 9, IAS 39 and IFRS 7)*

There has been no material impact on the consolidated financial statements of the Group upon adoption of the above new and amended standards.

New and amended standards issued but not yet effective

At the date of these consolidated financial statements, the following standards, amendments and interpretations have not been effective and have not been early adopted:

New and amended standards not effective and not yet adopted by the Group	Effective date
IFRS 16 Leases – *COVID 19 Rent Concessions – Relief for Lessees*	Periods beginning on or after 1 June 2020 (earlier application permitted)
Onerous Contracts – *Cost of Fulfilling a Contract (Amendments to IAS 37)*	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use *(Amendments to IAS 16)*	1 January 2022
Reference to the Conceptual Framework *(Amendments to IFRS 3)*	1 January 2022
IFRS 17 Insurance contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Classification of liabilities as current or non-current *(Amendments to IAS 1)*	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture *(Amendments to IFRS 10 and IAS 28)*	Optional
Interest Rate Benchmark Reform – *Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*	*1 January 2021*

3. Significant accounting policies *(continued)*

New and amended standards issued but not yet effective *(continued)*

These new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Group:

- has power over the investee;
- is exposed or has rights, to variable returns from its involvement; and
- has the ability to use its power to affect its returns.

The existence and effect of potential voting rights that are currently substantive and exercisable or convertible are considered when assessing whether the Group has the power to control another entity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the business combination. Total comprehensive income within subsidiaries is attributed to the Group and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are excluded from consolidation from the date that control ceases.

Intercompany transactions, balances and any unrealised gains/losses between Group entities have been eliminated in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Purchase consideration is measured as the aggregate of the fair value, at the date of exchange, of the assets given, equity instruments issued and liabilities incurred or assumed. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the acquisition-date net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of profit or loss.

The non-controlling interest in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised at 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.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest 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.

3. Significant accounting policies *(continued)*

Business combinations *(continued)*

Step acquisition

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Associates and joint ventures

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has corresponding rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Associates are those companies over which Group exercises significant influence but it does not control or have joint control over those companies. Investments in associates and joint ventures are accounted for using the equity method of accounting except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Investments in associates and joint ventures are carried in the consolidated statement of financial position at cost, which includes transaction costs, as adjusted by post-acquisition changes in the Group's share of the net assets of the associates and joint ventures less any impairment in the value of individual investments. Losses of the associates and joint ventures in excess of the Group's interest are not recognised unless the Group has incurred legal or constructive obligations.

The carrying values of investments in associates and joint ventures are reviewed on a regular basis and if impairment in the value has occurred, it is written off in the period in which those circumstances are identified.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is recognised as goodwill and included as part of the cost of investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is credited to the consolidated statement of profit or loss in the year of acquisition.

The Group's share of associates and joint ventures results is based on the most recent financial statements or interim financial information drawn up to the Group's reporting date. Accounting policies of associates and joint ventures have been adjusted, where necessary, to ensure consistency with the policies adopted by the Group.

Profits and losses resulting from upstream and downstream transactions between the Group (including its consolidated subsidiaries) and its associates or joint ventures are recognised in the Group's financial statements only to the extent of unrelated group's interests in the associates or joint ventures. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Dilution gains and losses arising on deemed disposal of investments in associates and joint ventures are recognised in the consolidated statement of profit or loss.

Revenue recognition

Revenue is measured at an amount that reflects the consideration, as specified in the contract, to which an entity expects to be entitled in exchange for transferring goods or services to customers, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over goods or services to its customers.

Revenue from telecommunication services mainly comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, data and connectivity services, providing information and communication technology (ICT) and digital solutions, connecting users of other fixed line and mobile networks to the Group's network. Services are offered on a standalone basis as well as part of multiple element arrangements along with other services and/or devices.

3. Significant accounting policies *(continued)*

Revenue recognition *(continued)*

For multiple element arrangements, the Group accounts for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the package and if a customer can benefit from it). The consideration is allocated between separate product and services (i.e. distinct performance obligations, “POs”) in multiple element arrangements, based on their stand-alone selling prices.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis, where standalone selling prices are not directly observable, estimation techniques are used maximizing the use of observable inputs. Suitable methods for estimating the standalone selling price include adjusted market assessment approach, cost plus margin approach or residual approach.

Performance obligations and revenue recognition policies:

The following is a description of nature of distinct PO and timing of revenue recognition for key segments from which the Group generates its revenue. The amount of revenue recognised is adjusted for expected discounts and volume discounts, which are estimated based on the historical data for the respective types of service or product being offered.

Service/ Product category	Nature of performance obligations	Point of revenue recognition and significant payment terms
Mobile services contracts	• Voice, data and messaging and value added service (VAS), • Loyalty points	Revenue recognition for voice, data, messaging and VAS is recognized over the period when these services are provided to the customers. Revenue recognition for loyalty points is when the points are redeemed or expire. Mobile services contracts are billed on a monthly basis based as per agreed terms of contract for respective services, which is generally either fixed recurring rentals and/or usage.
Unlocked devices contracts	• Unlocked devices provided along with a service contract	Revenue is allocated to unlocked device in the ratio of relative standalone selling price and recognised on date of transfer of control, which is generally on the date of signing the contract. In case of device sales, transfer of control is immediate, whereas the billing terms may be either full upfront billing or installment billing.
Consumer fixed contracts	• TV service • Unlocked devices (IP Phone and Routers) • Broadband services • Fixed telephone service	Revenue recognition for services is over the contract period, whereas revenue recognition for unlocked devices is upon transfer of control to the customer (i.e. Day 1). The services are billed on a monthly basis as per the agreed terms of contract for respective services, which is generally either fixed recurring rentals and/or usage.
Business Fixed contracts	• Gateway router • Fixed voice • Internet service • Office application • Security solution • Managed services • Ancillary devices (laptop, printer, IP • Telephone, etc)	Revenue recognition for services is over the contract period, whereas revenue recognition for ancillary devices is upon transfer of control to the customer (i.e. point in time). The contracts are billed and paid on monthly basis.

3. Significant accounting policies *(continued)*

Revenue recognition *(continued)*

Performance obligations and revenue recognition policies: *(continued)*

Service/ Product category	Nature of performance obligations	Point of revenue recognition and significant payment terms
Business Solutions contracts	• Connectivity service (IPVPN, leased lines, etc) • Managed Services • IPTV services	Revenue is recognised over the period when these services are provided to the customers. Where hardware (e.g. routers) are provided as part of the contract, the Group recognises these as distinct PO only if the hardware is not locked and if the customer can benefit from them either by selling for more than scrap value or using with services from other service providers. If the customer cannot benefit from hardware on its own, then it is not considered distinct POs and revenue is recognised over the service period. The contracts are billed and paid on monthly basis.
Digital Solutions contracts	Digital and ICT solutions	The separable components of the solution are distinct POs. Revenue is recognised based on output measures (such as the proportion of units delivered) to measure progress towards complete satisfaction of POs where such measures are available. The contracts are billed as per contract terms.
Miscellaneous	Installation services	Installation services provided for service fulfillment are not distinct POs and the amount charged for installation service is recognised over the service period. Installation services are generally billed on upfront basis.

Principal versus agent

The Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for those goods or services to be provided by the other party. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

In the case the Group is an agent, it does not control the specified good or service provided by another party before that good or service is transferred to the customer. As an agent, the Group's performance obligation is to arrange for the provision of specified good or service by another party and accordingly it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

The Group as lessee

Right-of-use asset

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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant 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.

3. Significant accounting policies *(continued)*

Leases *(continued)*

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 in the measurement of the lease liability comprise the following:

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term lease of equipments that have a lease term of 12 months or less and leases of low-value assets, 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.

The Group as lessor

At inception or on modification of a contract that contain 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.

Foreign currencies

i) Functional currencies

The individual financial statements of each of the Group's subsidiaries, associates and joint ventures are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of these consolidated financial statements, the results, financial position and cash flows of each company are expressed in UAE Dirhams, which is the functional currency of the Company, and the presentation currency of these consolidated financial statements.

In preparing these financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the entity's

3. Significant accounting policies *(continued)*

Foreign currencies *(continued)*

i) Functional currencies *(continued)*

functional currency at rates prevailing at reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

ii) Consolidation

On consolidation, the assets and liabilities of the Group's foreign operations are translated into UAE Dirhams at exchange rates prevailing on the date of end of each reporting period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are also translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences are recognised in other comprehensive income and are presented in the translation reserve in equity except to the extent they relate to non-controlling interest. On disposal of overseas subsidiaries or when significant influence or joint control is lost, the cumulative translation differences are recognised as income or expense in the period in which they are disposed of.

iii) Foreign exchange differences

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise except for exchange differences that relate to assets under construction for future productive use. These are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings. Exchange differences on transactions entered into to hedge certain foreign currency risks and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on disposal of net investment. Exchange differences on qualifying cash flow hedges to the extent the hedges are effective are also recognised in other comprehensive income.

iv) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investment revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

3. Significant accounting policies *(continued)*

Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the consolidated statement of profit or loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated statement of profit or loss on a systematic basis over the expected useful life of the related asset upon capitalisation.

Employees' end of service benefits

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with the Projected Unit Cost method as per IAS 19 *Employee Benefits* taking into consideration the UAE Labour Laws. The provision is recognised based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to high quality corporate bonds or other basis, if applicable.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax is calculated using relevant tax rates and laws that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged or credited in the consolidated statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the future against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, from investments in associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future or from the

3. Significant accounting policies *(continued)*

Taxation *(continued)*

initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

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

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

Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment. Cost comprises the cost of equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labour costs, capitalised borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located.

Assets in the course of construction are carried at cost, less any impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

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

Other than land (which is not depreciated), the cost of property, plant and equipment is depreciated on a straight line basis over the lesser of the lease period and the estimated useful life as follows:

Buildings:	***Years***
Permanent	20 – 50
Temporary	4 – 10
Civil works	10 – 25

Plant and equipment:	***Years***
Submarine – fibre optic cables	10 – 20
– coaxial cables	10 – 15
Cable ships	15 – 25
Coaxial and fibre optic cables	10 – 25
Line plant	10 – 25
Exchanges	5 – 15
Switches	8 – 15
Radios/towers	8 – 25
Earth stations/VSAT	5 – 15
Multiplex equipment	10 – 15
Power plant	5 – 10
Subscribers' apparatus	3 – 15
General plant	2 – 25

Other assets:	***Years***
Motor vehicles	3 – 5
Computers	3 – 5
Furniture, fittings and office equipment	4 – 10

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Intangible assets

Recognition and measurement

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-financial assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

(ii) Licenses

Acquired telecommunication licenses are initially recorded at cost or, if part of a business combination, at fair value. Licenses are amortised on a straight-line basis over their estimated useful lives from when the related networks are available for use. The estimated useful lives range between 10 and 25 years and are determined primarily by reference to the license period, the conditions for license renewal and whether licenses are dependent on specific technologies.

(iii) Internally-generated intangible assets

An internally-generated intangible asset arising from the Group's IT development is recognised at cost only if all of the following conditions are met:
- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of 3-10 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(iv) Indefeasible Rights of Use

Indefeasible Rights of Use ("IRU") corresponds to the contractual right to use a certain amount of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset. Generally, the right to use optical fibres or dedicated wavelength bandwidth is for the major part of the underlying asset's economic life. These are amortised on a straight-line basis over the lesser of the expected period of use and the life of the contract which ranges between 10 to 20 years.

3. Significant accounting policies *(continued)*

Intangible assets *(continued)*

Recognition and measurement *(continued)*

(v) Other intangible assets

Other intangible assets comprising of trade names, customer relationship and other intangible assets are recognised on acquisition at fair values. They are amortised on a straight-line basis over their estimated useful lives. The useful lives of customer relationships range from 3-23 years and trade names have a useful life of 15-25 years. The useful lives of other intangible assets range from 3-10 years.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets whenever there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life (including goodwill) is tested for impairment annually. For impairment testing, assets are grouped together into the smallest group of assets that generate cash flows that are largely independent of other assets or cash-generating units.

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventory

Inventory is measured at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Allowance is made, where appropriate, for deterioration and obsolescence. Cost is determined in accordance with the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

i) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, regardless of whether that price is directly observable or in its absence, the most advantageous markets to which the group has access at that date, estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

ii) Financial assets

Financial assets are classified into the following specified categories: 'amortised cost', 'fair value through other comprehensive income with recycling', 'fair value through other comprehensive income without recycling' and 'fair value through profit or loss'. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset and is determined at the time of initial recognition.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

iii) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition less the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at fair value through other comprehensive income ("FVTOCI"). Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

iv) Fair value through OCI – with recycling

These instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in the consolidated statement of profit or loss. The amounts that are recognised in the consolidated statement of profit or loss are the same as the amounts that would have been recognised in the consolidated statement of profit or loss if these instruments had been measured at amortised cost. All other changes in the carrying amount of these instruments are recognised in other comprehensive

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

iv) Fair value through OCI – with recycling *(continued)*

income and accumulated under the heading of investment revaluation reserve. When these instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

v) Fair value through OCI – without recycling

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative (except for a derivative that is a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to the consolidated statement of profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 "*Revenue from Contracts with Customers*", unless the dividends clearly represent a recovery of part of the cost of the investment.

vi) Fair value through profit and loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see note 3 (iii to iv)) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement of profit or loss includes any dividend or interest earned on the financial asset Fair value is determined in the manner described in note 3 (i).

vii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

viii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount

of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, lease receivables and contract assets, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

viii) Impairment of financial assets *(continued)*

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 recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

a) Significant increase in credit risk

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 without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, 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 fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

b) Definition of default

In case of trade receivables, the Group considers that default occurs when a customer balance moves into the "Ceased" category based on its debt age analysis for internal credit risk management purposes. Ceased category refers to category of customers whose telecommunication services have been discontinued.

