Emirates Telecommunications Group Company PJSC

Report and consolidated financial statements for the year ended 31 December 2021

Emirates Telecommunications Group Company PJSC

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BOARD OF DIRECTORS

Chairman	H.E. Jassem Mohamed Obaid Alzaabi (Appointed in March 2021)
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 Ahmed Alabdooli (Appointed in March 2021) Mansoor Ibrahim Ahmed Al Mansoori (Appointed in March 2021) Michel Combes (Appointed in March 2021) Abdelmonem Bin Eisa Alserkal Khalid Abdulwahid Hassan Alrustamani Otaiba Khalaf Ahmed Al Otaiba
Group Corporate Secretary	Hasan Mohamed Hasan Al Hosani

AUDIT COMMITTEE

Chairman	Mariam Saeed Ahmed Ghobash (Appointed in September 2021)
Members	Sheikh Ahmed Mohd Sultan Al Dhahiri Mansoor Ibrahim Ahmed Al Mansoori (Appointed in April 2021) Salim Sultan Al Dhaheri (external member)

NOMINATIONS AND REMUNERATIONS COMMITTEE

Chairman	Michel Combes (Appointed as chairman in September 2021)
Members	Essa Abdulfattah Kazim Al Mulla (Appointed in September 2021) Mansoor Ibrahim Ahmed Al Mansoori (Appointed in April 2021) Otaiba Khalaf Ahmed Al Otaiba

RISK COMMITTEE

Chairman	Hesham Abdulla Qassim Al Qassim (Appointed in April 2021)
Members	Essa Abdulfattah Kazim Al Mulla (Appointed in April 2021) Saleh Abdulla Ahmed Alabdooli (Appointed in April 2021) Khalid Abdulwahid Hassan Alrustamani (Appointed in April 2021)

INVESTMENT AND FINANCE COMMITTEE

Chairman	H.E. Jassem Mohamed Obaid Alzaabi (Appointed in April 2021)
Members	Hesham Abdulla Qassim Al Qassim (Appointed in April 2021) Mariam Saeed Ahmed Ghobash Michel Combes (Appointed in April 2021) Abdelmonem Bin Eisa Alserkal (Appointed in April 2021)
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REGIONAL OFFICES:	Abu Dhabi, Dubai, Northern Emirates

Emirates Telecommunications Group Company PJSC

Report and consolidated financial statements for the year ended 31 December 2021

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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 2021, 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 2021, 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.

Revenue recognition

See Note 3, 4 and 6 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
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 & implementation and tested the operating effectiveness of the manual controls and general IT controls and application controls around the Group's IT environment relevant to initiation, authorization, processing and recording of revenue transactions. In doing so, we involved our IT specialists to assist in the audit of automated 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)

Federal royalty

See Note 4, 7 and 25 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
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 2021 and the federal royalty liability as of that date is AED 5,542 million and AED 5,541 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 2021.

Key Audit Matters (continued)

Assessment of carrying value of goodwill

See Note 3, 4, 11 and 12 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group holds significant investments in telecommunication and related businesses in various geographical locations. The carrying value of goodwill as of 31 December 2021 totaled AED 11,352 million. The carrying amount 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*. 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, 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 to its recoverable amount, which was estimated as the present value of its future projected cash flows. 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 includes consideration of the effects of the COVID-19 pandemic on the macroeconomic factors used in arriving at the assumptions which underpin valuations.	Our audit approach included an understanding and assessment of the design & implementation 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, our procedures included, amongst others, those described below: • We tested management judgments around which assets and liabilities should form part of the CGU for reasonableness; • We engaged our valuation specialists to test the reasonableness of the key assumptions underpinning the valuation, including the CGU's respective discount rate and terminal growth rate; • We tested the mathematical accuracy and integrity of the respective impairment workings; • 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)	
Provisions and contingent liabilities	
See Note 3, 4, 7, 9, 10, 25, 31 and 37 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
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 significant 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 opinions around the merit of the Group's legal position with respect to each significant dispute. 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 Matters (continued)

Property, plant and equipment

See Note 3, 4 and 13 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The carrying value of the Group's property plant and equipment ("PPE") amounts to AED 43,715 million, which represents 34% of the Group's total assets as of 31 December 2021. 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. 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.	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 2021 which included examination of management's assessment as to whether the costs met the criteria for capitalization under IFRS. On a sample basis, we evaluated the reasonableness of depreciation rates and residual values assigned to certain 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 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, 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.

Other Information (continued)

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 (as amended) 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 (as amended) we report that for the year ended 31 December 2021:

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

ii) the 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 (as amended);

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;

Report on Other Legal and Regulatory Requirements (continued)

v) as disclosed in note 15 to the consolidated financial statements, the Group has purchased additional shares during the year ended 31 December 2021;

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 2021 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 (as amended) 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 2021; and

viii) note 7 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2021.

KPMG Lower Gulf Limited

Richard Ackland
Registration No:1015
Abu Dhabi, United Arab Emirates

Date: 24 February 2022

Emirates Telecommunications Group Company PJSC

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

	Notes	2021 AED'000	2020 AED'000
Revenue	6 (a)	53,342,246	51,708,211
Operating expenses	7 (a)	(34,081,274)	(31,839,996)
Impairment loss on trade receivables and contract assets	35 (b)	(1,069,210)	(1,159,364)
Impairment loss on other assets - net	12	(148,141)	(296,704)
Share of results of associates and joint ventures	16	297,462	197,407
Operating profit before federal royalty		**18,341,083**	**18,609,554**
Federal royalty	7 (b)	(5,541,606)	(5,594,431)
Operating profit		**12,799,477**	**13,015,123**
Finance and other income	8	1,289,120	1,112,374
Finance and other costs	9	(1,284,136)	(2,361,052)
Profit before tax		**12,804,461**	**11,766,445**
Income tax expenses	10	(1,744,972)	(1,450,709)
Profit for the year		**11,059,489**	**10,315,736**
Profit attributable to:			
Owners of the Company		9,317,045	9,026,522
Non-controlling interests	15(c)	1,742,444	1,289,214
		11,059,489	**10,315,736**
Earnings per share			
Basic and diluted	39	AED 1.07	AED 1.04

Chairman

Board Member

The accompanying notes on pages 15 to 72 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 9.

Emirates Telecommunications Group Company PJSC

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

	Notes	2021 AED'000	2020 AED'000
Profit for the year		11,059,489	10,315,736
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations - net of tax		(51,594)	103,136
Share of other comprehensive loss of associates and joint ventures – net of tax		(2,189)	(12,669)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1,285,250)	1,508,303
Gain / (loss) on net investment hedge	28,34	782,797	(720,856)
Fair value gain/(loss) arising on cash flow hedges		97,490	(76,498)
Loss on revaluation of financial assets		(5,458)	(4,635)
Share of other comprehensive income / (loss) of associates and joint ventures – net of tax		20,012	(11,546)
Total other comprehensive (loss) / income		**(444,192)**	**785,235**
Total comprehensive income for the year		**10,615,297**	**11,100,971**
Total comprehensive income attributable to:			
Owners of the Company		9,560,109	9,402,898
Non-controlling interests		1,055,188	1,698,073
		10,615,297	**11,100,971**

The accompanying notes on pages 15 to 72 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 9.

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

	Notes	2021 AED'000	2020 AED'000
Non-current assets			
Goodwill and other intangible assets	11	25,830,041	26,276,442
Property, plant and equipment	13	43,715,088	45,803,436
Right-of-use assets	14	2,436,921	2,700,102
Investments in associates and joint ventures	17	4,452,409	4,250,007
Other investments	18	3,597,210	3,160,512
Other receivables	21	459,899	343,459
Finance lease receivables	23	123,448	159,535
Derivative financial instruments	28	5,171	-
Contract assets	22	460,317	450,242
Deferred tax assets	10	136,863	175,489
		81,217,367	**83,319,224**
Current assets			
Inventories	20	748,786	704,908
Trade and other receivables	21	14,288,386	14,572,812
Current income tax assets		725,836	630,896
Finance lease receivables	23	25,505	-
Due from related parties	19	82,026	75,300
Contract assets	22	1,389,614	1,295,065
Other investments	18	434,192	1,074,823
Cash and bank balances	24	28,575,372	31,344,883
Assets held for sale	42	709,982	-
		46,979,699	**49,698,687**
Total assets		**128,197,066**	**133,017,911**
Non-current liabilities			
Other payables	25	1,365,500	1,407,792
Borrowings	27	19,176,107	13,819,946
Payables related to investments and licenses	29	512,945	73,155
Derivative financial instruments	28	-	16,027
Deferred tax liabilities	10	2,155,977	2,540,592
Lease liabilities	30	2,109,273	2,211,130
Provisions	31	377,561	345,572
Provision for employees' end of service benefits	32	1,223,883	1,194,993
Contract liabilities	26	42,426	30,885
		26,963,672	**21,640,092**
Current liabilities			
Trade and other payables	25	28,701,904	29,040,664
Contract liabilities	26	3,016,756	3,055,458
Borrowings	27	6,556,178	12,881,074
Payables related to investments and licenses	29	111,272	11,022
Current income tax liabilities		312,264	278,074
Lease liabilities	30	544,777	573,748
Provisions	31	4,270,082	4,652,246
Derivative financial instruments	28	40,660	149,053
Due to related parties	19	4,733	84,083
Provision for employees' end of service benefits	32	110,946	102,376
		43,669,572	**50,827,798**
Total liabilities		**70,633,244**	**72,467,890**
Net assets		**57,563,822**	**60,550,021**
Equity			
Share capital	33	8,696,754	8,696,754
Reserves	34	28,598,188	28,400,580
Retained earnings		10,291,094	11,936,605
Equity attributable to the owners of the Company		**47,586,036**	**49,033,939**
Non-controlling interests	15	9,977,786	11,516,082
Total equity		**57,563,822**	**60,550,021**

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 15 to 72 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 9.