For all other financial assets, the Group considers the following as constituting an event of default for internal credit risk management purposes 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 its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

viii) Impairment of financial assets *(continued)*

c) Credit – impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

d) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group may use various sources of data, that may be both internal and external. Possible data sources include internal historical credit loss experience, internal ratings, credit loss experience of other entities and external ratings, reports and statistics.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss 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 FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

ix) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' ("FVTPL") or "amortised cost".

x) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as such. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument. Financial

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

x) Financial liabilities at FVTPL *(continued)*

liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of profit or loss.

xi) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

xii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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

xiii) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

xiv) Hedge accounting

The Group may designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign exchange risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges where appropriate criteria are met.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

xv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

xv) Derecognition of financial assets *(continued)*

neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Transactions with non-controlling interests

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

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

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

Dividends

Dividend distributions to the Group's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Disposal of Assets / assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Assets may be disposed of individually or as part of a disposal group. Once the decision is made to dispose of an asset, it is classified as "held-for-sale" and shall no longer be depreciated, and any equity-accounted investee is no longer equity accounted. Assets that are classified as "held-for-sale" must be disclosed in the financial statements.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

3. Significant accounting policies *(continued)*

Disposal of Assets / assets held-for-sale *(continued)*

An asset is considered to be held-for-sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted. The criteria for classifying an asset as held-for-sale are as follows:

- It must be available for immediate sale in its present condition,
- Its sale must be highly probable, and
- It must be sold, not abandoned.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Critical accounting judgements

i) Fair value of other intangible assets

On the acquisition of mobile network operators, the identifiable intangible assets may include licenses, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets. The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset.

ii) Classification of interests in other entities

The appropriate classification of certain interests in other entities requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these interests. This may involve consideration of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of de facto control. Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results. Specific judgements regarding the classification of the Group's interests in Maroc Telecom and Pakistan Telecommunications Company Limited are disclosed in Note 15 and interests in associates are disclosed in Note 17.

iii) Federal royalty

The computation of federal royalty as disclosed in the note 7(b) of these consolidated financial statements requires a number of calculations in accordance with the Cabinet of Ministers decision No.320/15/23 dated 9 December 2012 (the "Decision") and the new Federal Royalty Scheme issued by UAE Ministry of Finance ("MoF") dated 20 February 2017 (the "Scheme") and the subsequent clarifications and correspondences exchanged between the Group and MoF (the "Correspondence"). In performing these calculations, management has made certain critical judgments,

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Critical accounting judgements *(continued)*

iii) Federal royalty *(continued)*

interpretations and assumptions. These mainly relate to the segregation of items between regulated and other activities and items which the Company judged as not subject to federal royalty or which may be set off against profits which are subject to federal royalty.

The mechanism for the computation of federal royalty for the year ended 31 December 2020 was in accordance with aforementioned Scheme and the Correspondence.

iv) Revenue recognition

The key areas of judgement in revenue recognition are as follows:

<u>Identifying performance obligations and determining standalone selling prices</u>

Where a contract with a customer consists of two or more performance obligations that have value to a customer on a standalone basis, the Group accounts for individual performance obligation separately if they are distinct i.e. if goods or service is separately identifiable from other items in the contract and if a customer can benefit from it. The transaction price is allocated between separate performance obligations based on their stand-alone selling prices. The Group applies judgement in identifying the individual performance obligation, determining the stand-alone selling prices and allocating the transaction price between them.

<u>Determination of transaction price</u>

The estimate of the transaction price will be affected by the nature, timing and amount of consideration promised by a customer. In determining the transaction price, the Group considering these following aspects:

a. variable consideration
b. constraining estimates of variable consideration
c. the existence of a significant financing component in the contract
d. non-cash consideration
e. consideration payable to a customer

Refer to Note 3 for additional details on the identification of performance obligation, determination of stand alone selling prices and timing of revenue recognition for the major products and services.

Key sources of estimation uncertainty

i) Impairment of goodwill and investment in associates

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill and associates requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management’s expectations of:

- long term forecast cash flows;
- working capital estimates;
- discount rates;
- capital expenditure; and
- expected proceeds from disposal of non-operational assets.

The key assumptions used and sensitivities are detailed on Note 12 of these consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill and investment in associates.

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

ii) Impairment of other intangible assets

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- long term forecast cash flows;
- working capital estimates;
- discount rates;
- capital expenditure; and
- expected proceeds from disposal of non-operational assets.

iii) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the total assets of the Group. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful economic life and the expected residual value at the end of its life. Increasing/decreasing an asset's expected life or its residual value would result in a reduced/increased depreciation charge in the consolidated statement of profit or loss.

iv) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic

conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.
Elements of the ECL models that are considered accounting judgments and estimates include:

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

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

v) Provisions and contingent liabilities

The management exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigations, assessments and/or other outstanding liabilities and claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provisions. Refer to Note 31 for details on provisions against such pending litigations/claims and Note 37 for details on the contingent liabilities.

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

vi) Provision for income tax

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

5. Segmental information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

a) Products and services from which reportable segments derive their revenues

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the UAE. Outside of the UAE, the Group operates through its subsidiaries and associates in sixteen countries which are divided into the following operating segments:

- Morocco
- Egypt
- Pakistan
- International - others

Revenue is attributed to an operating segment based on the location of the Company reporting the revenue. Inter-segment sales are charged at mutually agreed prices.

The Group's share of results from associates and joint ventures has been allocated to the segments based on the geographical location of the operations of the associate and joint venture investments. The allocation is in line with how results from investments in associates and joint ventures are reported to the Board of Directors.

b) Segment revenues and results

Segment results represent operating profit earned by each segment without allocation of finance income, finance costs and federal royalty. This is the measure reported to the Group's Board of Directors ("Board of Directors") for the purposes of resource allocation and assessment of segment performance.

c) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-current assets attributable to each segment. Goodwill is allocated based on separately identifiable CGUs as further disclosed in Note 12. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.

5. Segmental information *(continued)*

		International					
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000	Eliminations AED'000	Consolidated AED'000
31 December 2020							
Revenue							
External revenue	30,751,960	7,366,733	4,113,156	2,852,043	6,624,319	-	51,708,211
Inter-segment revenue	261,281	442,070	57,294	87,953	71,378	(919,976)	-
Total revenue	**31,013,241**	**7,808,803**	**4,170,450**	**2,939,996**	**6,695,697**	**(919,976)**	**51,708,211**
Segment result	**13,497,238**	**2,923,808**	**885,008**	**(225,282)**	**1,528,782**	**-**	**18,609,554**
Federal royalty							(5,594,431)
Finance and other income							1,112,374
Finance and other costs							(2,361,052)
Profit before tax							**11,766,445**
Income tax expenses							(1,450,709)
Profit for the year							**10,315,736**
Total assets	71,411,942	34,083,374	10,328,705	11,890,144	18,950,804	(13,647,058)	133,017,911
Non-current assets *	31,392,811	30,180,303	9,097,508	8,468,723	15,090,816	(11,086,426)	83,143,735
Depreciation and amortisation	2,675,405	1,862,148	837,988	907,683	1,616,573	-	7,899,797
Impairment and other losses	(37,250)	-	(687)	334,641	-	-	296,704
31 December 2019							
Revenue							
External revenue	32,024,495	7,424,417	3,362,458	3,102,887	6,272,156	-	52,186,413
Inter-segment revenue	274,203	543,185	67,132	75,169	95,189	(1,054,878)	-
Total revenue	**32,298,698**	**7,967,602**	**3,429,590**	**3,178,056**	**6,367,345**	**(1,054,878)**	**52,186,413**
Segment result	**13,074,391**	**2,801,735**	**654,461**	**17,776**	**1,075,734**	**-**	**17,624,097**
Federal royalty							(5,826,594)
Finance and other income							1,363,042
Finance and other costs							(2,051,524)
Profit before tax							**11,109,021**
Taxation							(1,614,443)
Profit for the year							**9,494,578**
Total assets	70,107,231	33,381,997	9,316,313	11,700,297	16,952,664	(13,192,169)	128,266,333
Non-current assets *	30,399,833	29,523,581	8,242,904	9,199,513	14,552,563	(11,075,662)	80,842,732
Depreciation and amortisation	2,379,210	1,886,588	711,491	975,958	1,511,986	-	7,465,233
Impairment and other losses	26,849	-	(4,598)	1,163,652	-	-	1,185,903

* Non-current assets exclude derivative financial assets and deferred tax assets.

6. Revenue

a) The following is the disaggregation of the Group's revenue

	UAE	International				Consolidated
		Morocco	Egypt	Pakistan	Others	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2020						
Mobile	10,789,290	4,320,897	3,748,690	1,021,794	6,035,165	25,915,836
Fixed	11,199,092	2,701,272	228,274	1,355,835	491,886	15,976,359
Equipment	1,728,915	146,064	74,302	11,717	10,510	1,971,508
Others	7,034,663	198,500	61,890	462,697	86,758	7,844,508
Total revenue	**30,751,960**	**7,366,733**	**4,113,156**	**2,852,043**	**6,624,319**	**51,708,211**
31 December 2019						
Mobile	12,307,170	4,511,975	2,920,180	1,245,051	5,654,713	26,639,089
Fixed	11,315,463	2,539,877	154,647	1,440,566	488,058	15,938,611
Equipment	1,925,994	103,880	70,946	13,080	13,466	2,127,366
Others	6,475,868	268,685	216,685	404,190	115,919	7,481,347
Total revenue	**32,024,495**	**7,424,417**	**3,362,458**	**3,102,887**	**6,272,156**	**52,186,413**

b) Revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date:

31 December 2020	Within one year AED'000	More than one year AED'000	Total AED'000
Expected revenue for remaining performance obligations that will be delivered in subsequent years	9,382,130	1,894,656	11,276,786

31 December 2019	Within one year AED'000	More than one year AED'000	Total AED'000
Expected revenue for remaining performance obligations that will be delivered in subsequent years	5,902,421	2,204,519	8,106,940

c) Timing of revenue recognition

	UAE	International				Consolidated
		Morocco	Egypt	Pakistan	Others	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2020						
PO satisfied at the point of time	2,351,280	182,128	78,108	50,756	2,216	2,664,488
PO satisfied over a period of time	28,400,680	7,184,605	4,035,048	2,801,287	6,622,103	49,043,723
Total revenue	**30,751,960**	**7,366,733**	**4,113,156**	**2,852,043**	**6,624,319**	**51,708,211**
31 December 2019						
PO satisfied at the point of time	2,738,337	103,880	73,281	49,844	4,677	2,970,019
PO satisfied over a period of time	29,286,158	7,320,537	3,289,178	3,053,043	6,267,478	49,216,394
Total revenue	**32,024,495**	**7,424,417**	**3,362,459**	**3,102,887**	**6,272,155**	**52,186,413**

7. Operating expenses and federal royalty

a) Operating expenses

		2020 AED'000	2019 AED'000
Direct cost of sales		12,344,708	12,353,910
Staff costs		4,619,424	4,904,751
Depreciation		6,203,909	5,878,239
Network and other related costs		2,569,522	2,536,804
Amortisation		1,695,888	1,586,994
Regulatory expenses	(i)	1,426,910	1,377,920
Marketing expenses		887,497	1,294,675
Consultancy costs		649,315	778,247
Operating lease rentals		36,526	23,385
IT costs		311,548	407,192
Foreign exchange (gains) / losses - net		(165,370)	58,887
Other operating expenses		1,260,119	1,024,452
Operating expenses (before federal royalty)		**31,839,996**	**32,225,456**

Operating expenses include an amount of AED 101.1 million (2019: AED 55.3 million), relating to social contributions made during the year.

i) Regulatory expenses:

Regulatory expenses include ICT Fund contributions required to be paid by the Company to the UAE Telecommunications Regulatory Authority (TRA) at 1% of its net regulated revenues annually.

ICT Fund Contribution

	2020 AED'000	2019 AED'000
UAE Net Regulated Revenue	19,530,283	21,419,814
ICT Fund Contribution	195,303	214,198

b) Federal Royalty

In accordance with the Cabinet decision No. 558/1 for the year 1991, the Company was required to pay a federal royalty, equivalent to 40% of its annual net profit before such federal royalty, to the UAE Government for use of federal facilities. With effect from 1 June 1998, Cabinet decision No. 325/28M for 1998, it was increased to 50%.

On 9 December 2012, the Cabinet of Ministers of UAE issued decision no. 320/15/23 of 2012 in respect of a new royalty mechanism applicable to the Company. Under this mechanism a distinction was made between revenue earned from services regulated by Telecommunications Regulatory Authority ("TRA") and non-regulated services as well as between foreign and local profits. The Company was required to pay 15% royalty fee on the UAE regulated revenues and 35% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues. In respect of foreign profit, the 35% royalty was reduced by the amount that the foreign profit has already been subject to foreign taxes.

On 25 February 2015, the MoF issued revised guidelines (which were received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ended 31 December 2014, 2015 and 2016 (the "Guidelines"). In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues.

On 20 February 2017, the MoF announced the federal royalty scheme to be applied on the Group for the periods 2017 to 2021 ("the new royalty scheme"). According to the new royalty scheme, the Group will pay 15% royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from regulated services after deduction of the 15% royalty fees on the UAE regulated revenue. Royalty fees on profits from international operations shall be considered only if similar fees paid in the country of origin are less than the fees that could have been imposed in the UAE. Consequent to the issuance of the new royalty scheme, clarifications were obtained and correspondences were exchanged between the Group and MoF (the "Correspondence"). The mechanism for the computation of federal royalty payable for the period ended 31 December 2020 was in accordance with the new royalty scheme and the Correspondence.

The federal royalty has been classified as an operating expense in the consolidated statement of profit or loss on the basis that the expenses the Company would otherwise have had to incur for the use of the federal facilities would have been classified as operating expenses.

8. Finance and other income

	2020 AED'000	2019 AED'000
Interest on bank deposits and amortised cost investments	648,794	852,013
Gain on forward foreign exchange contracts	12,938	43,871
Net (loss) / gain on financial assets designated as FVTPL	(65,018)	238,050
Other income	515,660	229,108
	1,112,374	**1,363,042**

9. Finance and other costs

	2020 AED'000	2019 AED'000
Interest on short term bank borrowings, loans and other financial liabilities	425,946	391,797
Interest on other borrowings	784,300	692,059
Ineffectiveness on net investment hedge	250,489	(162,678)
Foreign exchange gain on borrowings - net	(3,655)	(58,293)
Other costs	886,895	1,171,525
Unwinding of discount	17,077	17,114
	2,361,052	**2,051,524**
Total borrowing costs	2,369,477	2,062,387
Less: amounts included in the cost of qualifying assets (Note 11, 13)	(8,425)	(10,863)
	2,361,052	**2,051,524**

All interest charges are generated on the Group's financial liabilities measured at amortised cost. Borrowing costs included in the cost of qualifying assets during the year arose on specific and non - specific borrowing pools. Borrowing costs attributable to non - specific borrowing pools are calculated by applying a capitalisation rate of 10.20% (2019: 15.64%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.

10. Taxation

	2020 AED'000	2019 AED'000
Current tax expense	1,747,073	1,768,803
Deferred tax credit	(296,364)	(154,360)
	1,450,709	**1,614,443**

a) Total tax

Corporate income tax is not levied in the UAE for telecommunication companies. The weighted average tax rate for the Group, based on tax rates applicable for international operations is 32.03 % (2019: 31.67%). The table below reconciles the difference between the expected tax expense, and the Group's tax charge for the year.

b) The income tax expenses for the year can be reconcilied to the accounting profits as follows:

	2020 AED'000	2019 AED'000
Tax based on the applicable weighted average tax rate of 32.03 % (2019: 31.67%)	1,383,540	1,529,341
Tax effect of share of results of associates	10,731	(945)
Tax effect of expenses that are not deductible in determining taxable profit	271,375	318,205
Tax effect of utilization of tax losses not previously recognized	15,416	4,278
Effect on deferred tax balances of change in income tax rate	(32,195)	(32,419)
Effect on deferred tax balances due to purchase price allocation	(198,158)	(203,069)
Effect of income that is exempt from taxation	-	(948)
Income tax expenses recognised in profit or losses	**1,450,709**	**1,614,443**

c) Current income tax assets and liabilities

The current income tax assets represent refunds receivable from tax authorities and current income tax liabilities represent income tax payable.

d) Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to the same income tax authority. The amounts recognised in the consolidated statement of financial position after such offset are as follows:

	2020 AED'000	2019 AED'000
Deferred tax assets	175,489	65,188
Deferred tax liabilities	(2,540,592)	(2,637,109)
	(2,365,103)	**(2,571,921)**

10. Taxation *(continued)*

The following represent the major deferred tax liabilities and deferred tax assets recognised by the Group and movements thereon without taking into consideration the offsetting of balances within the same tax jurisdiction.

Deferred tax liabilities	Deferred tax on depreciation and amortisation	Deferred tax on overseas earnings	Others	Total
	AED'000	AED'000	AED'000	AED'000
At 1 January 2019	3,094,842	65,925	-	3,160,767
(Credit) / charge to the consolidated statement of profit or loss	(269,143)	-	15,289	(253,854)
Charge to other comprehensive income	-	-	724	724
Other movements	-	-	(648)	(648)
Exchange differences	(12,045)	-	(328)	(12,373)
At 31 December 2019 / 1 January 2020	**2,813,654**	**65,925**	**15,037**	**2,894,616**
(Credit) / charge to the consolidated statement of profit or loss	(180,013)	10,731	5,695	(163,587)
Charge to other comprehensive income	-	-	134	134
Other movements	(88,110)	(1,789)	3,148	(86,751)
Exchange differences	182,276	-	6,688	188,964
At 31 December 2020	**2,727,807**	**74,867**	**30,702**	**2,833,376**

Deferred tax assets	Retirement benefit obligations	Tax losses	Others	Total
	AED'000	AED'000	AED'000	AED'000
At 1 January 2019	104	149,686	218,525	368,315
Charge to the consolidated statement of profit or loss	-	(87,579)	(11,915)	(99,494)
Charge to other comprehensive income	(94)	-	(2,456)	(2,550)
Other movements	-	-	63,865	63,865
Exchange differences	(10)	(4,864)	(2,567)	(7,441)
At 31 December 2019 / 1 January 2020	**-**	**57,243**	**265,452**	**322,695**
(Charge) / credit to the consolidated statement of profit or loss	-	(25,526)	158,303	132,777
Credit to other comprehensive income	-	-	3,415	3,415
Other movements	-	(15,429)	(3,888)	(19,317)
Exchange differences	-	-	28,702	28,702
At 31 December 2020	**-**	**16,288**	**451,984**	**468,272**

Unused tax losses	2020	2019
	AED million	AED million
Total unused tax losses	81	172
of which deferred tax assets recognised for	81	172

11. Goodwill and other intangible assets

	Goodwill AED'000	Licenses AED'000	Trade names AED'000	Others AED'000	Total AED'000
Cost					
At 1 January 2019	15,863,552	15,809,738	2,108,406	6,362,206	40,143,902
Additions	-	520,762	-	465,334	986,096
Transfer from investment property	-	-	-	8,864	8,864
Transfer from property, plant and equipment	-	-	-	330,093	330,093
Acquisition of subsidiary	303,563	208,474	-	38,773	550,810
Disposals	-	-	-	(1,597)	(1,597)
Exchange differences	(391,921)	423,172	(199,906)	93,174	(75,481)
At 31 December 2019	**15,775,194**	**16,962,146**	**1,908,500**	**7,296,847**	**41,942,687**
Amortisation and impairment					
At 1 January 2019	2,149,850	5,852,053	431,626	4,088,281	12,521,810
Charge for the year	-	747,454	119,958	752,782	1,620,194
Impairment losses (11.1)	2,631,587	-	-	(298)	2,631,289
Transfer from investment property	-	-	-	4,087	4,087
Acquisition of subsidiary	-	76,405	-	27,379	103,784
Disposals	-	-	-	(1,462)	(1,462)
Exchange differences	-	163,312	(39,173)	(27,372)	96,767
At 31 December 2019	**4,781,437**	**6,839,224**	**512,411**	**4,843,397**	**16,976,469**
Carrying amount					
At 31 December 2019	**10,993,757**	**10,122,922**	**1,396,089**	**2,453,450**	**24,966,218**
Cost					
At 1 January 2020	15,775,194	16,962,146	1,908,500	7,296,847	41,942,687
Additions	-	50,793	-	971,026	1,021,819
Transfer from property, plant and equipment	-	-	-	606,415	606,415
Acquisition of subsidiary	76,469	-	10,692	78,556	165,717
Disposals	-	-	-	(268,502)	(268,502)
Exchange differences	920,113	848,257	175,435	537,654	2,481,459
At 31 December 2020	**16,771,776**	**17,861,196**	**2,094,627**	**9,221,996**	**45,949,595**
Amortisation and impairment					
At 1 January 2020	4,781,437	6,839,224	512,411	4,843,397	16,976,469
Charge for the year	-	787,675	93,363	844,359	1,725,397
Impairment losses	148,157	6,417	73,525	106,542	334,641
Transfer from property, plant and equipment	-	-	-	52,283	52,283
Other movements	-	-	-	-	-
Acquisition of subsidiary	-	-	-	1,421	1,421
Disposals	-	-	-	(266,504)	(266,504)
Exchange differences	(94)	314,388	(6,179)	541,331	849,446
At 31 December 2020	**4,929,500**	**7,947,704**	**673,120**	**6,122,829**	**19,673,153**
Carrying amount					
At 31 December 2020	**11,842,276**	**9,913,492**	**1,421,507**	**3,099,167**	**26,276,442**

Others - net book values	2020 AED'000	2019 AED'000
Indefeasible rights of use	332,011	272,644
Computer software	1,347,059	1,224,217
Customer relationships	65,626	171,979
Others*	1,354,471	784,610
	3,099,167	**2,453,450**

* Included in others is an amount of AED 598 million advance payment made by Etisalat Misr for the acquisition of a new spectrum with 20MHz bandwidth. Given that the contractual agreement with the authorities has not yet been signed, the remaining payment has been recorded as capital commitments.

11.1. The impairment loss on PTCL CGU's goodwill for the year ended 31 December 2019 is presented in the consolidated statement of profit or loss net of the reduction in the provision for consideration payable for this acquisition of AED 1.5 billion, as it was contractually linked to the Group's interest for the PTCL CGU.

12. Impairment loss on other assets

a) Impairment

The impairment losses / (reversals) recognised in the consolidated statement of profit or loss in respect of the carrying amounts of investments, goodwill, licenses and property, plant and equipment and other financial assets are as follows:

	2020 AED'000	2019 AED'000
Pakistan Telecommunication Company Limited (PTCL)	**334,641**	**1,163,652**
of which relating to goodwill - net	148,157	1,162,649
of which relating to other intangible assets (Note 11)	186,484	-
of which relating to property, plant and equipment (Note 13)	-	1,003
Etisalat UAE	**(37,250)**	**26,849**
of which relating to intangible assets (Note 11)	-	(298)
of which relating to property, plant and equipment (Note 13)	(37,250)	27,147
Others	**(687)**	**(4,598)**
of which relating to property, plant and equipment (Note 13)	(687)	(4,598)
Total impairment and other losses for the year	**296,704**	**1,185,903**

Impairment on PTCL CGU

The recoverable amount of this CGU was based on value in use. As of 31 December 2020 the carrying value of this CGU was assessed to be higher than its recoverable amount and an impairment loss was recognised in profit and loss for the year then ended. This loss represents an impairment loss on goodwill and other intangible assets of AED 334.6 million relating to decrease in the present value of the cash flows projected to be generated by this CGU. The reduction is mainly on account of the macroeconomic impact of COVID-19 pandemic which resulted in increase in the applicable discount rate and decrease in terminal growth rate. The impairment loss on PTCL CGU's goodwill for the year ended 31 December 2019 is presented in the consolidated statement of profit or loss net of the reduction in the provision for consideration payable. (Refer Note 11.1).

b) Cash generating units

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The carrying amount of goodwill (all relating to operations within the Group's International reportable segment) is allocated to the following CGUs:

Cash generating units (CGU) to which goodwill is allocated:	2020 AED'000	2019 AED'000
Maroc Telecom	9,427,018	8,679,524
Maroc Telecom international subsidiaries	2,326,834	2,151,830
Pakistan Telecommunication Company Limited (PTCL) group	-	150,678
Help AG group	76,469	-
Etisalat Misr (Etisalat) S.A.E.	11,956	11,725
	11,842,277	**10,993,757**

Goodwill has been allocated to the respective segment based on the separately identifiable CGUs.

c) Key assumptions for the value in use calculations:

The recoverable amounts of all the CGUs containing goodwill are based on their value in use. The key assumptions for the value in use calculations are those regarding the long term forecast cash flows, working capital estimates, discount rates, capital expenditure and expected proceeds from disposal of non-operational assets.

To the extent possible, the estimates, assumptions and judgements used reflect the COVID-19 pandemic uncertainties in our impairment testing.

Long term cash flows and working capital estimates

The Group prepares cash flow forecasts and working capital estimates derived from the most recent annual business plan approved by the Board of Directors for the next five years. The business plans take into account local market considerations such as the revenues and costs associated with future customer growth, the impact of local market competition and consideration of the local macro-economic and political trading environment. This rate does not exceed the average long-term growth rate for the relevant markets and it ranges between 2.9% to 4.6% (2019: 3.8% to 5.1%).

Discount rates

The discount rates applied to the cash flows of each of the Group's operations are based on an internal study conducted by the management. The study utilised market data and information from comparable listed mobile telecommunications companies and where available and appropriate, across a specific territory. The pre-tax discount rates use a forward looking equity market risk premium and ranges between 8.74% to 19.76% (2019: 13.2% to 21.4%).

Capital expenditure

The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to continue rolling out networks in emerging markets, providing voice and data products and services, and meeting the population coverage requirements of certain licenses of the Group. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.

Expected proceeds from disposal of non-operational assets

The estimate of net cash flows to be received for the disposal of non-operational assets (mainly land) of PTCL CGU is based on market approach and extrapolation analysis, considering the scale, geographic dispersion and diversity of such properties. The key assumptions for the determination of such expected proceeds are partly based on valuation by independent valuers and extrapolation of those values to remaining properties based on similar characteristics.

Sensitivity analysis

Following the impairment loss recognised in the PTCL CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

The estimated recoverable amount of the Maroc Telecom and Maroc Telecom International Subsidiaries CGUs exceeded their carrying values. Management has identified that a reasonably possible change in two key assumptions [2.3 % increase in discount rates and 1.5 % decrease in long term terminal growth rates (2019: 1.5 % increase in discount rates and 1 % decrease in long term terminal growth rates)] could cause the carrying amounts to exceed the recoverable amounts.

13. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computer, furniture AED'000	Assets under construction AED'000	Total AED'000
Cost					
At 1 January 2019	9,979,352	68,473,018	5,703,285	4,718,821	88,874,476
Additions	87,235	1,755,197	68,256	5,939,340	7,850,028
Transfer to intangible assets	-	-	(330,093)	-	(330,093)
Transfer from investment property	36,854	4,246	12,723	-	53,823
Transfers	194,769	4,526,791	716,650	(5,438,210)	-
Disposals	(10,074)	(1,095,904)	(55,486)	-	(1,161,464)
Acquisition of subsidiary	61,129	1,017,943	81,840	-	1,160,912
Exchange differences	(352,888)	(1,507,644)	54,204	(17,673)	(1,824,001)
At 31 December 2019	**9,996,377**	**73,173,647**	**6,251,379**	**5,202,278**	**94,623,681**
Depreciation and impairment					
At 1 January 2019	3,191,483	38,304,294	3,949,577	186,419	45,631,773
Charge for the year	267,639	4,643,259	507,289	-	5,418,187
Impairment losses - net	-	20,079	(608)	4,085	23,556
Disposals	(9,408)	(896,525)	(50,749)	-	(956,682)
Transfer from investment property	14,414	3,296	4,700	-	22,410
Acquisition of subsidiary	12,309	663,718	61,257	-	737,284
Exchange differences	(38,197)	(1,270,856)	(17,913)	4,390	(1,322,576)
At 31 December 2019	**3,438,240**	**41,467,265**	**4,453,553**	**194,894**	**49,553,952**
Carrying amount at 31 December 2019	**6,558,137**	**31,706,382**	**1,797,826**	**5,007,384**	**45,069,729**
Cost					
At 1 January 2020	9,996,377	73,173,647	6,251,379	5,202,278	94,623,681
Additions	109,132	901,104	181,457	4,879,868	6,071,561
Transfer to intangible assets	-	-	(606,415)	-	(606,415)
Reclassifications	(621,732)	472,015	149,717	-	-
Other movement	-	29,903	-	-	29,903
Transfers	184,515	3,459,930	926,972	(4,571,417)	-
Disposals	(7,643)	(1,303,652)	(164,318)	(11,425)	(1,487,038)
Acquisition of subsidiary	-	-	7,448	-	7,448
Exchange differences	353,503	2,993,941	206,981	(11,133)	3,543,292
At 31 December 2020	**10,014,152**	**79,726,888**	**6,953,221**	**5,488,171**	**102,182,432**
Depreciation and impairment					
At 1 January 2020	3,438,240	41,467,265	4,453,553	194,894	49,553,952
Charge for the year	242,965	4,841,041	544,648	-	5,628,654
Impairment reversals - net	-	(28,570)	-	(9,367)	(37,937)
Disposals	(3,372)	(1,227,852)	(152,608)	(3,564)	(1,387,396)
Other movement	(2,959)	30,303	222	-	27,566
Acquisition of subsidiary	-	7,402	4,862	-	12,264
Exchange differences	204,805	2,205,410	223,883	78	2,634,176
Reclassifications	(457,559)	246,698	210,861	-	-
Transfer to intangible assets	-	-	(52,283)	-	(52,283)
At 31 December 2020	**3,422,120**	**47,541,697**	**5,233,138**	**182,041**	**56,378,996**
Carrying amount at 31 December 2020	**6,592,032**	**32,185,191**	**1,720,083**	**5,306,130**	**45,803,436**

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2019: AED 1) in relation to land granted to the Group by the Federal Government of the UAE. There are no contingencies attached to this grant and as such no additional amounts have been included in the consolidated statement of profit or loss or the consolidated statement of financial position in relation to this.

An amount of AED 8.4 million (2019: AED 10.9 million) is included in property, plant and equipment on account of capitalisation of borrowing costs for the year.

Borrowings are secured against property, plant and equipment with a net book value of AED 3,981 million (2019: AED 1,702 million).

Assets under construction include buildings, multiplex equipment, line plant, exchange and network equipment.

14. Right-of-use assets

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computers, furniture AED'000	Total AED'000
Balance at 1 January 2019	1,303,679	890,250	41,387	2,235,316
Additions for the year	566,011	353,015	40,996	960,022
Disposals for the year	(33,347)	-	-	(33,347)
Depreciation for the year	(227,103)	(176,067)	(22,929)	(426,099)
Exchange differences	(60,121)	72,300	(3,739)	8,440
Balance at 31 December 2019 / 1 January 2020	**1,549,119**	**1,139,498**	**55,715**	**2,744,332**
Additions for the year	187,645	273,764	161,334	622,743
Disposals for the year	(56,961)	(158,481)	(8,635)	(224,077)
Depreciation for the year	(248,353)	(178,521)	(69,200)	(496,074)
Exchange differences	17,152	28,424	5,933	51,509
Acquisition of a subsidiary	1,669	-	-	1,669
Balance at 31 December 2020	**1,450,271**	**1,104,684**	**145,147**	**2,700,102**

15. Subsidiaries

a) The Group's principal subsidiaries are as follows:

Name		Country of incorporation	Principal activity	Percentage shareholding 2020	2019
Emirates Telecommunications and Marine Services FZE		UAE	Telecommunications services	100%	100%
Emirates Cable TV and Multimedia LLC		UAE	Cable television services	100%	100%
Etisalat International Pakistan LLC		UAE	Holds investment in Pakistan Telecommunication Co. Ltd	90%	90%
E-Marine PJSC		UAE	Submarine cable activities	100%	100%
Etisalat Services Holding LLC		UAE	Infrastructure services	100%	100%
Etisalat Technology Services LLC		UAE	Technology solutions	100%	100%
Etisalat Afghanistan		Afghanistan	Telecommunications services	100%	100%
Etisalat Misr S.A.E.		Egypt	Telecommunications services	66.4%	66.4%
Atlantique Telecom S.A.		Togo	Telecommunications services	100%	100%
Pakistan Telecommunication Company Limited		Pakistan	Telecommunications services	23% *	23% *
Etisalat Investment North Africa LLC		UAE	Holds investment Société de Participation dans les Télécommunications (SPT)	91.3%	91.3%
Société de Participation dans les Télécommunications (SPT)		Kingdom of Morocco	Holds investment in Maroc Telecom	91.3%	91.3%
Etisalat Al Maghrib S.A (Maroc Telecom)		Kingdom of Morocco	Telecommunications services	48% *	48% *
Etisalat Mauritius Private Limited		Mauritius	Holds investment in Etisalat DB Telecom Private Limited	100%	100%
Ubiquitous Telecommunications Technology LLC	Note 43	UAE	Installation and management of network systems	85%	85%
Help AG Abu Dhabi**		UAE	Digital services	100%	-
Help AG KSA**		Kingdom of Saudi Arabia	Digital services	100%	-
Etisalat Digital KSA		Kingdom of Saudi Arabia	Digital services	100%	-
Solid FZCO		UAE	Mobile Phones and accessories trading	100%	-

In prior year, Maroc Telecom acquired 100% shareholding in Tigo Chad. As the acquisition was completed in July 2019 on approval of change of control by the Tchadian authorities, consolidation of Tigo Chad commenced in July 2019 when the control was transferred to Maroc Telecom. The consideration for this acquisition was MAD 1,175 million (AED 443 million). Refer to note 41.1.

*The Group has voting rights of 53% in Maroc Telecom and 58% in Pakistan Telecommunication Company Limited, including the appointment of a majority of the Board of Directors and key management personnel.

**In prior year, the Group signed an agreement to acquire 100 % of the Help AG's businesses in United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA). The transaction was completed on 17 February 2020 after satisfying all Conditions Precedent and Completion deliverables. Accordingly, Help AG UAE and KSA have been consolidated into these consolidated financial statements, effective February 2020.

15. Subsidiaries *(continued)*

b) Disclosures relating to subsidiaries

Information relating to subsidiaries that have non-controlling interests that are material to the Group are provided below:

	Maroc Telecom consolidated	PTCL consolidated	Etisalat Misr consolidated
AED'000		**2020**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	33.6%
Revenue	6,983,580	2,252,037	1,401,271
Profit / (loss) for the year	1,252,272	(128,306)	162,559
Other comprehensive income / (loss) for the year	457,576	(80,540)	34,665
Total comprehensive income / (loss) for the year	**1,709,848**	**(208,846)**	**197,224**
Cash flows from operating activities	2,474,245	1,097,607	530,420
Cash flows from investing activities	(1,207,025)	(429,964)	(452,196)
Cash flows from financing activities	(990,647)	55,313	(57,104)
Dividends paid to non-controlling interests	(1,187,396)	(44,460)	(106,843)
Non-controlling interests as at 31 December	6,360,850	3,317,415	1,811,796
Summarised information relating to subsidiaries:			
Current assets	7,271,589	3,421,722	1,231,197
Non-current assets	35,176,392	8,471,087	9,097,508
Current liabilities	17,069,016	4,913,736	2,680,241
Non-current liabilities	4,194,959	3,756,114	2,153,683
AED'000		**2019**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	33.6%
Revenue	6,821,359	2,434,392	1,152,342
Profit / (loss) for the year	686,475	(21,698)	131,548
Other comprehensive (loss) / income for the year	(91,752)	(443,184)	180,300
Total comprehensive income / (loss) for the year	**594,723**	**(464,882)**	**311,848**
Cash flows from operating activities	3,416,505	1,025,658	502,228
Cash flows from investing activities	(1,540,695)	(632,170)	(248,160)
Cash flows from financing activities	(1,855,722)	(174,818)	(267,738)
Dividends paid to non-controlling interests	(1,475,063)	(49,067)	(57,229)
Non-controlling interests as at 31 December	5,836,387	3,570,634	1,722,027
Summarised information relating to subsidiaries:			
Current assets	5,144,448	2,501,085	1,073,409
Non-current assets	34,074,104	9,201,941	8,242,904
Current liabilities	15,920,624	4,350,656	2,494,922
Non-current liabilities	4,641,031	3,699,978	1,597,541

c) Movement in non-controlling interests

The movement in non-controlling interests is provided below:	2020 AED'000	2019 AED'000
As at 1 January	**11,155,790**	**12,298,376**
Total comprehensive income:		
Profit for the year	1,289,214	802,062
Remeasurement of defined benefit obligations - net of tax	48,672	17,269
Exchange differences on translation of foreign operations	365,002	(372,224)
Loss on revaluation of investment classified as fair value through OCI	(4,815)	(4,534)
Other movement in equity	4,118	22,858
Transaction with owners of the Company:		
Repayment of advances to non-controlling interests	-	(23,839)
Dividends	(1,341,899)	(1,584,178)
As at 31 December	**11,516,082**	**11,155,790**

16. Share of results of associates and joint ventures

	2020 AED'000	2019 AED'000
Associates (Note 17 b)	200,045	(27,837)
Joint ventures (Note 17 g)	(2,638)	(8,417)
Total	**197,407**	**(36,254)**

17. Investment in associates and joint ventures

	2020 AED'000	2019 AED'000
Associates (Note 17 b)	4,204,637	4,029,371
Joint ventures (Note 17 g)	45,370	48,009
Total	**4,250,007**	**4,077,380**

a) Associates

Name	Country of incorporation	Principal activity	Percentage shareholding 2020	2019
Etihad Etisalat Company ("Mobily")	Saudi Arabia	Telecommunications services	28%	28%
Hutch Telecommunications Lanka (Private) Limited ("Hutch")	Sri Lanka	Telecommunications services	15%	15%
Digital Financial Services LLC	UAE	Digital Wallet services	50%	50%

i) The 15 % stake in Hutch has been classified as investment in associate on account of the significant influence Etisalat Group has over the financial and operational decisions through voting rights in Board meetings of Hutch.

ii) On 23 September, 2018, Etisalat Group entered into an agreement with Noor Bank PJSC for establishment of "Digital Financial Services LLC (DFS)", that will perform digital wallet services. Under this arrangement, Etisalat Group and Noor Bank PJSC are the owners of 49.99% and 50.01% respective shareholding in DFS. In accordance with the requirements of IAS 28 and based on review of the relevant agreements, it has been determined that Etisalat Group has significant influence over DFS. Accordingly, the shareholding in DFS has been classified as investment in associate.

b) Movement in investments in associates

	Mobily		All Associates	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Carrying amount at 1 January	4,013,045	4,045,373	4,029,371	4,070,642
Share of results (Note 17)	214,621	(18,894)	200,045	(27,837)
Exchange differences	(286)	101	(286)	101
Share of other comprehensive loss – net of tax	(24,493)	(13,535)	(24,493)	(13,535)
Carrying amount at 31 December	**4,202,887**	**4,013,045**	**4,204,637**	**4,029,371**

c) Reconciliation of the above summarised financial information to the net assets of the associates

	Mobily		All Associates	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Net assets	14,140,664	13,462,489	14,143,755	13,494,600
Our share in net assets of associates	3,958,396	3,768,555	3,959,941	3,784,607
Others *	244,491	244,490	244,696	244,764
	4,202,887	**4,013,045**	**4,204,637**	**4,029,371**

* Others include an amount of AED 150 million (2019: AED 150 million) relating to premium paid on rights issue in prior years.

d) Aggregated amounts relating to associates

	Mobily		All Associates	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Current assets	6,346,489	6,420,685	6,379,425	6,472,299
Non-current assets	31,259,447	32,017,029	31,273,295	32,033,486
Current liabilities	(10,760,637)	(11,173,749)	(10,785,215)	(11,191,498)
Non-current liabilities	(12,704,634)	(13,801,476)	(12,723,750)	(13,819,687)
Net assets	**14,140,664**	**13,462,489**	**14,143,755**	**13,494,600**
Revenue	13,750,566	13,169,902	13,751,734	13,169,911
Profit	766,770	30,534	770,738	12,645
Total comprehensive income / (loss)	679,274	(17,816)	650,117	(35,705)

The share of results and carrying amounts of assets and liabilities of Mobily have been adjusted to comply with the Group accounting policies.

e) Market value of an associate

The shares of one of the Group's associates are quoted on public stock markets and it is classified as "Level-1" fair value. The market value of the Group's shareholding based on the quoted prices is as follows:

	2020 AED'000	2019 AED'000
Etihad Etisalat Company ("Mobily")	6,047,019	5,275,505

17. Investment in associates and joint ventures *(continued)*

f) Joint ventures

Name	Country of incorporation	Principal activity	Percentage shareholding 2020	Percentage shareholding 2019
Smart Technology Services DWC – LLC	UAE	ICT Services	50%	50%
Emirates Facilities Management LLC	UAE	Facilities management	50%	50%

g) Movement in investment in joint ventures	2020 AED'000	2019 AED'000
Carrying amount at 1 January	**48,009**	**58,626**
Share of results	(2,638)	(8,417)
Dividends	-	(2,200)
Carrying amount at 31 December	**45,370**	**48,009**

h) Aggregated amounts relating to joint ventures	2020 AED'000	2019 AED'000
Current assets (including cash and cash equivalents AED 38,008 thousand (2019: AED 49,629 thousand)	228,410	238,640
Non-current assets	20,406	6,028
Current liabilities (including current financial liabilities excluding trade and other payables and provisions of AED 119,370 thousand (2019: AED 86,201 thousand)	(147,105)	(143,486)
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions of AED 8,162 thousand (2019: AED Nil)	(11,105)	(4,505)
Net assets	**90,606**	**96,677**
Revenue	305,526	299,659
Depreciation and amortisation	1,730	3,632
Interest expenses	975	1,139
Profit or loss	(5,278)	(14,363)

The Group has not identified any contingent liabilities or capital commitments in relation to its interest in joint ventures.