Emirates Telecommunications Group Company PJSC

Consolidated statement of changes in equity for the year ended 31 December 2021

		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 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**
Balance at 1 January 2021		**8,696,754**	**28,400,580**	**11,936,605**	**49,033,939**	**11,516,082**	**60,550,021**
Profit for the year		-	-	9,317,045	9,317,045	1,742,444	11,059,489
Other comprehensive income / (loss) for the year		-	270,210	(27,146)	243,064	(687,256)	(444,192)
Total comprehensive income for the year		**-**	**270,210**	**9,289,899**	**9,560,109**	**1,055,188**	**10,615,297**
Other movements in equity		-	1,264	(1,135)	129	(960)	(831)
Transfer to reserves		-	124,406	(124,406)	-	-	-
Transactions with owners of the Company:							
Repayment of advances to non-controlling interests		-	-	-	-	(67,274)	(67,274)
Acquisition of non-controlling interests (NCI) without a change in control	15(d)	-	(198,272)	(378,275)	(576,547)	(1,286,423)	(1,862,970)
Dividends	38	-	-	(10,431,594)	(10,431,594)	(1,238,827)	(11,670,421)
Balance at 31 December 2021		**8,696,754**	**28,598,188**	**10,291,094**	**47,586,036**	**9,977,786**	**57,563,822**

The accompanying notes on pages 15 to 72 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 9.

Emirates Telecommunications Group Company PJSC

Consolidated statement of cash flows for the year ended 31 December

	Notes	2021 AED'000	2020 AED'000
Operating profit		12,799,477	13,015,123
Adjustments for:			
Depreciation		6,370,772	6,203,909
Amortisation		1,824,688	1,695,888
Impairment loss on other assets - net		148,141	296,704
Share of results of associates and joint ventures		(297,462)	(197,407)
Provisions and allowances		35,500	(1,198,892)
Unrealised currency translation (gain) / loss		(905,547)	745,698
Operating cash flows before changes in working capital		**19,975,569**	**20,561,023**
Changes in:			
Inventories		(66,299)	84,421
Due from related parties		(6,481)	37,552
Trade and other receivables including contract assets		(380,286)	811,300
Trade and other payables including contract liabilities		821,242	(521,673)
Cash generated from operations		**20,343,745**	**20,972,623**
Income taxes paid		(2,118,248)	(1,786,826)
Payment of employees' end of service benefits		(114,641)	(217,311)
Net cash generated from operating activities		**18,110,856**	**18,968,486**
Cash flows from investing activities			
Proceeds from disposal of investments at amortised cost		185,213	-
Acquisition of investments at amortised cost		(1,231,372)	(658,433)
Acquisition of subsidiaries *(net of cash and bank balances acquired)*	41	(57,340)	(153,059)
Acquisition of investments classified as fair value through profit or loss		(769,720)	(1,168,939)
Proceeds from disposal of investments classified as fair value through profit or loss		2,122,619	624,724
Acquisition of non-controlling interests without a change in control	15 (d)	(1,862,970)	-
Acquisition of investments classified as fair value through other comprehensive income ("OCI")		(12,756)	(1,668)
Proceeds from disposal of investments classified as fair value through OCI		-	13,645
Purchase of property, plant and equipment		(6,446,212)	(6,073,778)
Proceeds from disposal of property, plant and equipment		50,306	128,756
Purchase of intangible assets		(1,916,139)	(1,021,812)
Proceeds from disposal of intangible assets		2,332	1,997
Dividend income received from associates, joint ventures and other investments		124,344	80,744
Term deposits made with maturities over three months		(8,023,167)	(18,692,281)
Term deposits matured with maturities over three months		17,440,742	27,359,270
Cash flows from unwinding of derivative financial instruments - *net*	28	(8,101)	-
Finance and other income received		1,044,438	1,098,518
Net cash generated from investing activities		**642,217**	**1,537,684**
Cash flows from financing activities			
Proceeds from borrowings	27(c)	10,639,273	4,599,030
Repayments of borrowings	27(c)	(10,214,403)	(3,372,872)
Payments of lease liabilities		(714,931)	(739,592)
Repayment of advances to non-controlling interests		(67,274)	-
Dividends paid		(11,574,258)	(8,401,773)
Finance and other costs paid		(1,154,800)	(1,528,272)
Net cash used in financing activities		**(13,086,393)**	**(9,443,479)**
Net increase in cash and cash equivalents		**5,666,680**	**11,062,691**
Cash and cash equivalents at the beginning of the year		13,205,530	2,827,314
Effect of foreign exchange rate changes		1,039,310	(684,475)
Cash and cash equivalents at the end of the year	24	**19,911,520**	**13,205,530**

The accompanying notes on pages 15 to 72 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 1 to 9.

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 held a General Assembly meeting on 8th December 2021, which approved all the necessary amendments to the Articles of Association to be aligned with Federal Decree by Law No. 26 of 2020.

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 the 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. The 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 the Group's General Assembly scheduled on 17 March 2021 and the approval of the competent authorities. On 6 September 2021, the Group secured the required approvals for increasing the foreign ownership limit in its share capital to 49% and accordingly, the new foreign ownership limits have come into effect.

The Group is required, for the year ended 31 December 2021, to be in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, as amended. On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended). The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

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.

1. General information *(continued)*

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 24 February 2022.

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 (as amended). 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 information.

- Interest Rate Benchmark Reform – *Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
- IFRS 16 Leases – *COVID 19 Rent Concessions – Relief for Lessees*
- COVID-19-Related Rent Concessions – *(Amendment to IFRS 16)*

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

3. Significant accounting policies *(continued)*

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
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
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction *(Amendments to IAS 12)*	1 January 2023
Disclosure of Accounting Policies *(Amendments to IAS 1 and IFRS Practice Statement 2)*	1 January 2023
Definition of Accounting Estimate *(Amendments to IAS 8)*	1 January 2023

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.

3. Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

Business combinations *(continued)*

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.

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 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.
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.

3. Significant accounting policies *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

Leases *(continued)*

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 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.

3. Significant accounting policies *(continued)*

Foreign currencies *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

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.

3. Significant accounting policies *(continued)*

Taxation *(continued)*

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 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

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

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.

3. Significant accounting policies *(continued)*

Intangible assets *(continued)*

Recognition and measurement *(continued)*

(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.

(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.

3. Significant accounting policies *(continued)*

Intangible assets *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

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.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

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 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.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

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 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.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

viii) Impairment of financial assets *(continued)*

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.

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:

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

d) Measurement and recognition of expected credit losses *(continued)*

- 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 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.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

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 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.

3. Significant accounting policies *(continued)*

Transactions with non-controlling interests

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

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

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 2021 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; and
- capital expenditure;

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

Key sources of estimation uncertainty *(continued)*

i) Impairment of goodwill and investment in associates *(continued)*

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.

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.

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

Key sources of estimation uncertainty *(continued)*

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.

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.

5. Segmental information *(continued)*

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	Morocco	Egypt	Pakistan	Others	Eliminations	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021							
Revenue							
External revenue	30,952,478	7,406,369	4,977,103	3,017,830	6,988,466	-	53,342,246
Inter-segment revenue	336,956	495,272	50,065	97,841	103,858	(1,083,992)	-
Total revenue	**31,289,434**	**7,901,641**	**5,027,168**	**3,115,671**	**7,092,324**	**(1,083,992)**	**53,342,246**
Segment result	**12,940,191**	**2,717,186**	**1,201,763**	**22,369**	**1,459,574**		**18,341,083**
Federal royalty							(5,541,606)
Finance and other income							1,289,120
Finance and other costs							(1,284,136)
Profit before tax							**12,804,461**
Income tax expenses							(1,744,972)
Profit for the year							**11,059,489**
Total assets	68,087,168	30,625,852	11,008,944	12,606,834	17,767,603	(11,899,335)	128,197,066
Non-current assets *	31,028,749	27,719,151	9,695,931	8,906,020	14,213,998	(10,488,516)	81,075,333
Depreciation and amortisation	2,941,264	1,872,313	875,318	900,461	1,606,104	-	8,195,460
Impairment and other losses	7,085	-	-	-	141,056	-	148,141
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**
Taxation							(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

* 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
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000	Consolidated AED'000
31 December 2021						
Mobile	10,763,672	4,047,492	4,083,560	1,047,410	6,417,308	26,359,442
Fixed	11,151,498	2,784,689	304,013	1,455,764	473,148	16,169,112
Equipment	1,863,104	306,566	91,367	15,752	17,375	2,294,164
Others	7,174,204	267,622	498,163	498,904	80,635	8,519,528
Total revenue	**30,952,478**	**7,406,369**	**4,977,103**	**3,017,830**	**6,988,466**	**53,342,246**
31 December 2020						
Mobile	10,789,290	4,320,897	3,439,289	1,021,794	6,035,165	25,606,435
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	371,291	462,697	86,758	8,153,909
Total revenue	**30,751,960**	**7,366,733**	**4,113,156**	**2,852,043**	**6,624,319**	**51,708,211**