18. Other investments	Fair value through profit and loss - Mandatory	Fair value through profit and loss - designated upon initial recognition	Fair value through comprehensive income statements	Amortised cost	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2019	1,118,320	-	248,995	817,833	2,185,148
Additions	130,061	225,149	11,972	333,344	700,526
Disposal	(48,939)	-	(17,400)	(113,656)	(179,995)
Fair value changes	240,765	(83)	34,959	-	275,641
Acquisition of subsidiary	-	-	36,236	-	36,236
Exchange differences	(417)	-	1,043	-	626
At 31 December 2019	**1,439,790**	**225,066**	**315,805**	**1,037,521**	**3,018,182**
At 1 January 2020	1,439,790	225,066	315,805	1,037,521	3,018,182
Additions	1,026,874	142,065	1,521	658,433	1,828,893
Disposal	(624,724)	-	(13,644)	-	(638,368)
Fair value changes	(83,644)	18,626	(4,036)	(7,126)	(76,180)
Acquisition of subsidiary	-	-	-	-	-
Exchange differences	63,176	-	7,196	32,436	102,808
At 31 December 2020	**1,821,472**	**385,757**	**306,842**	**1,721,264**	**4,235,335**
of which current*	1,074,823	-	-	-	1,074,823
of which non-current	746,649	385,757	306,842	1,721,264	3,160,512

The financial assets at amortised cost includes investments in Sukuks and other bonds. These bonds will mature in two to six years. At 31 December 2020, the market value of the investment in these bonds was AED 1,677 million (2019: AED 1,040 million).

The financial assets at amortised cost and those classified as fair value through profit or loss include bonds worth AED 937 million (2019: AED 474 million) and AED 149 million (2019: Nil), respectively, which have been temporarily lent to various financial institutions under securities lending arrangements.

*During the year, Etisalat Group acquired investments in highly liquid mutual funds which are redeemable on demand. Such investments have been classified as fair value through profit or loss with a fair value of AED 1,075 million as at 31 December 2020.

19. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at agreed commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,685 million (2019: AED 1,732 million), which are net of allowance for doubtful debts of AED 310 million (2019: AED 174 million), receivable from Federal Ministries and local bodies. See Note 7 for disclosure of the royalty payable to the Federal Government of the UAE.

In accordance with IAS 24 "Related Party Disclosures" , the Group has elected to disclose qualitatively the transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence. The nature of the transactions that the Group has with such related parties is the provision of telecommunication services. and procurement of services.

19. Related party transactions *(continued)*

b) Joint ventures and associates

	Associates		Joint Ventures	
	2020	2019	2020	2019
	AED '000	AED '000	AED '000	AED '000
Trading transactions				
Telecommunication services – sales	217,146	373,401	-	-
Telecommunication services – purchases	31,921	58,851	30,641	46,670
Management and other services	79,813	-	9,275	42,196
Due from related parties as at 31 December	**46,346**	**53,060**	**28,954**	**59,791**
Due to related parties as at 31 December	**79,642**	**-**	**4,441**	**548**

Sales to related parties comprise the provision of telecommunication products and services (primarily voice traffic and leased circuits) by the Group based on agreed commercial terms. Purchases relate exclusively to the provision of telecommunication products and services by associates to the Group based on agreed commercial terms. The amount due from related parties are unsecured and will be settled in cash.

The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions.

i. Etihad Etisalat Company ("Mobily")

Pursuant to the Communications and Information Technology Commission's (CITC) licensing requirements, Mobily entered into a management agreement ("the Agreement") with the Company as its operator from 23 December 2004. Amounts invoiced by the Company relate to annual management fees, fees for staff secondments and other services provided under the Agreement. The term of the Agreement was for a period of seven years and could be automatically renewed for successive periods of five years unless the Company served a 12 month notice of termination or Mobily served a 6 month notice of termination prior to the expiry of the applicable period.

In 2017, the Group signed a Technical Services and Support Agreement with Mobily. This agreement is for a period of five years.

c) Remuneration of key management personnel

The remuneration of the Board of Directors and other members of key management personnel of the Company, is set out below.

	2020	2019
	AED'000	AED'000
Long- term benefits	1,262	1,409
Short-term benefits	83,698	31,462

The current year remuneration includes existing and previous executives' remuneration and their end of service benefits.

20. Inventories

	2020	2019
	AED'000	AED'000
Subscriber equipment	470,104	629,957
Maintenance and consumables	428,347	376,499
Obsolescence allowances	(193,543)	(223,436)
Net Inventories	**704,908**	**783,020**

Movement in obsolescence allowances	2020	2019
	AED'000	AED'000
At 1 January	223,436	53,583
Net (decrease) / increase in obsolescence allowances	(30,148)	168,249
Exchange differences	255	1,604
At 31 December	**193,543**	**223,436**
Inventories recognised as an operating expense within direct cost of sales during the year	3,066,828	2,744,765

21. Trade and other receivables

	2020 AED'000	2019 AED'000
Amount receivable for services rendered	10,924,677	10,696,743
Amounts due from other telecommunication operators/carriers	2,211,372	2,687,867
Total gross carrying amount	**13,136,049**	**13,384,610**
Lifetime expected credit loss	(3,209,253)	(2,737,393)
Net trade receivables	**9,926,796**	**10,647,217**
Prepayments	583,630	571,074
Accrued income	800,326	894,411
Advances to suppliers	1,234,203	1,054,396
Indirect taxes receivable	472,280	406,008
Other receivables	1,899,036	1,387,766
At 31 December	**14,916,271**	**14,960,872**
Total trade and other receivables	**14,916,271**	**14,960,872**
of which current trade and other receivables	14,572,812	14,640,653
of which non-current other receivables	343,459	320,219

The Group's normal credit terms ranges between 30 and 120 days (2019: 30 and 120 days).

The Group recognises lifetime expected credit loss (ECL) for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate 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.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Trade receivable - as on 31 December 2020	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Expected credit loss rate	0% to 35%	11% to 75%	0% to 100%	20% to 100%	
Estimated total gross carrying amount	4,221,256	516,763	2,238,643	6,159,387	13,136,049
Lifetime expected credit loss	(390,228)	(74,025)	(661,854)	(2,083,146)	(3,209,253)
Net trade receivables	**3,831,028**	**442,738**	**1,576,789**	**4,076,241**	**9,926,796**

Trade receivable - as on 31 December 2019	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Expected credit loss rate	0% to 50%	9% to 75%	3.55% to 100%	9.8% to 100%	
Estimated total gross carrying amount	5,315,067	753,658	1,649,564	5,666,321	13,384,610
Lifetime expected credit loss	(207,771)	(138,899)	(667,825)	(1,722,898)	(2,737,393)
Net trade receivables	**5,107,296**	**614,759**	**981,739**	**3,943,423**	**10,647,217**

Movement in lifetime Expected Credit Losses:	2020 AED'000	2019 AED'000
At 1 January	2,737,393	2,764,488
Net increase / (decrease) in allowance for doubtful debts, net of write offs	427,533	(19,663)
Acquisition of subsidiary	368	-
Exchange differences	43,959	(7,432)
At 31 December	**3,209,253**	**2,737,393**

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered, the Group holds AED 226 million (2019: AED 225 million) of collateral in the form of cash deposits from customers. Collateral with fair value of AED 398 million (2019: AED 202 million) are held against loans to customers.

22. Contract assets

	2020 AED'000	2019 AED'000
Cost to acquire	396,281	446,364
Cost to fulfill	281,217	273,733
Unbilled revenue	1,067,809	1,306,163
	1,745,307	**2,026,260**
of which current contract assets	1,295,065	1,547,510
of which non-current contract assets	450,242	478,750
	1,745,307	**2,026,260**

23. Finance lease receivables

	2020 AED'000	2019 AED'000
Current finance lease receivables	-	4,838
Non-current finance lease receivables	159,535	167,922
	159,535	**172,760**

23.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Amounts receivable under finance lease				
Within one to two years	-	18,368	-	5,399
Between 2 and 5 years	189,206	141,904	141,871	99,414
After 5 years	47,302	94,603	45,308	87,765
	236,508	**254,875**	**187,179**	**192,578**
Less: future finance income	(49,329)	(62,297)	-	-
	187,179	**192,578**	**187,179**	**192,578**
Allowances for uncollectible lease payments	(27,644)	(19,818)	(27,644)	(19,818)
	159,535	**172,760**	**159,535**	**172,760**

The Group recognizes lifetime expected credit loss (ECL) for finance lease receivables using the simplified approach. The expected credit losses on these financial assets are estimated using external credit data which incorporating general economic conditions of the industry in which the debtors operate 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.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 6.5% per annum.

All present amounts receivable are guaranteed by an appointed guarantor who is obligated to pay unconditionally all due amounts upon failure to pay within 45 days of receiving notice.

24. Cash and cash equivalents

	2020 AED'000	2019 AED'000
Maintained in UAE	25,413,663	25,404,349
Maintained overseas, unrestricted in use	5,858,376	4,189,502
Maintained overseas, restricted in use	72,844	62,745
Cash and bank balances	**31,344,883**	**29,656,596**
Less: Deposits with maturities exceeding three months from the date of deposit	(18,139,353)	(26,829,282)
Cash and cash equivalents from continuing operations	**13,205,530**	**2,827,314**

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are denominated primarily in UAE Dirham, with financial institutions and banks. Interest is earned on these investments at prevailing market rates. The carrying amount of these assets approximates to their fair value.

25. Trade and other payables

	2020 AED'000	2019 AED'000
Current		
Federal royalty	5,594,311	5,830,457
Trade payables	7,664,028	6,704,643
Amounts due to other telecommunication administrators	2,575,938	2,889,788
Accruals	8,042,874	8,358,880
Other taxes payable	2,118,999	1,869,159
Advances from customers	365,545	313,722
Deferred income	499,672	435,564
Funds payable and amounts due to customers	691,466	415,725
Other payables	1,487,831	1,279,892
At 31 December	**29,040,664**	**28,097,830**
Non-current		
Other payables and accruals	1,407,792	2,203,389
At 31 December	**1,407,792**	**2,203,389**

Federal royalty for the year ended 31 December 2020 is to be paid as soon as the consolidated financial statements have been approved but not later than 4 months from the year ended 31 December 2020.

26. Contract liabilities

	2020 AED'000	2019 AED'000
Current		
Deferred revenues	2,905,765	2,972,783
Material right / customer loyalty	149,693	146,268
	3,055,458	**3,119,051**
Non-current		
Deferred revenues	30,885	44,053
	30,885	**44,053**

Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to AED 3,119 million (2019: AED 3,266 million) respectively.

27. Borrowings

Details of the Group's bank and other borrowings are as follows:

	Fair Value		Carrying Value	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Bank borrowings				
Short term bank borrowings	5,823,852	4,850,186	5,823,852	4,850,186
Bank loans	6,955,985	5,890,437	7,334,621	6,458,898
Other borrowings				
Bonds	13,672,359	12,684,959	12,580,935	11,607,130
Vendor financing	329,020	423,670	414,029	424,422
Others	4,914	4,612	5,307	4,980
	26,786,130	**23,853,864**	**26,158,744**	**23,345,616**
Advance from non-controlling interests			542,276	543,475
Total borrowings			**26,701,020**	**23,889,091**
of which due within 12 months			12,881,074	6,539,159
of which due after 12 months			13,819,946	17,349,932

Advance from non-controlling interests represent advance paid by the minority shareholder of Etisalat International Pakistan LLC (EIP) towards the Group's acquisition of its 26% stake in PTCL, net of repayments. The amount is interest free and is not repayable within 12 months from the statement of financial position date and accordingly the full amount is carried in non-current liabilities. The fair value of advance is not equivalent to its carrying value as it is interest-free. However, as the repayment dates are variable, a fair value cannot be reasonably determined.

In 2019, the Group signed a facility agreement with a bank for USD 725 million for general corporate and working capital purposes (including to refinance existing bonds of the Group matured in June 2019). As at 31 December 2020, the Group has utilized the full amount of the loan facility.

External borrowings of AED 3,315 million (2019: AED 2,406 million) are secured by property, plant and equipment.

On 28 April 2014, the Group had entered into multi-currency facilities agreement for EUR 3.15 billion (AED 15.9 billion) with a syndicate of local and international banks for the purpose of financing the Group's acquisition of its stake in Maroc Telecom. Financing consisted of two facilities: Tranche A was a twelve months bridge loan amounting to EUR 2.1 billion (AED 10.6 billion) at a price of Euribor plus 45 basis points for the first six months increased by 15 basis points in each of the following three months. Tranche B was a three year term loan amounting to EUR 1.05 billion (AED 5.3 billion) at a price of Euribor plus 87 basis points. Both these tranches have been settled in June 2014 following issuance of bonds as mentioned below.

On 22 May 2014, the Group completed the listing of USD 7 billion (AED 25.7 billion) Global Medium Term Note (GMTN) programme which will be used to meet medium to long-term funding requirements on the Irish Stock Exchange ("ISE"). Under the programme, Etisalat can issue one or more series of conventional bonds in any currency and amount up to USD 7 billion. The listed programme was rated Aa3 by Moody's, AA- by Standard & Poor's and A+ by Fitch rating.

On 11 June 2014, the Group issued the inaugural bonds under the GMTN programme. The issued bonds were denominated in US Dollars and Euros and consisted of four tranches:

a. 5 years tranche: USD 500 million with coupon rate of 2.375% per annum

b. 7 years tranche: EUR 1,200 million with coupon rate of 1.750% per annum

c. 10 years tranche: USD 500 million with coupon rate of 3.500% per annum

d. 12 years tranche: EUR 1,200 million with coupon rate of 2.750% per annum

The effective date for the bonds term was 18 June 2014. Net proceeds from the issuance of the bonds were used for repayment of previously outstanding facilities of EUR 3.15 billion.

In May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches.

During 2019, the Group fully repaid USD 900 million notes in accordance with their maturity profile.

As at 31 December 2020, the total amounts in issue under GMTN programme split by currency are USD 0.5 billion (AED 1.84 billion) and Euro 2.4 billion (AED 10.08 billion) as follows:

27. Borrowings *(continued)*

	Nominal Value 2020 AED'000	Fair Value 2020 AED'000	Carrying Value 2020 AED'000
Bonds			
3.500% US dollar 500 million notes due 2024	1,837,000	2,014,568	1,825,472
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,473,374	5,402,479
2.750% Euro 1,200 million notes due 2026	5,263,680	6,184,417	5,352,984
At 31 December 2020	**12,364,360**	**13,672,359**	**12,580,935**
of which due within 12 months			5,402,479
of which due after 12 months			7,178,456

	Nominal Value 2019 AED'000	Fair Value 2019 AED'000	Carrying Value 2019 AED'000
Bonds			
3.500% US dollar 500 million notes due 2024	1,837,000	1,922,811	1,823,013
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,077,054	4,913,727
2.750% Euro 1,200 million notes due 2026	5,263,680	5,685,094	4,870,390
At 31 December 2019	**12,364,360**	**12,684,959**	**11,607,130**
of which due after 12 months			11,607,130

The terms and conditions of the Group's bank and other borrowings are as follows:

	Year of last repayment	Currency	Interest rate	Carrying Value 2020 AED'000	Carrying Value 2019 AED'000
Variable interest borrowings					
Secured bank loans	2021-2026	USD	3M LIBOR and 1.7% to 2.9%	1,212,172	808,813
Unsecured bank loans	2021	EGP	Lending Corridor minus 0.25%to 0.5%	150,430	142,306
Unsecured bank loans	2022-2025	USD	3 Month Libor + 0.9%	2,653,890	2,653,091
Unsecured vendor financing	2024	PKR	6.43% to 9.34%	414,029	423,670
Unsecured short term bank borrowings	2021	EGP	Mid corridor	220,273	198,748
Secured short term bank borrowings	2021	PKR	3 Month KIBOR + (0.24% to 0.85%)	34,468	540,173
Unsecured short term bank borrowings	2021	EGP	Lending corridor Minus 0.25% to 0.5%	-	49,661
Secured bank loans	2021-2025	PKR	6 Month KIBOR + (0.75% to 2%)	94,649	112,222
Secured short term bank borrowings	2021	PKR	6.65%	118,505	84,367
Unsecured bank loans	2022-2025	PKR	3 Month KIBOR + (-1% to +3.5%)	48,069	-
Unsecured bank loans	2020	EGP	Mid corridor and 0.25 Percent	-	4,655
Fixed interest borrowings					
Unsecured short term bank borrowings	2021	MAD	3.16% to 3.5%	4,649,714	3,979,280
Secured bank loans	2021	FCFA	4.5% to 7%	264,079	185,567
Secured bank loans	2021	EURO	4.8%-5.7%	155,799	102,401
Secured short term bank borrowings	2021	FCFA	5.50%	106,606	46,243
Unsecured short term bank borrowings	2021	FCFA	6% to 8.5%	536,322	468,022
Unsecured bank loans	2026 onwards	FCFA	1% to 7%	631,299	619,645
Secured bank loans	2021-2024	FCFA	5% to 8%	210,406	228,674
Secured bank loans	2025 onwards	FCFA	5.5% - 7.25%	473,997	238,165
Unsecured bank loans	2021-2025	FCFA	0% to 9%	702,711	722,566

27. Borrowings *(continued)*

	Year of last repayment	Currency	Interest rate	Carrying Value 2020 AED'000	Carrying Value 2019 AED'000
Fixed interest borrowings (continued)					
Secured bank loans	2021-2026	PKR	2%-14.14%	873,181	-
Other borrowings					
Advance from non-controlling interest	N/A	USD	Interest free	542,276	543,475
Unsecured bonds	2024	USD	3.5%	1,825,472	1,823,013
Unsecured bonds	2021	EURO	1.8%	5,402,479	4,913,727
Unsecured bonds	2026	EURO	2.8%	5,352,984	4,870,391
Others	Various	Various	Various	27,210	130,216
Total Borrowings				**26,701,020**	**23,889,091**

a) Interest rates

The weighted average interest rate paid during the year on bank and other borrowings is set out below:

	2020	2019
Bank borrowings	3%	5%
Other borrowings	2%	3%

b) Available facilities

At 31 December 2020, the Group had AED 1,701 million (2019: AED 1,857 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	2020		2019	
	Borrowings AED'000	Lease liabilities AED'000	Borrowings AED'000	Lease liabilities AED'000
As at 1 January	**23,889,091**	**2,708,983**	**23,525,660**	**2,402**
Additions	-	815,487	-	1,318,038
Proceeds	4,599,030	-	7,291,969	-
Repayments during the year	(3,372,872)	(739,592)	(6,856,965)	(682,875)
Recognized upon adoption of IFRS 16	-	-	-	2,071,418
Exchange differences	1,585,771	-	(71,573)	-
As at 31 December	**26,701,020**	**2,784,878**	**23,889,091**	**2,708,983**

28. Hedge accounting and derivatives

In prior years, Euro bonds issued (refer to Note 27) and interest rate swap have been designated as net investment hedges and cash flow hedges respectively. The effective portion of the hedge instruments is reported in the other comprehensive income is as follow:

Effective part directly recognized in other comprehensive (loss) / income	2020 AED'000	2019 AED'000
Other comprehensive (loss) / income on net investment hedge	(720,856)	56,416
Other comprehensive loss on cash flow hedges	(76,498)	(64,602)
Total effective part directly recognised in other comprehensive loss	**(797,354)**	**(8,186)**
Fair value of derivative financial instruments		
Fair value of forward contracts and options	(15,304)	(178)
Fair value of derivative swaps	(149,776)	(65,474)
	(165,080)	**(65,652)**
These derivative financial instruments are included as following in the consolidated statement of financial position:		
Current liabilities	(149,053)	(14,321)
Non-current liabilities	(16,027)	(51,331)
	(165,080)	**(65,652)**

The fair value of bonds designated as hedge is disclosed in Note 27.

The Group has paid cash of AED Nil (2019: received AED 67 million) on maturity of derivatives.

29. Payables related to investments and licenses

	Current AED'000	Non-current AED'000	Total AED'000
At 31 December 2020			
Investments			
Atlantique Telecom S.A.	11,022	-	11,022
Help AG	-	73,155	73,155
	11,022	**73,155**	**84,177**
At 31 December 2019			
Investments			
Atlantique Telecom S.A.	11,022	-	11,022
	11,022	**-**	**11,022**

All amounts payable on acquisitions are financial liabilities measured at amortised cost and are mostly denominated in either USD, AED or PKR.

30. Lease liabilities

i) The Group as a lessee

Details of the Group's lease liabilities are as follows:

	Carrying Value	
	2020 AED'000	2019 AED'000
Contractual undiscounted cash flow		
Within one year	668,323	662,851
Between 2 and 5 years	1,933,370	1,791,391
After 5 years	2,111,860	2,002,823
Total undiscounted lease liabilities	**4,713,553**	**4,457,065**
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	573,748	549,773
of which due after 12 months	2,211,130	2,159,210

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2020, the average effective borrowing rate was from 2.62% to 18.15% (2019: 2.88% to 18.32%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

Amounts recognized in profit or loss

	2020 AED'000	2019 AED'000
Interest on lease liabilities	246,266	229,321
Expenses relating to short-term leases	3,796	11,415

Amounts recognized in the statement of cash flow

	2020 AED'000	2019 AED'000
Total cash outflow from leases	739,592	682,875

31. Provisions

	Asset retirement obligations	Other	Total
	AED'000	AED'000	AED'000
At 1 January 2019	197,612	3,224,591	3,422,203
Additional provision during the year	18,439	1,584,911	1,603,350
Reclassified from payables related to investments and licenses	-	1,467,653	1,467,653
Utilization of provision	-	(417,238)	(417,238)
Release of provision	-	(116,334)	(116,334)
Acquisition of a subsidiary	-	73,368	73,368
Unwinding of discount	-	(6,985)	(6,985)
Exchange differences	1,740	14,071	15,811
At 31 December 2019	**217,791**	**5,824,037**	**6,041,828**
Included in current liabilities	-	5,619,093	5,619,093
Included in non-current liabilities	217,791	204,944	422,735
At 1 January 2020	**217,791**	**5,824,037**	**6,041,828**
Additional provision during the year	32,414	728,435	760,849
Utilization of provision	(661)	(1,757,387)	(1,758,048)
Release of provision	-	(117,513)	(117,513)
Acquisition of a subsidiary	-	26,219	26,219
Unwinding of discount	7,730	-	7,730
Exchange differences	363	36,390	36,753
At 31 December 2020	**257,637**	**4,740,181**	**4,997,818**
Included in current liabilities	-	4,652,246	4,652,246
Included in non-current liabilities	257,637	87,935	345,572
At 31 December 2020	**257,637**	**4,740,181**	**4,997,818**

Asset retirement obligations relate to certain assets held by certain Group's overseas subsidiaries that will require restoration at a future date that has been approximated to be equal to the end of the useful economic life of the assets. There are no expected reimbursements for these amounts.

"Other" includes provisions relating to certain tax and other regulatory related items, including provisions relating to certain Group's overseas subsidiaries. Information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets has not been disclosed in these consolidated financial statements due to commercial sensitivities.

Furthermore, the Group has a balance payable of AED 2,937 million (2019: AED 2,937 million) to the Government of Pakistan (the "GoP"), the payment of which is subject to the fulfillment of certain conditions in the share purchase agreement relating to the transfer of certain assets to PTCL. In 2019, after having considered its contractual rights, the Group assessed its best estimate of this balance payable and released an amount of AED 1,469 million to profit or loss and maintained remaining provision of AED 1,468 million, the estimate of which remains valid as at 31 December 2020 (see also note 12 a).

In the prior year, in connection with the referral initiated by Wana in 2016, relating to anti-competitive practices in the fixed-line market and fixed broadband Internet access, a decision of the National Telecommunications Regulatory Authority (ANRT) Management Committee dated 17 January 2020 was notified to Itissalat Al-Maghrib S.A. (IAM) on 27 January 2020. This enforceable decision relates to a financial penalty of MAD 3.3 billion (AED 1.26 billion) and injunctions relating to the technical and pricing aspects of unbundling. The Group recorded a provision in its prior year's financial statements in the amount of AED 1.26 billion. During the year, IAM has paid the aforementioned penalty in full.

32. Provision for employees end of service benefits

The liabilities recognised in the consolidated statement of financial position are:	2020	2019
	AED'000	AED'000
Funded Plans		
Present value of defined benefit obligations	3,082,461	3,097,679
Less: Fair value of plan assets	(2,921,615)	(2,773,996)
	160,846	**323,683**
Unfunded Plans		
Present value of defined benefit obligations and other employee benefits	1,136,523	1,076,493
Total	**1,297,369**	**1,400,176**
of which included in current liabilities	102,376	112,537
of which included in non-current liabilities	1,194,993	1,287,639

The movement in defined benefit obligations for funded and unfunded plans is as follows:	2020	2019
	AED'000	AED'000
As at 1 January	4,174,172	4,449,538
Acquisition of subsidiary	-	2,265
Current service cost	102,463	103,876
Interest cost	345,814	349,904
Actuarial gain arising from changes in assumptions	(27,778)	(38,421)
Remeasurements	5,368	(12,072)
Benefits paid	(333,429)	(299,461)
Other cost	-	(10,047)
Gain on settlement	(12)	(20,882)
Exchange differences	(47,614)	(350,528)
As at 31 December	**4,218,984**	**4,174,172**

32. Provision for employees end of service benefits *(continued)*

The movement in the fair value of plan assets is as follows:	2020 AED'000	2019 AED'000
As at 1 January	**2,773,996**	**2,914,130**
Interest income	262,093	257,042
Return on plan assets excluding amounts included in interest income	96,415	1,400
Contributions received	82,751	86,254
Benefits paid	(198,868)	(200,737)
Exchange differences	(94,772)	(284,093)
As at 31 December	**2,921,615**	**2,773,996**

The amount recognised in the statement of profit or loss is as follows:	2020 AED'000	2019 AED'000
Current service cost	102,463	103,876
Net interest cost	83,721	92,862
Others	(12)	(30,928)
	186,172	**165,810**

Plan assets for funded plan are comprised as follows:	2020 AED'000	2019 AED'000
Debt instruments - unquoted	2,129,190	1,996,121
Cash and cash equivalents	426,203	495,089
Investment property	283,537	217,770
Fixed assets	161	185
Other assets	110,077	94,012
Less: liabilities	(27,553)	(29,181)
	2,921,615	**2,773,996**

Following are the significant assumptions used relating to the major plans:	2020 AED'000	2019 AED'000
Discount rate	2% to 10%	3.5% to 10%
Average annual growth rate of salary	1% to 8%	2% to 8%
Average duration of obligation	3.5 Years to 21 Years	5 Years to 21 Years
Expected withdrawal rate	1) High; service based rate 2) Based on experience	1) High; service based rate 2) Based on experience
Mortality Rate	0.33%	0.33%

Sensitivity Analysis

The calculations of the defined benefit obligations are sensitive to the significant actuarial assumptions set out above. The table below summarizes how the defined benefit obligations at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	Decrease by Assumption rate of 0.5%		Increase by Assumption rate of 0.5%	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Discount rate	673,104	736,885	(622,537)	(656,056)
Average annual growth rate of salary	(518,119)	(556,261)	552,303	622,828

Through its defined benefit plans, the Group is exposed to a number of actuarial and investment risks, the most significant of which include, interest rate risk, property market risk, longevity risk plan, withdrawal risk and salary risk for all the plans.