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 2021	**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	8,809,439	1,907,540	10,716,979

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	9,382,130	1,894,656	11,276,786

c) Timing of revenue recognition

	UAE	International				Consolidated
	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000	Consolidated AED'000
31 December 2021						
PO satisfied at the point of time	2,658,434	294,739	97,874	46,021	2,248	3,099,316
PO satisfied over a period of time	28,294,044	7,111,630	4,879,229	2,971,809	6,986,218	50,242,930
Total revenue	**30,952,478**	**7,406,369**	**4,977,103**	**3,017,830**	**6,988,466**	**53,342,246**
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**

7. Operating expenses and federal royalty

a) Operating expenses

		2021 AED'000	2020 AED'000
Direct cost of sales		12,899,790	12,344,708
Staff costs		4,690,304	4,619,424
Depreciation		6,370,772	6,203,909
Network and other related costs		2,795,408	2,569,522
Amortisation		1,824,688	1,695,888
Regulatory expenses	(i)	1,559,598	1,426,910
Marketing expenses		1,094,637	887,497
Consultancy costs		695,692	649,315
Operating lease rentals		35,008	36,526
IT costs		391,696	311,548
Foreign exchange losses / (gains) - net		333,409	(165,370)
Other operating expenses		1,390,272	1,260,119
Operating expenses (before federal royalty)		**34,081,274**	**31,839,996**

Operating expenses include an amount of AED 25.8 million (2020: AED 101.1 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

	2021 AED'000	2020 AED'000
UAE Net Regulated Revenue	19,108,531	19,530,283
ICT Fund Contribution	191,085	195,303

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 2021 was in accordance with the new royalty scheme and the Correspondence.

On 03 January 2022, the MoF issued new guidelines for the computation of federal royalty for the financial years 2022 to 2024 with no changes to the guidelines issued previously in February 2017. Accordingly, there will be no change in the rates for payment of federal royalty by the Group in the financial years 2022 to 2024.

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

	2021 AED'000	2020 AED'000
Interest on bank deposits and amortised cost investments	522,893	648,794
(Loss) / gain on forward foreign exchange contracts	(24,019)	12,938
Net gain / (loss) on financial assets designated as FVTPL	114,506	(65,018)
Other income	675,740	515,660
	1,289,120	**1,112,374**

9. Finance and other costs	**2021 AED'000**	**2020 AED'000**
Interest on short term bank borrowings, loans and other financial liabilities	441,299	425,946
Interest on other borrowings	762,995	784,300
Ineffectiveness on net investment hedge	-	250,489
Foreign exchange gain on borrowings - net	(2,538)	(3,655)
Other costs	58,317	886,895
Unwinding of discount	24,063	17,077
	1,284,136	**2,361,052**
Total borrowing costs	1,293,633	2,369,477
Less: amounts included in the cost of qualifying assets (Note 11 and 13)	(9,497)	(8,425)
	1,284,136	**2,361,052**

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 8.76% (2020: 10.20%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.

10. Taxation	**2021 AED'000**	**2020 AED'000**
Current tax expense	2,007,113	1,747,073
Deferred tax credit	(262,141)	(296,364)
	1,744,972	**1,450,709**

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 30.56 % (2020: 32.03%). 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 reconciled to the accounting profits as follows:	**2021 AED'000**	**2020 AED'000**
Tax based on the applicable weighted average tax rate of 30.56 % (2020: 32.03%)	1,630,426	1,383,540
Tax effect of share of results of associates	14,686	10,731
Tax effect of expenses that are not deductible in determining taxable profit	282,785	271,375
Tax effect of utilization of tax losses not previously recognized	14,243	15,416
Effect on deferred tax balances of change in income tax rate	(29,569)	(32,195)
Effect on deferred tax balances due to purchase price allocation	(167,599)	(198,158)
Income tax expenses recognised in profit or losses	**1,744,972**	**1,450,709**

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:

	2021 AED'000	**2020 AED'000**
Deferred tax assets	136,863	175,489
Deferred tax liabilities	(2,155,977)	(2,540,592)
	(2,019,114)	**(2,365,103)**

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 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 / 1 January 2021	**2,727,807**	**74,867**	**30,702**	**2,833,376**
(Credit) / charge to the consolidated statement of profit or loss	(262,599)	9,409	29,107	(224,083)
Credit to other comprehensive income	-	-	(2,984)	(2,984)
Other movements	-	-	(22,439)	(22,439)
Exchange differences	(134,966)	-	(2,158)	(137,124)
At 31 December 2021	**2,330,242**	**84,276**	**32,228**	**2,446,746**

Deferred tax assets	**Tax losses**	**Others**	**Total**
	AED'000	**AED'000**	**AED'000**
At 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 / 1 January 2021	**16,288**	**451,984**	**468,272**
Credit to the consolidated statement of profit or loss	13,739	24,319	38,058
Credit to other comprehensive income	-	1,032	1,032
Other movements	(1,338)	(13,170)	(14,508)
Exchange differences	-	(65,223)	(65,223)
At 31 December 2021	**28,689**	**398,942**	**427,631**

Unused tax losses	**2021**	**2020**
	AED million	**AED million**
Total unused tax losses	29	81
of which deferred tax assets recognised for	29	81

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 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 investment property	-	-	-	52,283	52,283
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**
Cost					
At 1 January 2021	16,771,776	17,861,196	2,094,627	9,221,996	45,949,595
Additions	-	130,609	-	1,787,489	1,918,098
Transfer from property, plant and equipment	-	-	-	596,810	596,810
Capitalized during the year	-	1,642,532	-	(1,642,532)	-
Acquisition of subsidiary (Note 41)	140,428	-	-	-	140,428
Disposals	-	(12,351)	-	(18,256)	(30,607)
Exchange differences	(599,590)	(693,724)	48,524	(655,904)	(1,900,694)
At 31 December 2021	**16,312,614**	**18,928,262**	**2,143,151**	**9,289,603**	**46,673,630**
Amortisation and impairment					
At 1 January 2021	4,929,500	7,947,704	673,120	6,122,829	19,673,153
Charge for the year	-	836,808	81,784	935,678	1,854,270
Impairment losses	34,648	17,722	-	27,455	79,825
Disposals	-	(12,351)	-	(15,924)	(28,275)
Exchange differences	(3,202)	(297,196)	(812)	(434,174)	(735,384)
At 31 December 2021	**4,960,946**	**8,492,687**	**754,092**	**6,635,864**	**20,843,589**
Carrying amount					
At 31 December 2021	**11,351,668**	**10,435,575**	**1,389,059**	**2,653,739**	**25,830,041**

Others - net book values	**2021 AED'000**	**2020 AED'000**
Indefeasible rights of use	334,121	332,011
Computer software	1,286,023	1,347,059
Customer relationships	54,919	65,626
Others*	978,676	1,354,471
	2,653,739	**3,099,167**

* Included in others is an amount of AED 299 million (2020: 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.

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 are as follows:

	2021 AED'000	2020 AED'000
Pakistan Telecommunication Company Limited (PTCL)	**-**	**334,641**
of which relating to goodwill - net (Note 11)	-	148,157
of which relating to other intangible assets (Note 11)	-	186,484
Etisalat UAE	**7,085**	**(37,250)**
of which relating to property, plant and equipment (Note 13)	7,085	(37,250)
Maroc Telecom international subsidiaries	**34,648**	
of which relating to goodwill (Note 11)	34,648	-
Others	**106,408**	**(687)**
of which relating to intangible assets (Note 11)	45,177	-
of which relating to property, plant and equipment (Note 13)	61,231	(687)
Total impairment losses for the year	**148,141**	**296,704**

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:	2021 AED'000	2020 AED'000
Maroc Telecom	8,929,537	9,427,018
Maroc Telecom international subsidiaries	2,193,263	2,326,834
Help AG group	76,469	76,469
Etisalat Misr (Etisalat) S.A.E.	11,971	11,956
Digital Financial Services LLC *(see Note 41)*	140,428	-
	11,351,668	**11,842,277**

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 and capital expenditure.

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 3.3% to 5.2% (2020: 2.9% to 4.6%).

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 10.19% to 16.27% (2020: 8.74% to 19.76%).

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.

Sensitivity analysis

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 [3.4% increase in discount rates and 3% decrease in long term terminal growth rates (2020: 2.3% increase in discount rates and 1.5% 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 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**
Cost					
At 1 January 2021	10,014,152	79,726,888	6,953,221	5,488,171	102,182,432
Additions	121,406	1,545,216	190,816	4,588,774	6,446,212
Transfer to intangible assets (Note 11)	-	-	(547,393)	(49,417)	(596,810)
Reclassified as held for sale (Note 42)	(16,056)	(432,220)	(16,213)	(226,632)	(691,121)
Transfers	308,347	3,630,973	993,383	(4,932,703)	-
Disposals	(4,278)	(836,065)	(593,861)	(9,686)	(1,443,890)
Acquisition of subsidiary (Note 41)	-	-	10,124	-	10,124
Exchange differences	(546,533)	(3,930,317)	(191,183)	(39,878)	(4,707,911)
At 31 December 2021	**9,877,038**	**79,704,475**	**6,798,894**	**4,818,629**	**101,199,036**
Depreciation and impairment					
At 1 January 2021	3,422,120	47,541,697	5,233,138	182,041	56,378,996
Charge for the year	228,166	5,019,102	544,748	-	5,792,016
Impairment charge	-	57,656	2,016	8,644	68,316
Disposals	(3,172)	(818,905)	(578,986)	-	(1,401,063)
Other movement	1,051	133	(1,958)	-	(774)
Exchange differences	(152,633)	(2,996,448)	(168,287)	6	(3,317,362)
Reclassified as held for sale (Note 42)	(4,287)	(30,293)	(1,601)	-	(36,181)
At 31 December 2021	**3,491,245**	**48,772,942**	**5,029,070**	**190,691**	**57,483,948**
Carrying amount at 31 December 2021	**6,385,793**	**30,931,533**	**1,769,824**	**4,627,938**	**43,715,088**

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2020: 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 9.5 million (2020: AED 8.4 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 3,706 million (2020: AED 3,981 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, AED'000	Total AED'000
Balance at 1 January 2020	1,549,119	1,139,497	55,716	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 January 2021	**1,450,271**	**1,104,683**	**145,148**	**2,700,102**
Additions for the year	311,143	162,313	30,436	503,892
Disposals for the year	(89,203)	(13,369)	(9,072)	(111,644)
Depreciation for the year	(345,359)	(185,028)	(48,369)	(578,756)
Exchange differences	(65,583)	(5,867)	(5,223)	(76,673)
Balance at 31 December 2021	**1,261,269**	**1,062,732**	**112,920**	**2,436,921**

15. Subsidiaries

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

Name	**Country of incorporation**	**Principal activity**	**Percentage shareholding**	
			2021	**2020**
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.	Ivory Coast	Telecommunications services	100%	100%
Pakistan Telecommunication Company Limited	Pakistan	Telecommunications services	23% *	23% *
Etisalat Investment North Africa LLC	UAE	Holds investment in Société de Participation dans les Télécommunications (SPT)	100%*	91.3%
Société de Participation dans les Télécommunications (SPT)	Kingdom of Morocco	Holds investment in Maroc Telecom	100%*	91.3%
Etisalat Al Maghrib S.A (Maroc Telecom)	Kingdom of Morocco	Telecommunications services	53% *	48% *
Etisalat Mauritius Private Limited	Mauritius	Holds investment in Etisalat DB Telecom Private Limited	100%	100%
Ubiquitous Telecommunications Technology LLC	UAE	Installation and management of network systems	85%	85%
Help AG Abu Dhabi	UAE	Digital services	100%	100%
Help AG KSA	Kingdom of Saudi Arabia	Digital services	100%	100%
Etisalat Digital KSA	Kingdom of Saudi Arabia	Digital services	100%	100%
Solid FZCO	UAE	Mobile Phones and accessories trading	100%	100%
UTC Information Technology Network Services Co. LLC	UAE	Blockchain Enabled Financial Services	100%	100%
Digital Financial Services LLC *(Note 41)*	UAE	Mobile Financial Services	100%**	49.99%**

*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.

On 28 October 2021 , the Group has successfully completed the acquisition of Abu Dhabi Fund For Development's stake in Etisalat Investment North Africa LLC (EINA) of 8.7%, increasing the Groups' ownership in EINA to 100%. EINA holds investment in Société de Participation dans les Télécommunications (SPT) that holds investment in Maroc Telecom Group. This acquisition ultimately increased the Group's effective ownership in Maroc Telecom Group from 48.4% to 53.0%.

The final consideration paid amounted to AED 1.86 billion which was financed by bank borrowings. The financial impact of the transaction has been reflected in the consolidated financial statements of the Group effective from 28 October 2021.

**On 9 December 2021 (the effective date), the Group has successfully completed the acquisition of Dubai Islamic Bank's stake in Digital Financial Services LLC (DFS) of 50.01%, increasing the Groups' ownership in DFS to 100% from 49.99%. DFS has been fully consolidated in these consolidated financial statements from the effective date and equity method has been discontinued for previously held 49.99% interest in DFS from the same date.

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		**2021**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	47.0%	76.6%	33.6%
Revenue	6,543,473	2,386,604	1,689,129
Profit for the year	1,414,784	86,241	241,753
Other comprehensive (loss) / income for the year	(341,247)	(354,705)	2,323
Total comprehensive income / (loss) for the year	**1,073,537**	**(268,464)**	**244,076**
Cash flows from operating activities	2,428,556	1,268,620	679,153
Cash flows from investing activities	(1,483,154)	(1,344,600)	(446,850)
Cash flows from financing activities	(2,009,536)	363,188	(219,028)
Dividends paid to non-controlling interests	(1,129,414)	-	(106,843)
Non-controlling interests as at 31 December	4,950,355	3,048,911	1,955,211
Summarised information relating to subsidiaries:			
Current assets	6,052,306	3,701,114	1,307,841
Non-current assets	32,427,665	8,908,390	9,701,103
Current liabilities	15,081,224	5,399,571	3,140,965
Non-current liabilities	3,608,913	4,338,359	1,927,521
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

c) Movement in non-controlling interests

The movement in non-controlling interests is provided below:	**2021 AED'000**	**2020 AED'000**
As at 1 January	**11,516,082**	**11,155,790**
Total comprehensive income:		
Profit for the year	1,742,444	1,289,214
Remeasurement of defined benefit obligations - net of tax	(26,637)	48,672
Exchange differences on translation of foreign operations	(659,283)	365,002
Loss on revaluation of investment classified as fair value through OCI	-	(4,815)
Fair value loss arising on cash flow hedges	(1,336)	-
Other movement in equity	(960)	4,118
Transaction with owners of the Company:		
Repayment of advances to non-controlling interests	(67,274)	-
Acquisition of additional stake in a subsidiary	(1,286,423)	-
Dividends	(1,238,827)	(1,341,899)
As at 31 December	**9,977,786**	**11,516,082**

d) Acquisition of non-controlling interests without a change in control

In October 2021, the Group acquired an additional stake of 8.67% in EINA, increasing its ownership from 91.33% to 100%. The carrying amount of 8.67% NCI in the Group's consolidated financial statements on the date of acquisition was AED 1,286 million.

	AED'000
Carrying amount of NCI acquired	1,286,423
Consideration paid to NCI	(1,862,970)
Decrease in equity attributable to owners of the Company	**(576,547)**
The decrease in equity attributable to owners of the Company comprised:	
Decrease in retained earnings	(378,275)
Decrease in the translation reserve	(198,272)
Total decrease in equity attributable to owners	**(576,547)**

16. Share of results of associates and joint ventures	**2021 AED'000**	**2020 AED'000**
Associates (Note 17 b)	292,174	200,045
Joint ventures (Note 17 g)	5,288	(2,638)
Total	**297,462**	**197,407**

17. Investment in associates and joint ventures	**2021 AED'000**	**2020 AED'000**
Associates (Note 17 b)	4,405,649	4,204,637
Joint ventures (Note 17 g)	46,760	45,370
Total	**4,452,409**	**4,250,007**

a) Associates

Name	**Country of incorporation**	**Principal activity**	**Percentage shareholding 2021**	**2020**
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 (DFS) *(see (ii) below)*	UAE	Digital Wallet services	100%	50%

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

ii) DFS became a 100% owned subsidiary during the year , please refer note 15(a) for more details.

b) Movement in investments in associates	**Mobily**		**All Associates**	
	2021 AED'000	**2020 AED'000**	**2021 AED'000**	**2020 AED'000**
Carrying amount at 1 January	4,202,887	4,013,045	4,204,637	4,029,371
Share of results (Note 16)	293,720	214,621	292,174	200,045
Exchange differences	(3,085)	(286)	(3,085)	(286)
Dividends received	(105,535)	-	(105,535)	-
Share of other comprehensive income / (loss) – net of tax	17,662	(24,493)	17,662	(24,493)
Other movements	-	-	(204)	-
Carrying amount at 31 December	**4,405,649**	**4,202,887**	**4,405,649**	**4,204,637**

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

	Mobily		**All Associates**	
	2021 AED'000	**2020 AED'000**	**2021 AED'000**	**2020 AED'000**
Net assets	14,864,756	14,140,664	14,864,756	14,143,755
Our share in net assets of associates	4,161,091	3,958,396	4,161,091	3,959,941
Others *	244,558	244,491	244,558	244,696
	4,405,649	**4,202,887**	**4,405,649**	**4,204,637**

* Others include an amount of AED 150 million (2020: AED 150 million) relating to premium paid on rights issue in prior years.

d) Aggregated amounts relating to associates	**Mobily**		**All Associates**	
	2021 AED'000	**2020 AED'000**	**2021 AED'000**	**2020 AED'000**
Current assets	8,091,984	6,346,489	8,091,984	6,379,425
Non-current assets	30,413,240	31,259,447	30,413,240	31,273,295
Current liabilities	(11,052,719)	(10,760,637)	(11,052,719)	(10,785,215)
Non-current liabilities	(12,587,749)	(12,704,634)	(12,587,749)	(12,723,750)
Net assets	**14,864,756**	**14,140,665**	**14,864,756**	**14,143,755**
Revenue	14,515,878	13,750,566	14,515,878	13,751,734
Profit	1,048,557	766,770	1,048,557	770,738
Total comprehensive income	1,111,652	679,274	1,111,652	650,117

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:

	2021 AED'000	**2020 AED'000**
Etihad Etisalat Company ("Mobily")	**6,567,854**	6,047,019

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

f) Joint ventures

Name	Country of incorporation	Principal activity	Percentage shareholding 2021	2020
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

	2021 AED'000	2020 AED'000
Carrying amount at 1 January	**45,371**	**48,009**
Share of results	5,288	(2,638)
Dividends	(3,899)	-
Carrying amount at 31 December	**46,760**	**45,371**

h) Aggregated amounts relating to joint ventures

	2021 AED'000	2020 AED'000
Current assets (including cash and cash equivalents AED 24,479 thousand (2020: AED 38,008 thousand)	191,533	228,410
Non-current assets	6,100	20,406
Current liabilities (including current financial liabilities excluding trade and other payables and provisions of AED 85,022 thousand (2020: AED 119,370 thousand)	(92,537)	(147,105)
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions of AED 9,532 thousand (2020: AED 8,162 thousand)	(11,250)	(11,105)
Net assets	**93,846**	**90,606**
Revenue	265,184	305,526
Depreciation and amortisation	1,881	1,730
Interest expenses	150	975
Profit or loss	10,099	(5,278)

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 AED'000	Fair value through profit and loss - designated upon initial recognition AED'000	Fair value through comprehensive income statements AED'000	Amortised cost AED'000	Total AED'000
At 1 January 2020	1,439,790	225,066	202,863	1,150,463	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)
Exchange differences	63,176	-	7,196	32,436	102,808
At 31 December 2020	**1,821,472**	**385,757**	**193,900**	**1,834,206**	**4,235,335**
of which current	1,074,823	-	-	-	1,074,823
of which non-current	746,649	385,757	193,900	1,834,206	3,160,512
At 1 January 2021	1,821,472	385,757	193,900	1,834,206	4,235,335
Additions	769,720	-	12,756	1,231,372	2,013,848
Disposal	(2,122,619)	-	-	(185,213)	(2,307,832)
Fair value changes	133,570	(10,697)	(7,431)	-	115,442
Exchange differences	(13,315)	7,949	(1,811)	(18,214)	(25,391)
At 31 December 2021	**588,828**	**383,009**	**197,414**	**2,862,151**	**4,031,402**
of which current	293,712	-	-	140,480	434,192
of which non-current	295,116	383,009	197,414	2,721,671	3,597,210

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 2021, the market value of the investment in these bonds was AED 2,496 million (2020: AED 1,677 million).

The financial assets at amortised cost and those classified as fair value through profit or loss include bonds worth AED 1,065 million (2020: AED 937 million) and AED 141 million (2020: AED 149 million), respectively, which have been temporarily lent to various financial institutions under securities lending arrangements.

19. Related party transactions and balances

Transactions and balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions and balances 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 1,586 million (2020: AED 1,685 million), which are net of allowance for doubtful debts of AED 424 million (2020: AED 310 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 and balances 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 and balances that the Group has with such related parties is the provision of telecommunication services. and procurement of services.

19. Related party transactions and balances *(continued)*

b) Joint ventures and associates

	Associates		Joint Ventures	
	2021 AED '000	2020 AED '000	2021 AED '000	2020 AED '000
Trading transactions				
Telecommunication services – sales	300,342	217,146	-	-
Telecommunication services – purchases	19,892	31,921	29,753	30,641
Management and other services	115,826	79,813	7,342	9,275
Due from related parties as at 31 December	**59,934**	**46,346**	**22,092**	**28,954**
Due to related parties as at 31 December	**-**	**79,642**	**4,733**	**4,441**

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.

	2021 AED'000	2020 AED'000
Long- term benefits	1,024	1,262
Short-term benefits	46,512	83,698

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

20. Inventories

	2021 AED'000	2020 AED'000
Subscriber equipment	474,321	470,104
Maintenance and consumables	438,178	428,347
Obsolescence allowances	(163,713)	(193,543)
Inventories	**748,786**	**704,908**

Movement in obsolescence allowances	2021 AED'000	2020 AED'000
At 1 January	193,543	223,436
Net decrease in obsolescence allowances	(29,849)	(30,148)
Exchange differences	19	255
At 31 December	**163,713**	**193,543**
Inventories recognised as an operating expense within direct cost of sales during the year	3,393,914	3,066,828

21. Trade and other receivables

	2021 AED'000	2020 AED'000
Amount receivable for services rendered	10,878,178	10,924,677
Amounts due from other telecommunication operators/carriers	2,561,479	2,211,372
Total gross carrying amount	**13,439,657**	**13,136,049**
Lifetime expected credit loss	(3,373,088)	(3,209,253)
Net trade receivables	**10,066,569**	**9,926,796**
Prepayments	627,835	583,630
Accrued income	835,020	800,326
Advances to suppliers	949,028	1,234,203
Indirect taxes receivable	387,181	472,280
Other receivables	1,882,652	1,899,036
At 31 December	**14,748,285**	**14,916,271**
Total trade and other receivables	**14,748,285**	**14,916,271**
of which current trade and other receivables	14,288,386	14,572,812
of which non-current other receivables	459,899	343,459

The Group's normal credit terms ranges between 30 and 120 days (2020: 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 2021	**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 38%	0% to 45%	0% to 60%	9% to 100%	
Estimated total gross carrying amount	4,303,136	473,452	2,137,915	6,525,154	13,439,657
Lifetime expected credit loss	(392,037)	(55,885)	(513,858)	(2,411,308)	(3,373,088)
Net trade receivables	**3,911,099**	**417,567**	**1,624,057**	**4,113,846**	**10,066,569**

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**

Movement in lifetime Expected Credit Losses:	**2021** **AED'000**	**2020** **AED'000**
At 1 January	3,209,253	2,737,393
Net increase in allowance for doubtful debts, net of write offs	221,420	427,533
Acquisition of subsidiary (Note 41)	-	368
Exchange differences	(57,585)	43,959
At 31 December	**3,373,088**	**3,209,253**

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered, the Group holds AED 209 million (2020: AED 226 million) of collateral in the form of cash deposits from customers. Collateral with fair value of AED 464 million (2020: AED 398 million) are held against loans to customers.

22. Contract assets

	2021 AED'000	2020 AED'000
Cost to acquire	410,277	396,281
Cost to fulfill	246,291	281,217
Unbilled revenue	1,193,363	1,067,809
	1,849,931	**1,745,307**
of which current contract assets	1,389,614	1,295,065
of which non-current contract assets	460,317	450,242
	1,849,931	**1,745,307**

23. Finance lease receivables

	2021 AED'000	2020 AED'000
Current finance lease receivables	25,505	-
Non-current finance lease receivables	123,448	159,535
	148,953	**159,535**

23.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Amounts receivable under finance lease				
Within one to two years	47,302	-	34,937	-
Between 2 and 5 years	189,206	189,206	164,812	141,871
After 5 years	-	47,302	-	45,308
	236,508	**236,508**	**199,749**	**187,179**
Less: future finance income	(36,759)	(49,329)	-	-
	199,749	**187,179**	**199,749**	**187,179**
Allowances for uncollectible lease payments	(50,796)	(27,644)	(50,796)	(27,644)
	148,953	**159,535**	**148,953**	**159,535**

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 30 days of receiving notice.

24. Cash and cash equivalents

	2021 AED'000	2020 AED'000
Maintained in UAE	23,544,580	25,413,663
Maintained overseas, unrestricted in use	4,958,828	5,858,376
Maintained overseas, restricted in use	71,964	72,844
Cash and bank balances	**28,575,372**	**31,344,883**
Less: Deposits with maturities exceeding three months from the date of deposit	(8,663,852)	(18,139,353)
Cash and cash equivalents	**19,911,520**	**13,205,530**

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

	2021 AED'000	2020 AED'000
Current		
Federal royalty	5,541,492	5,594,311
Trade payables	7,150,225	7,664,028
Amounts due to other telecommunication administrators	3,045,623	2,575,938
Accruals	8,110,678	8,042,874
Other taxes payable	1,876,610	2,118,999
Advances from customers	355,462	365,545
Deferred income	304,418	499,672
Funds payable and amounts due to customers	581,290	691,466
Other payables	1,736,106	1,487,831
At 31 December	**28,701,904**	**29,040,664**
Non-current		
Other payables and accruals	1,365,500	1,407,792
At 31 December	**1,365,500**	**1,407,792**

Federal royalty for the year ended 31 December 2021 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 2021.

26. Contract liabilities

	2021 AED'000	2020 AED'000
Current		
Deferred revenues	2,894,341	2,905,765
Material right / customer loyalty	122,415	149,693
	3,016,756	**3,055,458**
Non-current		
Deferred revenues	42,426	30,885
	42,426	**30,885**

Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to AED 3,055 million (2020: AED 3,119 million) respectively.

27. Borrowings

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

	Fair Value		Carrying Value	
	2021	**2020**	**2021**	**2020**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Bank borrowings				
Short term bank borrowings	4,703,535	5,823,852	4,703,535	5,823,852
Bank loans	8,254,816	6,955,985	9,258,377	7,334,621
Other borrowings				
Bonds	11,706,741	13,672,359	10,898,562	12,580,935
Vendor financing	248,785	329,020	323,994	414,029
Others	5,130	4,914	5,541	5,307
	24,919,007	**26,786,130**	**25,190,009**	**26,158,744**
Advance from non-controlling interests			542,276	542,276
Total borrowings			**25,732,285**	**26,701,020**
of which due within 12 months			6,556,178	12,881,074
of which due after 12 months			19,176,107	13,819,946

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.

External borrowings of AED 3,493 million (2020: AED 3,315 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, the Group 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.

In May 2021, the Group issued 7 and 12 years bonds under its established USD 10 billion GMTN Programme amounting to EUR 500 million each with annual yields of 0.375 % and 0.875% respectively. The net proceeds from the issuance of the bonds have been used for the repayment of the existing 7-year tranche amounting to EUR 1.2 billion which matured in June 2021.

As at 31 December 2021, the total amounts in issue under GMTN programme split by currency are USD 0.5 billion (AED 1.84 billion) and Euro 2.2 billion (AED 9.7 billion) as follows:

27. Borrowings *(continued)*

	Nominal Value	Fair Value	Carrying Value
	2021 AED'000	2021 AED'000	2021 AED'000
Bonds			
3.500% US dollar 500 million notes due 2024	1,837,000	1,946,168	1,828,068
Bonds in net investment hedge relationship			
0.375% Euro 500 million notes due 2028	2,197,260	2,094,904	2,072,095
0.875% Euro 500 million notes due 2033	2,197,260	2,077,736	2,044,932
2.750% Euro 1,200 million notes due 2026	5,263,680	5,587,933	4,953,467
At 31 December 2021	**11,495,200**	**11,706,741**	**10,898,562**
of which due within 12 months			-
of which due after 12 months			10,898,562

	Nominal Value	Fair Value	Carrying Value
	2020 AED'000	2020 AED'000	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

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

	Year of last repayment	Currency	Interest rate	Carrying Value 2021 AED'000	Carrying Value 2020 AED'000
Variable interest borrowings					
Secured bank loans	2022-2026	USD	3M LIBOR and 1.7% to 2.9%	881,200	1,212,172
Unsecured bank loans	2022	EGP	Lending Corridor minus 0.15%to 0.5%	175,606	150,430
Unsecured bank loans	2023-2026	USD	3 Month Libor + 0.9%	2,657,925	2,653,890
Unsecured vendor financing	2022-2026	PKR	6.43% to 9.34%	323,994	414,029
Unsecured short term bank borrowings	2022	EGP	Mid corridor	442,088	220,273
Secured short term bank borrowings	2022	PKR	3 Month KIBOR + (0.1% to 0.85%)	136,437	34,468
Unsecured bank loans	2023-2026	AED	EIBOR + 0.55%	1,990,944	-
Secured bank loans	2022-2026	PKR	6 Month KIBOR + (0.75% to 1.1%)	64,267	94,649
Secured bank loans	2023 onwards	PKR	3 Month KIBOR + (0.5% to 0.75%)	698,242	48,069
Unsecured bank loans	2022-2026	PKR	6 Month KIBOR - 1% to +3.5%	43,748	-
Fixed interest borrowings					
Unsecured short term bank borrowings	2022	MAD	3.16% to 3.5%	3,469,679	4,649,714
Secured bank loans	2022	FCFA	5.25%	73,862	264,079
Secured bank loans	2021	EURO	4.8%-5.7%	-	155,799
Secured short term bank borrowings	2022	FCFA	5.5% - 6.5%	46,234	106,606
Secured short term bank borrowings	2022	PKR	6.65%	35,043	118,505
Unsecured short term bank borrowings	2022	FCFA	6% to 8.5%	377,800	536,322
Unsecured bank loans	2022 onwards	FCFA	1% to 7%	504,321	631,299
Secured bank loans	2022 onwards	FCFA	5.5% to 8%	665,462	210,406
Secured bank loans	2025 onwards	FCFA	5.5% - 7.25%	-	473,997
Unsecured bank loans	2022-2026	FCFA	0% to 7%	733,985	702,711

27. Borrowings *(continued)*

	Year of last repayment	Currency	Interest rate	Carrying Value 2021 AED'000	2020 AED'000
Fixed interest borrowings (continued)					
Secured bank loans	2022-2026	PKR	0.9%-14.14%	861,193	873,181
Other borrowings					
Advance from non-controlling interest	N/A	USD	Interest free	542,276	542,276
Unsecured bonds	2024	USD	3.5%	1,828,068	1,825,472
Unsecured bonds	2021	EURO	1.8%	-	5,402,479
Unsecured bonds	2026	EURO	2.8%	4,953,467	5,352,984
Unsecured bonds	2028	EURO	0.375%	2,072,095	-
Unsecured bonds	2033	EURO	0.875%	2,044,932	-
Others	Various	Various	Various	109,417	27,210
Total Borrowings				**25,732,285**	**26,701,020**

a) Interest rates

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

	2021	2020
Bank borrowings	3%	3%
Other borrowings	2%	2%

b) Available facilities

At 31 December 2021, the Group had AED 1,975 million (2020: AED 1,701 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.

	2021		2020	
	Borrowings AED'000	Lease liabilities AED'000	Borrowings AED'000	Lease liabilities AED'000
As at 1 January	**26,701,020**	**2,784,878**	**23,889,091**	**2,708,983**
Additions	-	584,103	-	815,487
Proceeds	10,639,273	-	4,599,030	-
Repayments during the year	(10,214,403)	(714,931)	(3,372,872)	(739,592)
Exchange differences	(1,393,605)	-	1,585,771	-
As at 31 December	**25,732,285**	**2,654,050**	**26,701,020**	**2,784,878**

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	2021 AED'000	2020 AED'000
Other comprehensive income / (loss) on net investment hedge	782,797	(720,856)
Other comprehensive income / (loss) on cash flow hedges	97,490	(76,498)
Total effective part directly recognised in other comprehensive income / (loss)	**880,287**	**(797,354)**
Fair value of derivative financial instruments		
Fair value of forward contracts and options	9,024	(15,304)
Fair value of derivative swaps	(44,513)	(149,776)
	(35,489)	**(165,080)**
These derivative financial instruments are included as following in the consolidated statement of financial position:		
Non-current assets	5,171	-
Current liabilities	40,660	149,053
Non-current liabilities	-	16,027
Net amount	**(35,489)**	**(165,080)**

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

The Group has received cash of AED 3.4 million (2020: AED Nil million) on maturity of derivatives during the year.

29. Payables related to investments and licenses

	Current AED'000	Non-current AED'000	Total AED'000
At 31 December 2021			
Investments			
Atlantique Telecom S.A.	11,022	-	11,022
Help AG	-	75,096	75,096
Licenses			
PTCL Group	100,250	437,849	538,099
	111,272	**512,945**	**624,217**
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**

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	
	2021 AED'000	**2020 AED'000**
Contractual undiscounted cash flow		
Within one year	594,840	668,323
Between 2 and 5 years	1,756,965	1,933,370
After 5 years	2,012,210	2,111,860
Total undiscounted lease liabilities	**4,364,015**	**4,713,553**
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	544,777	573,748
of which due after 12 months	2,109,273	2,211,130

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2021, the average effective borrowing rate was from 2.51% to 18.33% (2020: 2.62% to 18.15%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

Amounts recognized in profit or loss

	2021 AED'000	2020 AED'000
Interest on lease liabilities	249,099	246,266
Expenses relating to short-term leases	782	3,796

Amounts recognized in the statement of cash flow

	2021 AED'000	2020 AED'000
Total cash outflow from leases	714,931	739,592

31. Provisions

	Asset retirement obligations	Other	Total
	AED'000	AED'000	AED'000
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 1 January 2021	**257,637**	**4,740,181**	**4,997,818**
Additional provision during the year	39,124	527,680	566,804
Utilization of provision	(536)	(490,909)	(491,445)
Release of provision	-	(368,232)	(368,232)
Unwinding of discount	8,385	(18,192)	(9,807)
Exchange differences	25	(47,520)	(47,495)
At 31 December 2021	**304,635**	**4,343,008**	**4,647,643**
Included in current liabilities	-	4,270,082	4,270,082
Included in non-current liabilities	304,635	72,926	377,561
At 31 December 2021	**304,635**	**4,343,008**	**4,647,643**

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 (2020: 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 2021.

32. Provision for employees' end of service benefits

The liabilities recognised in the consolidated statement of financial position are:	2021	2020
	AED'000	AED'000
Funded Plans		
Present value of defined benefit obligations	2,756,820	3,082,461
Less: Fair value of plan assets	(2,749,724)	(2,921,615)
	7,096	**160,846**
Unfunded Plans		
Present value of defined benefit obligations and other employee benefits	1,327,733	1,136,523
Total	**1,334,829**	**1,297,369**
of which included in current liabilities	110,946	102,376
of which included in non-current liabilities	1,223,883	1,194,993

The movement in defined benefit obligations for funded and unfunded plans is as follows:	2021	2020
	AED'000	AED'000
As at 1 January	4,218,984	4,174,172
Current service cost	90,652	102,463
Interest cost	323,158	345,814
Actuarial gain arising from changes in assumptions	25,844	(27,778)
Remeasurements	44,973	5,368
Benefits paid	(290,990)	(333,429)
Gain on settlement	-	(12)
Exchange differences	(328,068)	(47,614)
As at 31 December	**4,084,553**	**4,218,984**

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

The movement in the fair value of plan assets is as follows:	2021 AED'000	2020 AED'000
As at 1 January	**2,921,615**	**2,773,996**
Interest income	256,819	262,093
Return on plan assets excluding amounts included in interest income	9,958	96,415
Contributions received	18,494	82,751
Benefits paid	(194,842)	(198,868)
Exchange differences	(262,320)	(94,772)
As at 31 December	**2,749,724**	**2,921,615**

The amount recognised in the statement of profit or loss is as follows:	2021 AED'000	2020 AED'000
Current service cost	90,652	102,463
Net interest cost	66,339	83,721
Others	-	(12)
	156,991	**186,172**

Plan assets for funded plan are comprised as follows:	2021 AED'000	2020 AED'000
Debt instruments - unquoted	2,005,284	2,129,190
Cash and cash equivalents	394,844	426,203
Investment property	258,328	283,537
Fixed assets	148	161
Other assets	120,375	110,077
Less: liabilities	(29,255)	(27,553)
	2,749,724	**2,921,615**

Following are the significant assumptions used relating to the major plans:	2021 AED'000	2020 AED'000
Discount rate	2% to 12.5%	2% to 10%
Average annual growth rate of salary	1% to 11.25%	1% to 8%
Average duration of obligation	5 Years to 23 Years	3.5 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%	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Discount rate	668,518	673,104	(621,093)	(622,537)
Average annual growth rate of salary	(514,142)	(518,119)	577,501	552,303

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 54 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 124 million (2020: AED 132 million).

33. Share capital

	2021 AED'000	2020 AED'000
Authorised:		
10,000 million (2020: 10,000 million) ordinary shares of AED 1 each	10,000,000	10,000,000
Issued and fully paid up:		
8,696.8 million (2020: 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 which were both approved in the Etisalat Annual General Meeting held on 17 March 2021.

34. Reserves

The movement in the reserves is provided below:	2021 AED'000	2020 AED'000
Balance at 1 January	**28,400,580**	**27,812,896**
Total comprehensive income for the year	71,938	334,582
Transfer from retained earnings	124,406	247,880
Other movements	1,264	5,222
As at 31 December	**28,598,188**	**28,400,580**

The movement for each type of reserves is provided below:	2021 AED'000	2020 AED'000
Translation reserve		
As at 1 January	(7,052,939)	(7,475,384)
Exchange differences on translation of foreign operations	(625,967)	1,143,301
Acquisition of non-controlling interests without a change in control	(198,272)	-
Gain / (loss) on hedging instruments designated in hedges of the net assets of foreign operations	782,797	(720,856)
As at 31 December	**(7,094,381)**	**(7,052,939)**
Investment revaluation reserve		
As at 1 January	38,414	33,158
(Loss) / gain on revaluation	4,401	34
Other movements	1,264	5,222
As at 31 December	**44,079**	**38,414**
Development reserve	**7,850,000**	**7,850,000**
Cash Flow hedge reserve		
As at 1 January	(160,388)	(72,491)
Gain / (loss) on revaluation	108,979	(87,897)
As at 31 December	**(51,409)**	**(160,388)**
Asset replacement reserve	**8,281,600**	**8,281,600**
Statutory reserve		
As at 1 January	5,349,138	5,101,258
Transfer from retained earnings	124,406	247,880
As at 31 December	**5,473,544**	**5,349,138**
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:

	2021 AED'000	2020 AED'000
Bank borrowings	(13,961,912)	(13,158,473)
Bonds	(10,898,562)	(12,580,935)
Other borrowings	(871,811)	(961,612)
Lease liabilities	(2,654,050)	(2,784,878)
Cash and bank balances	28,575,372	31,344,883
Net funds	**189,037**	**1,858,985**
Total equity	57,563,822	60,550,021

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:

	2021 AED'000
Financial assets	
Amortised cost financial assets;	
Due from related parties	82,026
Finance lease receivables	148,953
Trade and other receivables, excluding prepayments and advances to suppliers	13,171,422
Cash and bank balances	28,575,372
Investment carried at amortised cost	2,862,151
	44,839,924
Financial assets carried at fair value through OCI	197,414
Fair value through profit or loss	971,837
	46,009,175
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue and advances from customers	29,407,524
Borrowings	25,732,285
Payables related to investments and licenses	624,217
Lease liabilities	2,654,050
Due to related parties	4,733
Derivative financial instruments	40,660
	58,463,469

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

	2020 AED'000
Financial assets	
Loans and receivables, held at amortised cost:	
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	1,834,206
	46,512,362
Financial assets carried at fair value through OCI	193,900
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

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	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Increase in profit and in equity				
Egyptian pounds	39,147	24,107	-	-
Euros	(1,656)	842,392	907,049	241,338
Pakistani rupees	96,047	66,963	-	-
Moroccan Dirhams	340,314	443,074	-	-
Central African Franc	175,065	205,891	-	-

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 2021, 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 144 million (2020: AED 45 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 2021 would increase/decrease by AED Nil (2020: AED 14.03 million) 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 2021 would increase/decrease by AED 4.95 million (2020: increase/decrease by AED 4.95 million) as a result of the changes in fair value of 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	**2021**	**2020**
Investment in UAE	82%	81%
Investment outside of the UAE	18%	19%

Bank rating for Investment in UAE	**2021**		**2020**	
	AED	**Rating**	**AED**	**Rating**
By Moody's	2.7 billion	A3	2.3 billion	A3
	1.4 billion	Baa1	7.8 billion	A2
	2.5 billion	A1	0.2 billion	A1
By S&P	0.3 billion	AA-	3.7 billion	A
	0.6 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 :	**2021**	**2020**
	AED'000	**AED'000**
Allowances on trade receivables and contract assets	906,530	1,041,084
Allowances on due from other telecommunication operators/carriers	139,555	110,633
Allowance on finance lease receivables	23,125	7,647
Total loss on allowances	**1,069,210**	**1,159,364**

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 2021 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	28,042,024	6,556,175	112,918	594,840	-	35,305,957
In the second year	486,465	1,372,085	61,037	422,379	-	2,341,966
In the third to fifth years inclusive	806,283	13,404,618	450,811	1,334,586	131,538	16,127,836
After the fifth year	72,752	4,518,498	12,417	2,012,210	-	6,615,877
As At 31 December 2021	**29,407,524**	**25,851,376**	**637,183**	**4,364,015**	**131,538**	**60,391,636**
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**

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 2021				
	Carrying value	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets					
Finance lease receivables	148,953	-	216,358	-	216,358
Investment carried at amortised cost	2,862,151	2,495,609	140,435	262,233	2,898,277
Financial assets classified at fair value through OCI	197,414	-	-	197,414	197,414
Financial assets carried at fair value through profit or loss	971,837	409,662	511,975	50,200	971,837
	4,180,355	**2,905,271**	**868,768**	**509,847**	**4,283,886**
Financial liabilities					
Borrowings	25,732,285	-	25,461,283	-	25,461,283
Lease liabilities	2,654,050	-	2,654,050	-	2,654,050
Derivative financial liabilities	40,660	-	40,660	-	40,660
	28,426,995	**-**	**28,155,993**	**-**	**28,155,993**

	Fair value hierarchy as at 31 December 2020				
	Carrying value	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets					
Finance lease receivables	159,535	-	219,200	-	219,200
Investment carried at amortised cost	1,834,206	1,677,316	-	212,372	1,889,688
Financial assets classified at fair value through OCI	193,900	-	-	193,900	193,900
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**	**460,209**	**4,510,017**
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**

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 510 million (2020: AED 460 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.

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	**2021**	**2020**
	AED'000	**AED'000**
As at 1 January	**460,210**	**350,926**
Additions	38,133	99,765
Foreign exchange difference	(22,670)	23,053
Disposal	(1,251)	(7,126)
Revaluation	35,425	(6,408)
As at 31 December	**509,847**	**460,210**

36. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 4,755 million (2020: AED 5,743 million).

The Group has issued letters of credit amounting to AED 489 million (2020: AED 310 million).

37. Contingent liabilities

a) Bank guarantees

	2021 AED million	2020 AED million
Performance bonds and guarantees in relation to contracts	3,262	2,034
Companies Overseas investments	3,068	1,917

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 Petitions were filed in Supreme Court of Pakistan by PTCL, the PTET and the GoP (together, the "Review Petitioners") against the Supreme Court Judgment.

The Supreme Court disposed the Review Petitions and directed the Review Petitioners to seek remedy under section 12(2) of the Civil Procedure Code (the “CPC”), 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.

The decision of the Appeals bench of the Supreme Court on 10 May 2018 clarified that voluntary separation scheme ("VSS") pensioners are excluded from any obligation on PTCL to pay them any additional increase in pension. Notwithstanding this development, many retirees, including VSS pensioners, have continued to submit petitions before the Supreme Court. The Chief Justice of Pakistan has decided to bring the matter back for a rehearing by the Supreme Court.

Separately, the Islamabad High Court (IHC) issued a decision on 3 March 2020, in which it upheld the rights of certain retirees (“T&T retirees”) to benefit from periodic government increases in pensions and additional benefits, although it also held that the same did not apply to the VSS pensioners.

In response, PTCL and PTET raised an Intra Court Appeal against the exemption granted to the T&T retirees before the Divisional Bench at the Islamabad High Court. On 24 September 2020, the Intra Court appeals were adjourned for consolidation of all Intra court Intra Court appeals before one bench. On 16 December 2020, the Islamabad High Court granted a stay of execution in favour of PTCL and PTET and postponed the case until 14 July 2021.

Islamabad High Court on 2nd November, 2021, has decided that the GOP increases are not allowed to VSS optees, PTC pensioners and to the workmen. To the extent of Civil Servants the Islamabad High Court allowed the GOP increase. However, to the same extent appeal has been filed before Apex court within the limitation

The management of PTCL, on the advice of their lawyers, 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 in respect of these proceedings.

iii) Pursuant to the restatement of Group's associate’s, Etihad Etisalat Company (Mobily), financial statements for 2014, aggrieved shareholders have filed 192 lawsuits against Mobily before the Committee for the Resolutions of Security Disputes (the "CRSD"), some of which are still being adjudicated. Most claims have been dismissed and, as at 31 December 2021, there are 2 claims which remain ongoing. The total amount of the remaining claims has been evaluated at about SAR 3.4 million (AED 3.3 million).

In addition, 91 shareholder claims totaling SAR 1.855 billion (AED 1.817 billion) have been made against the 2013/2014 members of the Mobily Board (the "Defendants") and Mobily executives (the "Executives"), and these have been filed with the CRSD.

Two of the named Defendants were nominated, by Etisalat to the 2013/14 Mobily Board. Pursuant to such nomination, these individuals are entitled to be indemnified by Etisalat for any loss or damages due to third parties made against them.

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 liable to compensate shareholders for violating article 49a of the Capital Market Law.

This ruling has been reflected in further shareholder cases being dismissed by the CRSD finding that the former members of the board were not liable for any losses claimed by the shareholders.

Latest developments:
- 45 shareholders claims have been dismissed (final decisions) by the CRSD/ACRSD during 2021 for a total value of SAR 1.1 billion (AED 1.08 billion)
- 3 decisions were issued by CRSD (still subject to appeal) for a total value of SAR 276 million (AED 270 million)
- There are still 10 claims pending decision before the CRSD (no decision yet) for a total value of SAR 158 million (AED 155 million)
- Some 33 shareholders have joined the class action claim for a total value of SAR 321 million (AED 314 million) and accordingly their individual claims were suspended for the requisite period and have lapsed.

37. Contingent liabilities *(continued)*

b) Other contingent liabilities *(continued)*

In separate proceedings, 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 (1462) decision and (ii) former members of the Mobily executives who were named as defendants in the October 2020 ACRSD final (1997) 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.

The window for submitting claims and joining in this class action claim closed on 4 June 2021.

(iv) The Group sold its 85% holding in Zantel to Millicom in 2015. The SPA contains a Reverse Earn Out obligation under which Etisalat would be required to pay US$15 million (the Reverse Earn Out amount) to Millicom in the event the Reverse Earn Out Period (REP) EBIDTA was not achieved in each of 12 financial quarters from 1 January 2017 to 31 Dec 2019 and provided certain other conditions relating to the management and operation of the Zantel business by Millicom were satisfied.

On 1 February 2021, Millicom commenced arbitration proceedings under the SPA by filing a Request for Arbitration under the DIFC LCIA rules, in which it claims payment of for the Reverse Earn Out amount payment.

On 17 March 2021 Etisalat submitted its Response to the Request for Arbitration, in which it alleges that Millicom has breached the SPA and is not entitled to payment of the Reverse Earn Out amount.

Arbitration proceedings were ongoing before the arbitral tribunal since February 2021.

Both parties engaged in settlement discussions to settle amicably the matter and Etisalat accepted to pay Millicom USD 11 million in order to settle and close the dispute in relation to the reverse earn out payment obligation. Settlement agreement was signed between the parties and the settlement was made.

(v) On 16 December 2021, Maroc Telecom received a notice from the Commercial Court of Rabat regarding a complaint filed by Wana on unbundling and claiming MAD 6,845 million. . The case is ongoing and two hearings have taken place, on 27 December 2021 and 7 February 2022.

(vi) Under the REMACOTEM dispute (association of consumers of mobile networks in Mali), the Civil Court had dismissed the plaintiff in 2013, for the alleged damages suffered.

On 3 November 2021, the Bamako Court of Appeal set the total amount of damages claimed by REMACOTEM from 2011 to 2020 at MAD 2,823 million, including MAD 933 million for Sotelma, a subsidiary 51% owned by Maroc Telecom. Sotelma replied through its lawyers and a hearing was requested to annul the said judgment as well as its execution.

38. Dividends

Amounts recognised as distribution to equity holders:	**AED'000**
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
31 December 2021	
Interim dividend for the year ended 31 December 2021 of AED 0.40 per share	3,477,198
Final dividend for the year ended 31 December 2020 of AED 0.40 per share	3,477,198
One-time special dividend for the year ended 31 December 2020 of AED 0.40 per share	3,477,198
	10,431,594

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 became AED 1.20.

An interim dividend of AED 0.4 per share was declared by the Board of Directors on 29 July 2021 for the year ended 31 December 2021.

On 24 February 2022, the Board of Directors proposed a final dividend of AED 0.40 per share for the year ended 31 December 2021, bringing total dividends per share to AED 0.80 for the year.

39. Earnings per share

	2021	**2020**
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	**9,317,045**	9,026,522
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 1.07**	AED 1.04

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 2021 and 31 December 2020.

	Gross amounts	Gross amounts set off	Net amount presented
	2021	2021	2021
	AED '000	AED '000	AED '000
Financial assets			
Amounts due from other telecommunication operators/carriers	7,805,243	(5,243,764)	2,561,479
Financial liabilities			
Amounts due to other telecommunication administrators	8,289,387	(5,243,764)	3,045,623

	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 operators/carriers	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

41. Acquisition of subsidiaries

41.1. Acquisition of Digital Financial Services LLC (DFS)

On 9 December 2021, the Group completed the acquisition of additional 50.01% stake in DFS, which was an associate, bringing its total shareholding in DFS to 100%.

41.1(a). Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of the assets acquired, liabilities assumed, as of the acquisition date on a provisional basis. The initial accounting for the business combination is under process as at the date of authorisation of these consolidated financial statements, hence, no further disclosures have been given.

	Provisional fair values AED'000
Property , plant and equipment	10,124
Trade and other receivables	198
DFS wallet account balance	801
Bank and cash balances	17,660
Input VAT	1,070
Output VAT	(105)
Accrued Liabilities	(16,873)
Capex payable	(3,318)
Net identifiable assets acquired	**9,557**
Goodwill based on provisional fair valuation	140,428
Fair value of investment	**149,985**

42. Assets held-for-sale

On 20 October 2021, the Group signed a binding agreement with Group42 (G42) to combine their data centers businesses in the United Arab Emirates through creation of a new entity (NewCo) in which the Group will own 40% of shareholding while G42 will own the remaining 60% (the transaction). Upon completion of the transaction, NewCo will be accounted for using the equity method of accounting. Closing of the transaction is subject to customary closing conditions, including finalization of transaction documentation, regulatory approvals and certain administrative procedures.

In accordance with IFRS 5, the related data center assets have been extracted and reclassified in the consolidated statement of financial position from property, plant and equipment to assets held-for-sale as at 31 December 2021. Such assets have been presented at the lower of their carrying amount and fair value less costs to sell.

43. Subsequent events

Subsequent events, other than that disclosed in note 38, are disclosed as follows:

(1) On 10 January 2022, Maroc Telecom received a report from the Moroccan Telecom Regulator, ANRT, relating to the implementation of the injunctions resulting from the ANRT decision ANRT/CG/N°01/2020 of 17 January 2020, claiming partial non-compliance with 5 out of 13 injunctions of the aforementioned decision. After an in-depth and detailed analysis of the aforementioned report, a response contesting the ANRT's findings was filed within the legal deadline of one month.

(2) On 28 January 2022, the Group has completed the acquisition of 100% shareholding in elGrocer DMCC after satisfying all conditions precedent and completion deliverables pursuant to an agreement signed with elGrocer LTD against a consideration not exceeding AED 38 million.

elGrocer DMCC will be consolidated in the Group's future consolidated financials statements effective from the acquistion date of 28 January 2022. The initial accounting for the business combination is under process as at the date of authorisation of these consolidated financial statements, hence, no further disclosures have been given.

(3) On 10 February 2022, the Group signed an agreement with ADQ, Alpha Dhabi Holding and First Abu Dhabi Bank (FAB) to launch a new digital banking platform, ‘Wio’ , that received in-principal approval from the Central Bank of the UAE. The Group will contribute AED 639 million in exchange for a stake of 25%. This investment will be accounted for based on the equity method of accounting and the related financial impacts will be reflected in the Group’s consolidated financial statements effective from February 2022.

44. Reclassification

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

45. Impact of COVID-19 pandemic

Business outlook since first quarter of 2020 has been 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 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.

The 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 prior year. Based on the overall assessment, the Group has concluded that significant changes are not required as of 31 December 2021 in its key accounting judgements and estimates from those applied in the last annual consolidated financial statements as of 31 December 2020, 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.

In response to the top-line pressure, the 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.

Since the third and fourth quarters of prior year, as restrictions began to ease, commercial activities improved gradually. However, due to weaker macroeconomics that continue to pressure consumer and corporate spending, they generally remain below pre-COVID-19 levels. In 2020, along with other groups in Morocco, the Group’s subsidiary, Maroc Telecom, contributed an amount of MAD 1.5 billion (AED 551 million) to the special fund dedicated to manage the coronavirus pandemic which is included in 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.