During the next financial year, the minimum expected contribution to be paid by the Group is AED 52 million. This is the amount by which liability is expected to increase. The amount of remeasurement, to be recognised in the next one year, will be worked out as at the next valuation.

Debt instrument comprises of bonds issued by Government of Pakistan and are rated B-, based on (Fitch rating agency) ratings.

The expense recognised in profit or loss relating to defined contribution plan at the rate specified in the rules of the plans amounting to AED 132 million (2019: AED 133 million).

33. Share capital

	2020 AED'000	2019 AED'000
Authorised:		
10,000 million (2019: 10,000 million) ordinary shares of AED 1 each	10,000,000	10,000,000
Issued and fully paid up:		
8,696.8 million (2019: 8,696.8 million) ordinary shares of AED 1 each	8,696,754	8,696,754

On 21 March 2018, the Etisalat Annual General Meeting approved the Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities. The Company obtained the approval from the securities and commodities Authority on 24 September 2018 and subsequently renewed on 13 October 2019 to buyback 5% of the subscribed shares which amounted to 434,837,700 shares.

On 22 February 2021, the Board of Directors proposed the cancellation of the share buyback program and instead proposed a one-time special dividend of AED 0.40 per share.

34. Reserves

The movement in the reserves is provided below:	2020 AED'000	2019 AED'000
Balance at 1 January	**27,812,896**	**26,904,769**
Total comprehensive income / (loss) for the year	334,582	(47,758)
Transfer from retained earnings	247,880	955,885
Other movements	5,222	-
As at 31 December	**28,400,580**	**27,812,896**

The movement for each type of reserves is provided below:	2020 AED'000	2019 AED'000
Translation reserve		
As at 1 January	(7,475,384)	(7,456,962)
Exchange differences on translation of foreign operations	1,143,301	(98,762)
Cumulative loss transferred to profit or loss on disposal of foreign operation	-	23,924
(Loss) / gain on hedging instruments designated in hedges of the net assets of foreign operations	(720,856)	56,416
As at 31 December	**(7,052,939)**	**(7,475,384)**
Investment revaluation reserve		
As at 1 January	33,158	(13,927)
Gain on revaluation	34	47,085
Other movements	5,222	-
As at 31 December	**38,414**	**33,158**
Development reserve	**7,850,000**	**7,850,000**
Cash Flow hedge reserve		
As at 1 January	(72,491)	3,930
Loss on revaluation	(87,897)	(76,421)
As at 31 December	**(160,388)**	**(72,491)**
Asset replacement reserve	**8,281,600**	**8,281,600**
Statutory reserve		
As at 1 January	5,101,258	4,145,373
Transfer from retained earnings	247,880	955,885
As at 31 December	**5,349,138**	**5,101,258**
General reserve	**14,094,756**	**14,094,756**

a) Development reserve, asset replacement reserve and general reserve

These reserves are all distributable reserves and comprise amounts transferred from unappropriated profit at the discretion of the Group to hold reserve amounts for future activities including the issuance of bonus shares.

b) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the respective Articles of Association of some of the Group's subsidiaries, 10% of their respective annual profits should be transferred to a non-distributable statutory reserve. The Company's share of the reserve has accordingly been disclosed in the consolidated statement of changes in equity.

c) Translation reserve

Cumulative foreign exchange differences arising on the translation of overseas operations are taken to the translation reserve.

d) Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

35. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Capital management

The Group's capital structure is as follows:	2020 AED'000	2019 AED'000
Bank borrowings	(13,158,473)	(11,309,084)
Bonds	(12,580,935)	(11,607,130)
Other borrowings	(961,612)	(972,877)
Lease liabilities	(2,784,878)	(2,708,983)
Cash and bank balances	31,344,883	29,656,596
Net funds	**1,858,985**	**3,058,522**
Total equity	60,550,021	57,767,099

The capital structure of the Group consists of bonds, bank and other borrowings, finance lease obligations, cash and bank balances and total equity comprising share capital, reserves and retained earnings.

The Group monitors the balance between equity and debt financing and establishes internal limits on the maximum amount of debt relative to earnings. The limits are assessed, and revised as deemed appropriate, based on various considerations including the anticipated funding requirements of the Group and the weighted average cost of capital. The overall objective is to maximise returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Categories of financial instruments

The Group's financial assets and liabilities consist of the following:

	2020 AED'000
Financial assets	
Amortised cost financial assets;	
Due from related parties	75,300
Finance lease receivables	159,535
Trade and other receivables, excluding prepayments and advances to suppliers	13,098,438
Cash and bank balances	31,344,883
Investment carried at amortised cost	1,721,264
	46,399,420
Financial assets carried at fair value through OCI	306,842
Fair value through profit or loss	2,207,229
	48,913,491
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue and advances from customers	29,583,239
Borrowings	26,701,020
Payables related to investments and licenses	84,177
Lease liabilities	2,784,878
Due to related parties	84,083
Derivative financial instruments	165,080
	59,402,477

The Group's financial assets and liabilities consist of the following:

	2019 AED'000
Financial assets	
Loans and receivables, held at amortised cost:	
Due from related parties	112,852
Finance lease receivables	172,760
Trade and other receivables, excluding prepayments and advances to suppliers	13,335,402
Cash and bank balances	29,656,596
Investment carried at amortised cost	1,037,521
	44,315,131
Financial assets carried at fair value through OCI	315,805
Fair value through profit or loss	1,664,856
	46,295,792
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue and advances from customers	29,551,933
Borrowings	23,889,091
Payables related to investments and licenses	11,022
Lease liabilities	2,708,983
Due to related parties	548
Derivative financial instruments	65,652
	56,227,229

35. Financial instruments *(continued)*

Financial risk management objectives

The Group's corporate finance function monitors the domestic and international financial markets relevant to managing the financial risks relating to the operations of the Group. Any significant decisions about whether to invest, borrow funds or purchase derivative financial instruments are approved by either the Board of Directors or the relevant authority of either the Group or of the individual subsidiary. The Group's risk includes market risk, credit risk and liquidity risk.

The Group takes into consideration several factors when determining its capital structure with the aim of ensuring sustainability of the business and maximizing the value to shareholders. The Group monitors its cost of capital with a goal of optimizing its capital structure. In order to do this, the Group monitors the financial markets and updates to standard industry approaches for calculating weighted average cost of capital, or WACC. The Group also monitors a net financial debt ratio to obtain and maintain the desired credit rating over the medium term, and with which the Group can match the potential cash flow generation with the alternative uses that could arise at all times. These general principles are refined by other considerations and the application of specific variables, such as country risk in the broadest sense, or the volatility in cash flow generation, or the applicable tax rules, when determining the Group's financial structure.

a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risks on equity investments. From time to time, the Group will use derivative financial instruments to hedge its exposure to currency risk. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

Foreign currency risk

The Company's presentation/functional currency is United Arab Emirates Dirham ("AED"). Foreign currency risk arises from transactions denominated in foreign currencies and net investments in foreign operations.

The Group has foreign currency transactional exposure to exchange rate risk as it enters into contracts in other than the functional currency of the entity (mainly USD and Euro). The Group entities also enter into contracts in it's functional currencies including Egyptian Pounds, Pakistani Rupee, Afghani, and Moroccan Dirham. Etisalat UAE also enters into contracts in USD which is pegged to AED. Atlantique Telecom Group enters into Euros contracts as Central African Franc ("CFA") is pegged to Euro and Maroc Telecom also enters into Euro contracts as Moroccan Dirham is 60% pegged to Euro. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

In addition to transactional foreign currency exposure, a foreign currency exposure arises from net investments in the Group entities whose functional currency differs from the Group's presentation currency (AED). The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the Group's presentation currency. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the Group's consolidated financial statements.

This translation risk does not give rise to a cash flow exposure. Its impact arises only from the translation of the net investment into the group's presentation currency. This procedure is required in preparing the Group's consolidated financial statements as per the applicable IFRS.

The cross currency swaps involve the exchange of principal and floating or fixed interest receipts in the foreign currency in which the issued bonds are denominated, for principal and floating or fixed interest payments in the Company's functional currency. The fair value of a cross currency swap is determined using standard methods to value cross currency swaps and is the estimated amount that the swap contract can be exchanged for or settled with under normal market conditions. The key inputs are the yield curves, basis curves and foreign exchange rates. In accordance with the fair value hierarchy within IFRS 7 Financial Instruments: Disclosure, the fair value of cross currency swaps represent Level 2 fair values.

Foreign currency sensitivity

The following table presents the Group's sensitivity to a 10 per cent change in the AED against the Egyptian Pound, the Euro, the Pakistani Rupee, Moroccan Dirham and Central African Franc. These five currencies account for a significant portion of the impact of net profit, which is considered to be material within the Group's financial statements in respect of subsidiaries and associates whose functional currency is not the AED. The impact has been determined by assuming a weakening in the foreign currency exchange of 10% upon closing foreign exchange rates. A positive number indicates an increase in the net cash and borrowings balance if the AED/USD were to strengthen against the foreign currency.

	Impact on profit and loss		Impact on equity	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Increase in profit and in equity				
Egyptian pounds	24,107	23,366	-	-
Euros	842,392	554,654	241,338	345,785
Pakistani rupees	66,963	91,662	-	-
Moroccan Dirhams	443,074	389,916	-	-
Central African Franc	205,891	200,798	-	-

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group monitors the market interest rates in comparison to its current borrowing rates and determines whether or not it believes it should take action related to the current interest rates. This includes a consideration of the current cost of borrowing, the projected future interest rates, the cost and availability of derivate financial instruments that could be used to alter the nature of the interest and the term of the debt and, if applicable, the period for which the interest rate is currently fixed.

Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2020, if interest rates had been 2% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by AED 45 million (2019: AED 49 million). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

35. Financial instruments *(continued)*

Other price risk

The Group is exposed to equity price risks arising from its unlisted and listed equity investments. Equity investments are mainly held for trading purposes and held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. See Note 18 for further details on the carrying value of these investments

If equity price had been 5% higher or lower:

• profit for the year ended 31 December 2020 would increase/decrease by AED 14.03 million (2019: AED 16.37) due to changes in fair value recorded in profit/loss for equity shares classified as fair value through profit and loss.

• other comprehensive income for the year ended 31 December 2020 would increase/decrease by AED 4.95 million (2019: increase/decrease by AED 5.51 million) as a result of the changes in fair value of equity shares classified as FVTOCI and an amount of AED Nil (2019: AED 0.025 million) as loss/profit realised on impairment/disposal of investments in equity shares classified as FVTOCI.

b) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's bank balances and trade and other receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For its surplus cash investments, the Group considers various factors in determining with which banks and /corporate to invest its money including but not limited to the financial health, Government ownership (if any), the rating of the bank by rating agencies The assessment of the banks and the amount to be invested in each bank is assessed annually or when there are significant changes in the marketplace.

Group's bank balance	2020	2019
Investment in UAE	81%	86%
Investment outside of the UAE	19%	14%

Bank rating for Investment in UAE	2020		2019	
	AED	Rating	AED	Rating
By Moody's	2.3 billion	A3	12.5 billion	A3
			2.9 billion	Aa3
			4.4 billion	Baa1
	7.8 billion	A2	1.1 billion	A2
	0.2 billion	A1	0.2 billion	A1
By S&P	3.7 billion	A	2.8 billion	A
			0.7 billion	A-

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, collateral is received from customers usually in the form of a cash deposit.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2020	2019
	AED'000	AED'000
Allowances on trade receivables and contract assets	1,041,084	914,785
Allowances on due from other telecommunication operators/carriers	110,633	200,981
Allowance / (reversal) on finance lease receivables	7,647	(1,063)
Total loss on allowances	**1,159,364**	**1,114,703**

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The details of the available undrawn facilities that the Group has at its disposal at 31 December 2020 to further reduce liquidity risk is included in Note 27. The majority of the Group's financial liabilities as detailed in the consolidated statement of financial position are due within one year.

35. Financial instruments *(continued)*

Financial liabilities are repayable as follows:

AED'000	Trade and other payables*	Borrowings	Payables related to investments and licenses	Lease liabilities	Derivative financial liabilities	Total
On demand or within one year	28,175,448	13,212,153	11,022	668,323	-	42,066,946
In the second year	611,481	1,822,220	-	410,850	-	2,844,551
In the third to fifth years inclusive	741,053	6,872,615	73,155	1,522,520	140,289	9,349,632
After the fifth year	55,259	6,097,575	-	2,111,860	11,298	8,275,992
As At 31 December 2020	**29,583,241**	**28,004,563**	**84,177**	**4,713,553**	**151,587**	**62,537,121**
On demand or within one year	27,348,544	6,825,430	11,022	662,851	14,449	34,862,296
In the second year	629,998	6,611,340	-	379,681	7,276	7,628,295
In the third to fifth years inclusive	1,521,937	6,420,456	-	1,411,710	44,218	9,398,321
After the fifth year	51,454	5,548,798	-	2,002,823	1,226	7,604,301
As At 31 December 2019	**29,551,933**	**25,406,024**	**11,022**	**4,457,065**	**67,169**	**59,493,213**

The above table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

*Trade and other payables exclude deferred revenue and advances from customers

d) Fair value measurement of financial assets and liabilities

	Fair value hierarchy as at 31 December 2020				
	Carrying value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets					
Finance lease receivables	159,535	-	219,200	-	219,200
Investment carried at amortised cost	1,721,264	1,677,316	-	212,372	1,889,688
Financial assets classified at fair value through OCI	306,842	-	-	306,842	306,842
Financial assets carried at fair value through profit or loss	2,207,229	1,739,480	413,812	53,937	2,207,229
	4,394,870	**3,416,796**	**633,012**	**573,151**	**4,622,960**
Financial liabilities					
Borrowings	26,701,020	-	27,328,406	-	27,328,406
Lease liabilities	2,784,878	-	2,784,878	-	2,784,878
Derivative financial liabilities	165,080	-	165,080	-	165,080
	29,650,978	**-**	**30,278,364**	**-**	**30,278,364**

	Fair value hierarchy as at 31 December 2019				
	Carrying value AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets					
Finance lease receivables	172,760	-	220,452	-	220,452
Investment carried at amortised cost	1,037,521	1,150,143	-	-	1,150,143
Financial assets classified at fair value through OCI	315,805	11,346	-	304,459	315,805
Financial assets carried at fair value through profit or loss	1,664,856	552,958	1,065,431	46,467	1,664,856
	3,190,942	**1,714,447**	**1,285,883**	**350,926**	**3,351,256**
Financial liabilities					
Borrowings	23,889,091	-	24,397,339	-	24,397,339
Lease liabilities	2,708,983	-	2,708,983	-	2,708,983
Derivative financial liabilities	65,652	-	65,652	-	65,652
	26,663,726	**-**	**27,171,974**	**-**	**27,171,974**

35. Financial instruments *(continued)*

d) Fair value measurement of financial assets and liabilities *(continued)*

Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 classification comprises unobservable inputs.

Some of the Group's financial assets and liabilities are measured at fair value or for which fair values are disclosed. Information on how these fair values are determined are provided below:

- Borrowings are measured and recorded in the consolidated statement of financial position at amortised cost and their fair values are disclosed in Note 27.
- Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
- Fair value of listed securities and Sukuks are derived from observable quoted market prices for similar items. These represent Level 1 fair values.

Unquoted equity securities represent Level 3 fair values. Details are included in Note 18 "Other investments".

The carrying amounts of the other financial assets and liabilities recorded in the consolidated financial statements approximate their fair values.

The fair value of other investments amounting to AED 573 million (2019: AED 351 million) are classified as Level 3 because the investments are not listed and there are no recent arm's length transactions in the shares. The valuation technique applied is internally prepared valuation models using future cash flows discounted at average market rates. Any significant change in these inputs would change the fair value of these investments.

As at 31 December 2020, certain debt instruments aggregating to AED 110 million were transferred from level 1 to level 3 due to the reason that observable price is no longer regularly available. There have been no other transfers during the year.

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on cash flows discounted at rates derived from market sourced data.

Reconciliation of Level 3	2020 AED'000	2019 AED'000
As at 1 January	**350,926**	**277,305**
Additions	99,765	18,783
Foreign exchange difference	25,751	1,043
Disposal	(7,126)	(17,400)
Revaluation	(6,408)	34,959
Acquisition of a subsidiary	-	36,236
Transfers	110,243	-
As at 31 December	**573,151**	**350,926**

36. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 5,743 million (2019: AED 7,104 million).

The Group has issued letters of credit amounting to AED 306 million (2019: AED 288 million).

37. Contingent liabilities

a) Bank guarantees

	2020 AED million	2019 AED million
Performance bonds and guarantees in relation to contracts	1,967	2,091
Companies Overseas investments	1,850	1,943

b) Other contingent liabilities

i) The Group and its associates are disputing certain charges from the governmental and telecom regulatory agencies and telecom operators in certain International jurisdictions but do not expect any material adverse effect on the Group's financial position and results from resolution of these disputes.

ii) In 2010, Pakistan Telecommunication Employees Trust ("PTET") board approved the pension increase which was less than the increase notified by the Government of Pakistan ("GoP"). Thereafter, pensioners filed several Writ Petitions. After a series of hearings, on 12 June 2015 the Apex Court decided the case in the interest of pensioners.

On 13 July 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of 12 June 2015.

The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. However, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated 12 June 2015 have been directed by the Apex Court to approach the appropriate forum on 10 May 2018.

Under the circumstances, management of PTCL, on the basis of legal advice, believes that PTCL's obligations against benefits is restricted to the extent of pension increases as determined solely by the Board of Trustees of the PTET in accordance with the Pakistan Telecommunications (Re-Organization) Act, 1996 and the Pension Trust rules of 2012 and accordingly, no provision has been recognized in these consolidated financial statements.

iii) The Group's associate, Etisalat Etihad Company (Mobily) has received several penalty resolutions from the Communication Information Technology Commission (CITC's) Violation Committee which Mobily has objected to, in accordance with the Telecom regulations. The reasons of issuing these resolutions vary between the manner followed in issuing prepaid SIM cards and providing promotions that have not been approved by CITC and/or other reasons.

Multiple lawsuits were filed by Mobily against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

• There are (441) lawsuits filed by the Group against CITC amounting to SAR 489 (AED 479) million as of 31 December 2020.

• The Board of Grievance has issued (147) verdicts in favor of the Group voiding (147) resolutions of the CITC's violation committee with a total penalties amounting to SAR 376 (AED 368) million as of 31 December 2020.

• Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SAR 376 (AED 368) million as of 31 December 2020.

There are 188 lawsuits filed by some of the shareholders against the Group before the Committee for the Resolutions of Security Disputes and still being adjudicated by the said committee. As of 31 December 2020, the Company has received (159) final favorable verdicts. Whereas, (11) cases have been dismissed, (4) cases are suspended, (2) cases are abandoned and (12) cases remain ongoing.

Various Mobily shareholder claims (89) totaling SAR 1.9 (AED 1.86) billion have been made against the 2013/2014 members of the Board of Mobily ("Defendants") and others, and these have been filed with the CRSD. Proceedings are currently at various stages of the hearings and it is not possible at this stage to estimate the financial exposure, if any, flowing from the proceedings of the hearings.

Whilst more than 15 claims have so far, been dismissed on procedural grounds, the first substantial decision in relation to such claims was issued by the CRSD in November 2020, and subsequently upheld at the Appellate level (ACRSD) in a final and binding decision issued in late December 2020. The decision exonerated the Defendants and found former members of the Mobily executives, to have violating article 49a of the Capital Market Law.

Notwithstanding this new development, the CRSD confirmed on 28 December 2020, the launch of a class action claim against both (i) former members of the Mobily Board who were previously named as defendants in the May 2018 ACRSD final decision and (ii) former members of the Mobily executives who were named as defendants in the October 2020 ACRSD final decision. Claimants who purchased shares in Mobily after the release of its financial statement for Q2, 2013 and held onto such shares until 29 October 2014 are eligible to join in the class action claim.

38. Dividends

Amounts recognised as distribution to equity holders:	AED'000
31 December 2019	
Final dividend for the year ended 31 December 2018 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2019 of AED 0.40 per share	3,477,198
	6,954,396
31 December 2020	
Final dividend for the year ended 31 December 2019 of AED 0.40 per share	3,477,198
First interim dividend for the year ended 31 December 2020 of AED 0.25 per share	2,173,249
Second interim dividend for the year ended 31 December 2020 of AED 0.15 per share	1,303,949
	6,954,396

A final dividend of AED 0.40 per share was declared by the Board of Directors on 18 February 2020, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2019.

An interim dividend of AED 0.25 per share was declared by the Board of Directors on 21 April 2020 for the year ended 31 December 2020.

An interim dividend of AED 0.15 per share was declared by the Board of Directors on 21 July 2020 for the year ended 31 December 2020.

On 22 February 2021, the Board of Directors proposed a final dividend of AED 0.40 per share for the second half of 2020 bringing total dividends per share to AED 0.80 for the year. In addition, the Board of Directors proposed a one-time special dividend of AED 0.40 per share. As a result, the total dividend per share for the full year 2020 is AED 1.20, subject to shareholders' approval.

39. Earnings per share

	2020	2019
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	**9,026,522**	8,692,516
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,696,754**	8,696,754
Earnings per share		
Basic and diluted	**AED 1.04**	AED 1.00

40. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The criteria of legal enforceable right of set-off should be applicable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The following table presents the recognised financial assets and liabilities that are offset, as at 31 December 2020 and 31 December 2019.

	Gross amounts	Gross amounts set off	Net amount presented
	2020	2020	2020
	AED '000	AED '000	AED '000
Financial assets			
Amounts due from other telecommunication administrators	11,879,987	(9,668,615)	2,211,372
Financial liabilities			
Amounts due to other telecommunication administrators	12,244,553	(9,668,615)	2,575,938

	Gross amounts	Gross amounts set off	Net amount presented
	2019	2019	2019
	AED '000	AED '000	AED '000
Financial assets			
Amounts due from other telecommunication administrators	9,306,453	(6,618,586)	2,687,867
Financial liabilities			
Amounts due to other telecommunication administrators	9,508,374	(6,618,586)	2,889,788

41. Acquisition of subsidiaries

41.1. Acquisition of Tigo Chad

On 1 July 2019, Maroc Telecom completed the acquisition of 100% shareholding in Tigo Chad from Millicom for a consideration of MAD 1,175 million (AED 443 million)

41.1.1. Identifiable assets acquired and liabilities assumed

During the year , Maroc Telecom completed the fair valuation of identifiable assets acquired and liabilities assumed which is summarized in the following table:

	AED'000
Net identifiable assets acquired	**141,658**
Goodwill recognised	302,332
Fair value of investment	**443,990**
Net cash inflow arising on acquisition:	
Cash and bank balances	29,844

41.1.2. Consideration transferred

Consideration paid	443,990
Less: Cash and bank balances	(29,844)
	414,146

41.2. Acquisition of Help AG's businesses

In prior year, the Group signed an agreement to acquire 100 % of the Help AG's businesses in United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA). The transaction was completed on 17 February 2020 after satisfying all Conditions Precedent and Completion deliverables. Accordingly, Help AG UAE and KSA have been consolidated into these consolidated financial statements, effective February 2020.

41.2.1. Identifiable assets acquired and liabilities assumed

During the year , the Group has completed the fair valuation of identifiable assets acquired and liabilities assumed which is summarized in the following table:

	AED'000
Intangible assets	2,113
Cash and bank balances	19,069
Trade and other receivables	127,452
Inventories	711
Property, plant and equipment	2,586
Right-of-use assets	1,669
Trade and other payables	(66,873)
Lease liabilities	(1,720)
Provision for employees end of service benefits	(3,494)
Net identifiable assets acquired	**81,513**
Goodwill recognised on the basis of fair valuation	76,469
Customers related intangible asset recognised on the basis of fair valuation	74,948
Trademark related intangible asset recognised on the basis of fair valuation	10,692
Fair value of investment	**243,622**
Net cash inflow arising on acquisition:	
Cash and bank balances	19,069

42. Impact of COVID-19 pandemic

Business outlook for 2020 was affected by risks and uncertainties caused by a multitude of factors, some of which were beyond the Group's control.

In this context the Group highlights the health emergency due to the recent spread of the COVID-19 virus, which was declared a pandemic by the World Health Organization during the quarter ended 31 March 2020. To contain the adverse implications for humanity and businesses, governments around the world, including the a majority of the countries where we operate and the United Arab Emirates, have in response to this outbreak announced various support measures and imposed to varying degrees restrictions on the movement of people and goods. Whilst the restriction of people and goods has adversely impacted some businesses, at present the extent of those future impacts is unclear as they will be determined by various factors, including the success of the support measures introduced by governments, businesses' ability to manage their operations during these times and the timing and manner of the easing of the restrictions.

Etisalat Group's existing documented business continuity plan was activated to ensure the safe and stable continuation of its business operations. Business Continuity Planning Committees have been formed to determine and oversee the implementation of all business continuity plans associated with the effects of COVID-19, including measures to address and mitigate any identified key operational and financial issues.

The Group has performed its assessment of the COVID-19 impact and noted that the lockdown measures led to mobility and travel restrictions. This impacted the way the Group conducts its business and put pressure on revenue as a result of stores closure, affecting the mobile prepaid segment and handset sales in addition to loss of roaming revenue due to the travel ban. Moreover, additional provisions related to trade receivables and contract assets were booked during the year.

In the third and fourth quarters, as restrictions began to ease, commercial activities improved gradually. However, due to weaker macroeconomics that continued to pressure consumer and corporate spending, they remained below their pre-COVID-19 levels.

In response to the top-line pressure, Etisalat Group was agile in implementing cost optimization initiatives to face the impact of COVID-19. At the same time, it remained focused on initiatives for the future.

Also, COVID-19 led to the reduction in certain financial investments carried at fair value. Based on the overall assessment, the Group has concluded that significant changes are not required as of 31 December 2020 in its key accounting judgements and estimates from those applied in the last annual consolidated financial statements as of 31 December 2019, except for updating the forward-looking assumptions relating to the macroeconomic environment used to determine the likelihood of credit losses and those underlying impairment testing computations for various CGUs.

Along with other groups in Morocco, Etisalat Group's subsidiary, Maroc Telecom, has contributed an amount of MAD 1.5 billion (AED 551 million) during the current year to the special fund dedicated to manage the coronavirus pandemic which is included in Other costs under Finance and other costs.

The effects of COVID-19 on humanity and businesses continues to evolve, hence there are potential risks and uncertainties associated with its future impact on businesses, though the Group continues to update its plans to seek to respond to them.

43. Reclassification

Certain corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation.