Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated financial statements for the year ended 31 December 2020

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	Pages
Independent auditors' report	**1 – 7**
Consolidated statement of financial position	**8**
Consolidated statement of comprehensive income	**9**
Consolidated statement of changes in equity	**10**
Consolidated statement of cash flows	**11**
Notes to the consolidated financial statements	**12 – 68**

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INTEGRATED TELECOMMUNICATIONS COMPANY PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Emirates Integrated Telecommunications Company PJSC ("EITC" or "the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. 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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INTEGRATED TELECOMMUNICATIONS COMPANY PJSC (continued)

Key audit matter

Revenue recognition and related IT systems

The Group reported revenue of AED 11.1 billion from telecommunication and related activities.

We focused on this area of the audit as there is an inherent risk related to revenue recognition given the complexity of the systems and changing mix of business products and services, including a variety of plans available for consumer and enterprise customers, tariff structures, roaming and international hubbing ('wholesale') agreements, site sharing agreements, incentive programmes and discounts.

Due to the estimates made, complexities involved and judgements applied in the revenue process and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.

The Group's accounting policies relating to revenue recognition are presented in note 3 and details about the Group's revenue are disclosed in note 34 to the consolidated financial statements.

How our audit addressed the Key audit matter

Our audit procedures included a combination of controls testing, data analytics and other substantive procedures, but were not limited to, the following:

- performing enhanced risk assessment procedures in response to the significant economic disruption associated with the COVID-19 pandemic and increasing audit effort to challenge whether the revenue recognition criteria adopted for significant revenue streams is appropriate and in accordance with IFRSs;
- obtaining an understanding of the significant revenue processes including performance of an end to end walkthrough of the revenue process and identifying the relevant controls (including Information Technology ("IT") systems, interfaces, revenue assurance and reports);
- testing the design and implementation as well as the operating effectiveness of the relevant controls;
- involving our internal IT specialists to test IT general controls, system interfaces, data/information reporting and application specific controls surrounding relevant revenue systems;
- reviewing significant new contracts on a sample basis and the regulatory pronouncements, the accounting treatments adopted and testing the related revenues recognised during the year;
- performing data analysis and substantive analytical procedures of significant revenue streams;
- reviewing key reconciliations performed by the Revenue Assurance team;
- performing test of details on non-routine adjustments processed by management which are outside of normal billing platform;
- performing specific procedures to test the accuracy and completeness of adjustments relating to grossing up certain revenue and costs; and
- assessing the disclosures in the consolidated financial statements against the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INTEGRATED TELECOMMUNICATIONS COMPANY PJSC (continued)

Key audit matter	How our audit addressed the Key audit matter
Federal royalty computation The federal royalty is a significant charge levied against regulated revenues of the Group and against operating profits, based on fixed percentages, as disclosed in Note 2.3 to the consolidated financial statements. The federal royalty charge for the year is AED 1.5 billion for the year with an accrual of AED 1.6 billion as at 31 December 2020. We focused on this area of the audit as the royalty calculations are subject to significant judgements, interpretations and assumptions in respect of the definition of regulated items, the determination of certain allowable deductions and allocated costs and the treatment of royalties on site sharing transactions. These are also subject to change from time to time as detailed in the guidelines provided by the United Arab Emirates Ministry of Finance ("the MoF") are amended or as clarifications are received from the MoF. Accordingly, the computation of the federal royalty for the year ended 31 December 2020 is considered to be a key audit matter. The critical accounting estimates made and judgements applied by management are disclosed in note 2.3 and further details about the federal royalty are disclosed in note 27 to the consolidated financial statements	In responding to this risk, our audit procedures included, but were not limited to, the following: • obtaining an understanding of the process used by management to determine the federal royalty charge and related accrual. • testing the design and implementation of the relevant controls over the calculation of the federal royalty charge; • holding meetings with management to discuss the federal royalty calculation and inspecting correspondence from the MOF relating to this matter; • assessing the judgements applied in the calculation of the federal royalty for the current year against the guidelines provided by the MOF and the abovementioned correspondence; • evaluating the classification of regulated and non-regulated revenues in the calculation of the federal royalty on the telecommunication operations; • testing the allocation of indirect costs on nonregulated activities based on clarifications received from the MOF; • evaluating the exclusion of items which were not included in the calculation of the federal royalty against the guidelines and the clarifications received from the MOF; • reperforming the arithmetical accuracy of the calculation of the federal royalty for the year; and • assessing the disclosures in the consolidated financial statements against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INTEGRATED TELECOMMUNICATIONS COMPANY PJSC (continued)

Key audit matter

Carrying value of goodwill

As at 31 December 2020, the carrying value of goodwill amounted to AED 413 million, or 2.60 % of total assets as disclosed in Note 8 to the consolidated financial statements.

An entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. The Group has recorded an impairment loss of AED 135.8 million in relation to the Broadcasting business for the year ended 31 December 2020 in accordance with IAS 36 Impairment of Assets.

An impairment is recognised when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 3 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows.

In addition, the recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.

Uncertainty in the estimations have increased as COVID-19 has led to significant market volatility through the year 2020, including an increase in country risk premium which also leads to additional complexity in determining the appropriate discount rate.

The critical accounting estimates made and judgements applied by management are disclosed in note 2.3 and further details about the impairment of goodwill is disclosed in note 8 to the consolidated financial statements.

We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the amount in the Group's consolidated financial statements.

How our audit addressed the Key audit matter

We tested the goodwill impairment models and the key assumptions used by management with the involvement of our valuation specialists. Our audit procedures included, but were not limited to, the following:

- understanding the business process for the impairment assessment, identifying the relevant internal controls and testing their design, implementation and operating effectiveness of controls over the impairment assessment process, including indicators of impairment;
- evaluating whether the cash flows in the models used by management to calculate the recoverable value are in accordance with IAS 36 Impairment of Assets;
- obtaining and analysing the approved business plans for each such asset (or CGU, as applicable) to assess accuracy of the computations and the overall reasonableness of key assumptions;
- comparing actual historical cash flow results with previous forecasts to assess forecasting accuracy;
- Evaluating and challenging the Group's cash flow forecasts based on historical forecasting accuracy and external data (i.e. external industry and broker reports) to substantiate management's growth forecasts and management's assessment on the impact of COVID-19 on the Group;
- assessing the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC) and benchmarking that with discount rates used by other similar businesses external sector related guidelines;
- benchmarking assumptions on long term growth rates of local GDP and long term inflation expectations with external sources of data published by global monetary agencies;
- benchmarking the values with market multiples where applicable;
- performing sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss; and
- assessing the disclosure in the consolidated financial statements relating to goodwill against the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INTEGRATED TELECOMMUNICATIONS COMPANY PJSC (continued)

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' report which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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 IFRSs and the requirements of the UAE Federal Law No. (2) of 2015 (as amended) and the applicable provisions of the articles of association of the Company, and for such internal control as the 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.

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Auditor's 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 auditor's 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 ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INTEGRATED TELECOMMUNICATIONS COMPANY PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- 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);
- The Group has maintained proper books of account;
- The financial information included in the Board of Directors' report is consistent with the books of account of the Group;
- As disclosed in note 10 to the consolidated financial statements, the Group has made investments in a Joint Venture during the financial year ended 31 December 2020;
- Note 15 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and
- Note 26 to the consolidated financial statements discloses the social contributions made by the Group during the year ended 31 December 2020.

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
8 February 2021
Dubai
United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of financial position

	Notes	As at 31 December 2020 AED 000	2019 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	6	8,063,422	7,741,119
Right-of-use assets	7	1,851,429	1,699,651
Intangible assets and goodwill	8	900,215	1,051,446
Lease receivable	9	149,963	-
Investments accounted for using the equity method	10	29,835	268,948
Financial asset at fair value through other comprehensive income	11	18,368	18,368
Contract assets	13	211,216	208,994
Total non-current assets		11,224,448	10,988,526
Current assets			
Inventories		61,513	111,795
Lease receivable	9	18,213	-
Derivative financial instruments	12	-	520
Contract assets	13	454,101	473,195
Trade and other receivables	14	1,726,401	1,870,556
Due from related parties	15	139,869	164,995
Term deposits	16	2,029,327	2,948,701
Cash and bank balances	17	213,375	268,695
Total current assets		4,642,799	5,838,457
Total assets		15,867,247	16,826,983
EQUITY AND LIABILITIES			
Equity			
Share capital	23	4,532,906	4,532,906
Share premium	24	232,332	232,332
Other reserves	25	1,908,411	1,764,640
Retained earnings		1,895,763	2,118,877
Total equity		8,569,412	8,648,755
Non-current liabilities			
Lease liabilities	18	1,691,727	1,396,800
Contract liabilities	13	195,149	193,095
Provision for employees' end of service benefits	20	254,037	258,740
Other provisions	21	184,581	169,832
Total non-current liabilities		2,325,494	2,018,467
Current liabilities			
Trade and other payables	22	3,991,797	4,600,332
Lease liabilities	18	616,896	460,005
Contract liabilities	13	358,538	377,019
Due to related parties	15	5,110	6,073
Borrowings	19	-	716,332
Total current liabilities		4,972,341	6,159,761
Total liabilities		7,297,835	8,178,228
Total equity and liabilities		15,867,247	16,826,983

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The consolidated financial statements were approved by the Board of Directors on 8th February 2021 and signed on its behalf by:

....
Sara Awad Issa Musallam
Board Member

....
Kais Ben Hamida
Chief Financial Officer

The notes on pages 12 to 68 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Notes	For the year ended 31 December 2020 AED 000	2019 AED 000
Revenue	34	11,083,845	12,587,958
Operating expenses	26	(8,253,903)	(8,629,821)
Expected credit losses on contract assets, trade receivables and due from related parties (net of recoveries)		(227,353)	(210,610)
Other income		13,904	2,860
Federal royalty	27	(1,511,938)	(2,029,008)
Finance income	28	50,575	124,052
Finance costs	28	(105,859)	(124,990)
Impairment of goodwill	8	(135,830)	-
Share of profit of investments accounted for using equity method	10	10,099	10,513
Gain on disposal of investment accounted for using equity method	10.1	519,374	-
Profit for the year		1,442,914	1,730,954
Other comprehensive (loss)/income			
Items that may be re-classified subsequently to profit or loss			
Fair value changes on cash flow hedge	25	(520)	(10,448)
Items that will not be re-classified to profit or loss			
Actuarial gain on defined benefit obligations	20	19,451	3,028
Other comprehensive income/(loss) for the year		18,931	(7,420)
Total comprehensive income for the year attributable entirely to shareholders of the Company		1,461,845	1,723,534
Basic and diluted earnings per share (AED)	29	0.32	0.38

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of changes in equity

	Share capital AED 000	Share premium AED 000	Other reserves (Note 25) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2019	4,532,906	232,332	1,601,993	2,144,507	8,511,738
Profit for the year	-	-	-	1,730,954	1,730,954
Other comprehensive (loss)/income	-	-	(10,448)	3,028	(7,420)
Total comprehensive income	-	-	(10,448)	1,733,982	1,723,534
Transfer to statutory reserve	-	-	173,095	(173,095)	-
Final cash dividend paid	-	-	-	(997,239)	(997,239)
Interim cash dividend paid	-	-	-	(589,278)	(589,278)
At 31 December 2019	4,532,906	232,332	1,764,640	2,118,877	8,648,755
At 1 January 2020	4,532,906	232,332	1,764,640	2,118,877	8,648,755
Profit for the year	-	-	-	1,442,914	1,442,914
Other comprehensive (loss)/income	-	-	(520)	19,451	18,931
Total comprehensive income	-	-	(520)	1,462,365	1,461,845
Transfer to statutory reserve	-	-	144,291	(144,291)	-
Final cash dividend paid*	-	-	-	(951,910)	(951,910)
Interim cash dividend paid**	-	-	-	(589,278)	(589,278)
At 31 December 2020	4,532,906	232,332	1,908,411	1,895,763	8,569,412

*For the year 2019, a final cash dividend of AED 0.21 per share amounting to AED 951,910 thousand was approved by the shareholders at the Annual General Meeting held on 14 April 2020 and was paid in May 2020.

**For the year 2020, an interim cash dividend of AED 0.13 per share amounting to AED 589,278 thousand was proposed on 21 July 2020 and paid in August 2020.

For the year 2020, a final cash dividend of AED 0.15 per share amounting to AED 679,936 thousand is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of cash flows

	Notes	For the year ended 31 December 2020 AED 000	2019 AED 000
Cash flows from operating activities			
Profit for the year		1,442,914	1,730,954
Adjustments for:			
Depreciation and impairment of property, plant and equipment	6	1,346,997	1,387,189
Depreciation of right-of-use assets	7	362,409	319,818
Amortisation and impairment of intangible assets	8	181,018	226,129
Loss on disposal of property, plant and equipment		1,032	-
Provision for employees' end of service benefits	20	32,970	35,283
Loss allowance on contract assets	13	9,099	2,440
Loss allowance on trade receivables	14	219,996	215,414
Loss allowance on due from related parties	15	25,007	-
Finance income	28	(50,575)	(124,052)
Finance costs	28	105,859	124,990
Impairment of goodwill	8	135,830	-
Adjustment for change in discount/inflation rates	21	1,239	259
Unwinding of discount on asset retirement obligations	21	6,953	4,806
Share of profit of investments accounted for using equity method	10	(10,099)	(10,513)
Gain on disposal of investment accounted for using equity method	10.1	(519,374)	-
Changes in working capital	30	1,430,256	1,463,163
Cash generated from operations		4,721,531	5,375,880
Royalty paid (net)	27	(1,950,078)	(2,069,210)
Payment of employees' end of service benefits	20	(26,312)	(34,647)
Net cash generated from operating activities		2,745,141	3,272,023
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,834,580)	(1,186,639)
Purchase of intangible assets		(174,414)	(164,640)
Proceeds from disposal of property, plant and equipment		126	-
Payment for additional investments accounted for using equity method	10	(31,000)	(70,256)
Proceeds from disposal of investment accounted for using equity method		800,000	-
Interest received		116,543	157,522
Margin on guarantees released		1,535	1,355
Term deposits released (net)		919,374	1,051,299
Net cash used in investing activities		(202,416)	(211,359)
Cash flows from financing activities			
Repayment of lease liabilities		(240,917)	(128,448)
Repayment of borrowings	19	(716,332)	(1,461,318)
Dividends paid		(1,541,188)	(1,586,517)
Interest paid on borrowings and lease liabilities		(98,073)	(116,422)
Net cash used in financing activities		(2,596,510)	(3,292,705)
Net decrease in cash and cash equivalents		(53,785)	(232,041)
Cash and cash equivalents at 1 January		264,657	496,698
Cash and cash equivalents at 31 December	17	210,872	264,657

The notes on pages 12 to 68 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2020

1 General information

Emirates Integrated Telecommunications Company PJSC the ("Company") is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These consolidated financial statements for the year ended 31 December 2020 include the financial statements of the Company and its subsidiaries (together "the Group").

The Company's principal objective is to provide fixed, mobile, wholesale, broadcasting and associated telecommunication services in the UAE.

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	**Principal activities**	**Shareholding**		**Country of incorporation**
		2020	2019	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	**100%**	100%	UAE
Telco Operations FZ-LLC	Outsourcing services	**100%**	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	**100%**	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	**100%**	100%	Singapore

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention except for financial asset at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) Functional and presentation currency

The individual financial statements of each of the Group's subsidiaries, associates and joint venture 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.

2 Basis of preparation (continued)

(ii) Basis of consolidation

A subsidiary is an entity controlled by the Company. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Going concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.1 New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2020.

- *Amendments to references to the Conceptual Framework in IFRS standards*
  Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

- *Definition of Business - amendments to IFRS 3*
  The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

- *Definition of Material – amendments to IAS 1 and IAS 8*
  The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

- *Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7*
  The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

- *Covid-19-Related Rent Concessions – amendments to IFRS 16*

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This is effective for periods beginning on or after 1 June 2020.

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statements of the Group except Covid-19 Related Rent Concessions – amendments to IFRS 16, details given below:

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16.

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the above mentioned conditions and has not restated prior period figures.

The waiver of lease payments of AED 6,080 thousand has been accounted for as other income in statement of comprehensive income. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments.

The Group has remeasured the lease liability using the revised lease payments and the discount rate originally applied to the lease, resulting in a decrease in the lease liability of AED 6,080 thousand, which has been recognised as other income in consolidated statement of comprehensive income. The Group continued to recognize interest expense on the lease liability.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

(b) New standards and amendments issued but not yet effective

- *Classification of Liabilities as Current or Non-Current - amendments to IAS 1 (effective from 1 January 2023).* The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current;
- *Reference to the Conceptual Framework - Amendments to IFRS 3 (effective from 1 January 2022).* The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard;
- *Property, Plant and Equipment - Proceeds before Intended Use - amendments to IAS 16 (effective from 1 January 2022).* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss;
- *Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37 (effective from 1 January 2022).* The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract);
- *IFRS 17: Insurance Contracts (effective from 1 January 2023).* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2023; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

2 Basis of preparation (continued)

2.2 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

2.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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) Asset retirement obligations

The Group exercises judgement in determining the expected cash outflows related to its asset retirement obligations. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Group's provision is based on management's best estimate of the future cash outflows required to settle the obligations, discounted using appropriate discount rate. Additional information on this provision is disclosed in Note 21.

(ii) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No. 320/15/23 of 2012 and various guidelines issued by the UAE Ministry of Finance ("the MoF") and subsequent clarification letters require use of certain judgements, interpretations and assumptions. These mainly relate to the segregation of items between regulated and other activities and items which the Group judges as not subject to Federal royalty or which may be set off against revenue which are subject to Federal royalty, and allocation of costs between regulated and non-regulated results.

(iii) Allocation of the transaction price

Products with multiple deliverables that have value to customers on a standalone basis are defined as multiple element arrangements. The transaction price for these contracts must be allocated to the performance obligations on a relative stand-alone selling price basis.

2 Basis of preparation (continued)

2.3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

(iii) Allocation of the transaction price (continued)

Management estimates the stand-alone selling price at contract inception based on observable prices of the type of goods to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices. Where the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin.

(iv) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Key sources of estimation uncertainty

(i) Provision for expected credit losses of contract assets, trade receivables and due from related parties

The Group recognises a loss allowance for expected credit losses (ECL) on its contract assets, trade receivables and due from related parties. 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 asset.

The Group recognises lifetime ECL for contract assets, trade receivables and due from related parties, 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.

For financial assets other than contract assets, trade receivables and due from related parties, the Group will calculate ECL using the general approach (Note 2.3 (ii)).

(ii) Provision for impairment of other financial assets

For all other financial assets, 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.

2 Basis of preparation (continued)

2.3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(iii) Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy. The recoverable amount of the cash-generating units has been determined based on value-in-use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating units being tested, but do include the Group's expectations of future capital expenditure necessary to maintain the Group's network existing operations.

These calculations are performed internally by the Group and require the use of estimates and assumptions. The input factors most sensitive to change are management estimates of future cash flows based on budgets, growth rates and discount rate. Further detail on these assumptions has been disclosed in Note 8. An impairment of AED 135,830 thousand is recognised on the goodwill in the current year. The sensitivity analysis in respect of recoverable amount of the CGUs is prescribed in Note 8 to the consolidated financial statements.

(iv) Useful lives of property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets. The useful lives of the property, plant and equipment are provided in Note 3.2.

(v) Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). For calculation of IBR, the Group has taken the 12 months LIBOR as on the transition date and the rate is adjusted for Group's specific risk, term risk and underlying asset risk.

2.4 COVID-19 updates

In January 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 Outbreak"). Subsequently (March 2020), the WHO classified COVID-19 Outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this virus resulted in global travel restrictions and total lockdown in most countries of the world between March and May 2020. Due to the unprecedented adverse effect of the lockdown on the global economy and some success in the efforts to flatten the infection curve, many countries started easing the lock down restrictions at the end of Q2 2020.

2 Basis of preparation (continued)

2.4 COVID-19 updates (continued)

In Q3 2020, the UAE government started re-opening the economy with gradual resumption of international flights, re-opening of offices, malls, etc. with some additional safety measures around social distancing, use of masks, increased COVID-19 testing (including tests at airport arrivals), etc. These measures allowed first signs of the start of recovery in several business activities.

In Q4 2020, the economic activity continued to improve and further releases of restrictions on mobility were introduced allowing an important increase in the tourist activity. The approval of few vaccines and the start of their deployment boosted the general sentiment about a close exit to the crisis.

However, the increase in the number of infections particularly towards the end of the year and the risk of a second wave in many countries led to a higher level of uncertainty and re-introduced doubts about the speed of recovery.

Although the Group has been able to gradually improve its assessment of the COVID-19 impact on the business, the surge in the number of infections during Q4 introduced a new element of volatility. Also, the complete impact of the pandemic on the UAE population and economy in general requires further data, time and analysis. The Group will continue monitoring the evolution of the situation and adjust its operations in a dynamic manner to cope with an acceleration or a deceleration of the recovery.

From accounting perspective, the Group continued to assess the Expected Credit Loss (ECL) from trade receivables and contract assets and accounted for such in the consolidated financial statements in accordance with the requirements of IFRS 9. The Group also assessed the potential impacts of the current situation across all relevant areas of the business; specifically relating to going concern, impairment of assets and inventory, impairment of goodwill, subsidiary accounting, etc., with no material impact except impairment of goodwill related to broadcasting business as disclosed in Note 8.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

3 Summary of significant accounting policies (continued)

3.1 Consolidation (continued)

(a) Subsidiaries (continued)

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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 consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

3 Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	25
Plant and equipment	
Network civil works/buildings	10-25
Infrastructure	3-25
IT hardware	3-10
Mobile network	8-10
Fixed network	2-10
Broadcasting	5-7
Furniture and fixtures	3-5
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.17.2).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated statement of comprehensive income.

Capital work in progress includes assets which are under construction or inspection pending certification for their intended use and are stated at cost net of any accumulated impairment losses. When available for use, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies. No depreciation is charged on such assets until available for use.

3.3 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3 Summary of significant accounting policies (continued)

3.3 Leases (continued)

Group as a lessee (continued)

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Year
Land and building	2-25
Furniture and fixtures	8-13
Motor vehicle	2

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are assessed for impairment annually as per non-financial assets impairment policy given in Note 3.17.2.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3 Summary of significant accounting policies (continued)

3.3 Leases (continued)

Group as a lessor

The Group also enters into lease agreements as a lessor. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as lease receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.4 Intangible assets

<u>Goodwill</u>

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquiree, in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

3 Summary of significant accounting policies (continued)

3.4 Intangible assets (continued)

<u>Goodwill (continued)</u>

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the Cash Generating Units (CGUs) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

<u>Licenses and indefeasible rights of use</u>

Separately acquired licenses and rights of use are shown at historical cost. Licenses and rights of use acquired in a business combination are recognised at fair value at the acquisition date. Licenses and rights of use have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses and rights of use over their estimated useful lives as shown below:

	Years
Telecommunications license fee	20
Indefeasible rights of use	10-15

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Capital work in progress includes assets which are under development or inspection pending certification for their intended use and are stated at cost net of any accumulated impairment losses. When available for use, capital work in progress is transferred to software in use and amortised in accordance with the Group's policies. No amortisation is charged on such assets until available for use.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.5 Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3 Summary of significant accounting policies (continued)

3.5 Associates and joint venture

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of investments accounted for using equity method' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.6 Inventories

Inventories are 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. It excludes borrowing costs. 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.

3 Summary of significant accounting policies (continued)

3.7 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

Contract assets also include subscriber acquisition costs (contract costs). These are incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer, which the Group opted to capitalise and these costs are expected to be recovered. These costs are being amortised and tested for impairment regularly. Contract costs is being amortised over the average customer life with the Group for each segment. Contract assets are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

3.8 Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the contractual collection date is in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

3.9 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.10 Cash and bank balances

Cash and bank balances comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts, if any that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3.11 Financial instruments

3.11.1 Non-derivative financial assets

<u>Classification, initial recognition and measurement</u>

The Group classifies its financial assets as financial assets measured at amortised costs and financial assets at fair value through other comprehensive income (FVOCI). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.1 Non-derivative financial assets (continued)

(a) Financial assets measured at amortised cost

Financial assets measured at amortised cost applies to instruments for which the Group has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as solely payments of principal and interest "SPPI").

- Principal is the fair value of the instrument at initial recognition;
- Interest is the return within a basic lending arrangement and typically consists of consideration for the time value of money, and credit risk. It may also include consideration for other basic lending risks such as liquidity risk as well as a profit margin.

Financial assets measured at amortised costs are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are then classified as non-current assets. The Group's financial assets measured at amortised costs comprise trade and other receivables, contract assets, due from related parties, short term investments and cash and bank balances in the consolidated statement of financial position.

(b) Financial assets at fair value through other comprehensive income (FVOCI)

FVOCI is the classification for instruments for which Group has a dual business model, i.e. the business model is achieved by both holding the financial asset to collect the contractual cash flows and through the sale of the financial assets. The characteristics of the contractual cash flows of instruments in this category, must still be solely payments of principal and interest. They are included in non-current financial assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group elected to classify irrevocably its non-listed equity investments under this category.

<u>Subsequent measurement</u>

<u>Financial assets measured at amortised cost</u>

Financial assets measured at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of comprehensive income when the asset is derecognised, modified or impaired.

<u>Financial assets at fair value through other comprehensive income (FVOCI)</u>

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.1 Non-derivative financial assets (continued)

(b) Financial assets at fair value through other comprehensive income (FVOCI) (continued)

Financial assets at fair value through other comprehensive income (FVOCI) (continued)

Gains and losses on these financial assets are not subsequently reclassified to profit or loss following its derecognition. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.11.2 Non-derivative financial liabilities

The Group non-derivative financial liabilities include borrowings, due to related parties and trade and other payables in the consolidated statement of financial position.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.11.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair value of the derivative financial instruments used for hedging purposes are disclosed in Note 12. Movement in the hedging reserve in shareholders' equity is shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.3 Derivative financial instruments (continued)

Cash flow hedges

The Group has entered into interest rate swap contracts which are classified as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of comprehensive income, within other income.

Amounts accumulated in equity are reclassified to consolidated statement of comprehensive income in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in consolidated statement of comprehensive income within 'finance costs'.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- differences in critical terms between the interest rate swaps and loans.

3.11.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, 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.

3 Summary of significant accounting policies (continued)

3.12 Share capital

Ordinary shares are classified as equity.

3.13 Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Group's shareholders, but are included in a separate component of reserves once proposed by the Company's Board of Directors.

3.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as finance costs in the consolidated statement of comprehensive income.

Asset retirement obligations

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

3 Summary of significant accounting policies (continued)

3.16 Employee benefits

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. Accordingly, the accrued cost of contribution is charged to the consolidated statement of comprehensive income as incurred.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with UAE Labour Law. The provision is calculated in accordance with the Projected Unit Credit method as per IAS 19 'Employee Benefits' taking into consideration the UAE Labour Laws.

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 net interest cost is calculated by applying the discount rate to the defined benefit obligation. This cost is included in finance costs in the consolidated statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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 is also made for the estimated liability for employees' unused entitlements to annual leave and flights as a result of services rendered by eligible employees up to the reporting date. The provision relating to annual leave and air passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

The Group also provides mobile allowances and discounted mobile telephone charges to employees for official and personal purposes. This benefit is not separately accounted for as staff costs.

3 Summary of significant accounting policies (continued)

3.17 Impairment

3.17.1 Financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. 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 recognises lifetime ECL for trade 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.

(a) Approach selected for measurement lifetime ECL

Simplified approach - The Group is measuring the impairment at an amount equal to lifetime expected credit losses (ECL) for trade receivables, due from related parties and contract assets.

(b) Measurement of lifetime ECL on trade receivables and contract assets

The Group evaluates the expected credit loss for its trade receivables and contract assets based on debt flow rates for various customer segments i.e. enterprise, consumer, etc. Debt flow rates are calculated based on experience and historical collections trends, adjusted with forward looking collection factors.

Periodic impairment losses based on the above debt flow and rates are adjusted against security deposit and any other legally binding offsets at customer level. Provision for impairment is also taken on unbilled receivables based on the applicable rate.

In addition, an allowance for impairment loss may be considered for a financial asset on case to case basis based on specific information, company risk profile, market conditions and any other relevant information.

(c) Measurement of lifetime expected credit losses on term deposits and bank balances

Impairment for terms deposits and bank balances is based on probability of default, calculated on the basis of ratings provided by credit rating agencies (e.g. Fitch, Moody's etc.) of each bank and Loss Given Default (LGD) driven by rating from reputable financial institutions.

For all other financial assets, 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.

3 Summary of significant accounting policies (continued)

3.17 Impairment (continued)

3.17.2 Non-financial assets

Intangible assets that have an indefinite useful life or intangible assets/property, plant and equipment (including capital work in progress) not ready to use are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs'). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.18 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in AED which is the Company's and its subsidiaries functional and presentation currency. The figures have been rounded to the nearest thousand except when otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within finance income or costs.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. 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 arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve. Since the presentation currency of the Group and its subsidiaries AED or USD which is pegged to AED, there is no foreign currency translation reserve at reporting date.

3.19 Revenue recognition

IFRS 15 Revenue from Contracts with Customers, established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

3 Summary of significant accounting policies (continued)

3.19 Revenue recognition (continued)

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue comprises the invoiced or accrued amounts from the sale of goods and services (telecommunication and others) in the ordinary course of the Group's activities. Revenue is shown net of returns, discounts and rebates allowed.

Revenue recognition policies for product and services of the Group based on IFRS 15 guidelines is given below:

Revenue from telecommunication services comprise amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting fixed line and mobile users to the Group's network. The Group recognises revenue, as mobile/telecommunication services are provided.

Products with multiple deliverables that have value to a customer on standalone basis are defined as multiple element arrangements. Contracts typically include the sale of equipment, subscriber identification module (SIM) card and a service package which mainly include voice, data, SMS/MMS, VAS or other services. These arrangements are divided into separate performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. Revenue recognition for voice, data, SMS/MMS, VAS or other services is over the period when these services are provided to the customers.

Revenue from sale of standalone handsets under separate contract is recognised when the handset is delivered to the end customer and control has been transferred.

Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit. Unused prepaid credit is deferred as contract liability until such time as the customer uses the credit, expires or becomes unutilised. Unused prepaid vouchers are recognised as revenue on expiry of 24 months.

Revenue from sale of SIM cards is recognised on the date of activation of SIM.

Contract revenue, i.e. certain revenue from managed services provided by the Group, is recognised over time based on the cost-to cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. This input method is considered as an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Revenue from interconnection of voice and data traffic with other telecommunications operators is recognised at the time the services are performed based on the actual recorded traffic.

3 Summary of significant accounting policies (continued)

3.19 Revenue recognition (continued)

When the Group sells goods or services as a principal, revenue from customers and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

The Group operates loyalty programmes where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as contract liabilities at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

<u>Variable Consideration</u>

Certain customer contracts include variable discounts, rebates, refunds, credits, and incentives etc, which are provided to the customers during the contract period. Variability arises due to contractual terms and conditions, whereby customers are provided discounts/rebates/incentives etc upon reaching certain volume thresholds. Under IFRS 15, if consideration promised in the contract (either explicit or implicit) includes a variable amount, then the Group should estimate the amount and adjust the total transaction price at contract inception. The Group has certain interconnect and roaming contracts which contain such variable considerations, which are estimated by using the most likely amount method. Variable consideration adjusted to the transaction price at contract inception.

<u>Contract Modification</u>

Contract modifications exist when the parties to the contract approve a modification that creates or changes the enforceable rights and obligations of the parties to the contract.
A modification is accounted for as either a separate contract (Accounted for prospectively) or as part of the existing contract (accounted through a cumulative catch-up adjustment). This assessment is to be based on whether:
(a) the modification adds distinct goods and services and
(b) the distinct goods and services are priced at their standalone selling prices.

If the modification results only in a change in price of the contract, then that change is allocated to separate performance obligations under the contract on the same basis as at contract inception including the satisfied performance obligations at the date of modification. This will result in a cumulative catchup adjustment to revenue.

If the modification results in change in scope of the contract adding distinct goods or services at a price reflecting their standalone selling price the contract is accounted for as a new contract till the end of the contract term.

<u>Significant financing component</u>

Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In such circumstances, the contract contains a significant financing component.

3 Summary of significant accounting policies (continued)

3.19 Revenue recognition (continued)

Significant financing component (continued)

Currently, in the case of handsets instalment products (bundled and standalone) with periods exceeding one year, since the list price, cash selling price and the promised consideration are significantly equal, the Group has assessed that financing component does not exist. In principle, the Group considers any price difference above 5% as significant in making necessary accounting based on the practical expediency. However, if there are any changes in products structure indicating the existence of a financing component, above 5%-6% of the standalone selling price of the products will be considered significant and accounted for accordingly.

3.20 Commission to intermediaries

Intermediaries are paid commissions by the Group mainly in return for selling recharge credits. Such commissions are recognised in consolidated statement of comprehensive income in the same period of services provide.

3.21 Recognition of finance income and costs

Finance income comprises interest income on short term investments and other bank deposits. Interest income is recognised as it accrues in consolidated statement of comprehensive income, using the effective interest rate method.

Finance costs is mainly interest payable on borrowing facilities obtained from suppliers and financial institutions at normal commercial rates and is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

3.22 Cash dividend distribution to equity holders of the parent

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the UAE Federal Law No. 2 of 2015 ("Companies Law"), a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.23 Segmental information

Information regarding the Group’s operating segments is reported 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.

3.24 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 comprehensive income 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 comprehensive income on a systematic basis over the expected useful life of the related asset upon capitalisation.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the following methods.

4.1 Contract assets

The fair value of contract assets are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date where applicable.

4.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4.3 Derivative financial instruments

Derivative financial instruments are initially measured at fair value at trade date, and are subsequently remeasured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components from mark to market values provided by the bankers.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. The Group purchases derivatives only for hedging purposes.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

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

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade receivables, contract assets and due from related parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the extent to which extended credit terms are offered.

The management has established a credit policy under which each new customer is analysed for creditworthiness before the Group's terms and conditions are offered. The Group's review can include external ratings, when available, customer segmentation, and in some cases bank references. Credit limits are established for each customer in accordance with this policy, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed periodically.

In monitoring customer credit risk, customers are classified according to their credit characteristics, including whether they are an individual or legal entity, projected business volumes, new or established businesses and existence of previous financial relationships with the Group.

The Group may require deposit or collateral in respect of granting credit for trade and other receivables, subject to results of risk assessment and the nature and volumes contemplated by the customer.

The Group recognises lifetime ECL for trade receivables, contract assets and due from related parties, 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. All individually significant assets (such as receivables from broadcast customers and distributors etc.) are assessed for specific impairment.

Information on the ageing of trade and other receivables, contract assets and due from related parties is given in Note 32.1.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(a) *Credit risk* (continued)

Trade receivables, contract assets and due from related parties (continued)

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

Term deposits and cash and bank balances

Cash is placed with reputable banks and the risk of default is considered remote. The table below presents the external credit ratings as at 31 December of the Group's short term investments and bank balances based on Fitch and Moody's rating scale.

Ratings	**Term deposits**		**Cash and bank balances**	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Aa3	-	-	63,982	515
A1	-	-	32,526	14,784
A+	-	-	5,211	7,821
A2	275,000	225,000	6,949	7,493
A3	-	375,000	4,909	79,422
A-	400,000	475,000	-	3,641
AA-	350,000	-	-	-
Baa1	-	-	52,479	116,120
Baa2	-	-	14,030	-
BBB+	1,005,000	1,875,000	3,235	3,756
Others	-	-	30,150	36,442
	2,030,000	2,950,000	213,471	269,994
Less: loss allowance	(673)	(1,299)	(96)	(1,299)
	2,029,327	2,948,701	213,375	268,695

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's business and reputation. A major portion of the Group's funds are invested in short term investments which are readily available to meet expected operational expenses, including servicing of financial obligations. The table in Note 32.2 analyses the Group's non-derivative financial liabilities and derivative financial liabilities, if any, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities, if any, are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(c) Market risk

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

- Foreign exchange risk
- Cash flow and fair value interest rate risks

(i) Foreign exchange risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency, primarily the Euro, other than the functional currency of the Company and its subsidiaries. In respect of the Group's transactions denominated in US Dollars (USD), the Group is not exposed to material currency risk as the AED is currently pegged to the USD at a fixed rate of exchange.

The Group's exposure and sensitivity analysis in respect to the foreign exchange risk is detailed in Note 32.3.

(ii) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2019, the Group's borrowings at variable rate were denominated in the USD.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and interest rate swaps. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The sensitivity analysis performed by the Group in respect to the interest rate risk is detailed in Note 32.4. The sensitivity analysis is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

5 Financial risk management (continued)

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position, less cash and bank balances and term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2020 **AED 000**	2019 AED 000
Total borrowings (Note 19)	-	716,332
Less: Cash and bank balances/term deposits (Notes 16 and 17)	(2,242,702)	(3,217,396)
Net debt	(2,242,702)	(2,501,064)
Total equity	8,569,412	8,648,755
Total capital	6,326,710	6,147,691
Gearing ratio	(35%)	(41%)

Under the terms of the major borrowing facility, the Group is required to comply with certain financial covenants including interest cover, total bank debt to EBITDA multiple and gearing ratio. The Group has complied with these covenants in 2019 and the borrowings were fully repaid in 2020.

5.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximated their book amounts as reflected in these consolidated financial statements.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

	In AED'000			
	Level 1	**Level 2**	**Level 3**	**Total**
At 31 December 2020				
Financial asset at fair value through other comprehensive income (Note 11)	-	-	18,368	18,368
Derivative financial instruments (Note 12)	-	-	-	-
	-	-	18,368	18,368
At 31 December 2019				
Financial asset at fair value through other comprehensive income (Note 11)	-	-	18,368	18,368
Derivative financial instruments (Note 12)	-	520	-	520
	-	520	18,368	18,888

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of interest rate swaps classified as derivative financial instruments in the table above is provided by the bank.

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include financial assets at FVOCI, cash and bank balances, trade and other receivables, contract assets, due from related parties and short term investments. Financial liabilities of the Group include borrowings, trade payables and accruals, due to other telecommunication operators, customer deposits, retention payable, accrued royalty, due to related parties and other payables. The fair values of these financial assets and liabilities are not materially different from their carrying values unless stated otherwise (Note 32).

6 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2019	47,903	17,051,017	306,505	3,591	737,772	18,146,788
Additions	4,614	884,085	13,683	866	355,744	1,258,992
Addition: asset retirement obligations	-	73,646	-	-	-	73,646
Transfers	-	483,550	1,068	29	(484,647)	-
Disposals/write-off	-	(38,206)	(1,445)	(48)	(2,023)	(41,722)
At 31 December 2019	52,517	18,454,092	319,811	4,438	606,846	19,437,704
Additions	15	1,210,437	6,129	-	469,567	1,686,148
Addition: asset retirement obligations	-	9,343	-	-	-	9,343
Transfers	-	456,458	8,319	-	(464,777)	-
Disposals/write-off	-	(196,207)	(6,359)	(35)	(646)	(203,247)
At 31 December 2020	**52,532**	**19,934,123**	**327,900**	**4,403**	**610,990**	**20,929,948**
Depreciation / impairment						
At 1 January 2019	28,903	9,971,739	260,551	3,440	70,649	10,335,282
Reclassifications (Note 6.1)	-	-	-	-	4,723	4,723
Charge for the year	2,273	1,364,086	15,907	107	-	1,382,373
Disposals/write-off	-	(28,144)	(408)	(48)	(2,009)	(30,609)
Impairment charge	-	3,748	-	-	1,068	4,816
At 31 December 2019	31,176	11,311,429	276,050	3,499	74,431	11,696,585
Reclassifications (Note 6.1)	-	8,879	-	-	14,558	23,437
Charge for the year	2,273	1,316,038	17,746	385	30	1,336,472
Disposals/write-off	-	(194,303)	(6,126)	(35)	(29)	(200,493)
Impairment charge	-	2,247	1,024	-	7,254	10,525
At 31 December 2020	**33,449**	**12,444,290**	**288,694**	**3,849**	**96,244**	**12,866,526**
Net book value						
At 31 December 2020	**19,083**	**7,489,833**	**39,206**	**554**	**514,746**	**8,063,422**
At 31 December 2019	21,341	7,142,663	43,761	939	532,415	7,741,119

The carrying amount of the Group's buildings include a nominal amount of AED 2 (2019: AED 2) in relation plots of to land granted to the Group by the UAE Government.

6 Property, plant and equipment (continued)

6.1 Management of the Group undertook a review of the individual asset wise categorisation of its property, plant and equipment (PPE) and intangible assets to reflect changes in technology and information technology architecture. As a result of the review management has identified certain PPE assets for which accumulated depreciation was recorded under intangible assets instead of PPE, therefore re-classified from intangible assets to PPE.

7 Right-of-use assets

	Land and buildings AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Total AED 000
Cost				
At 1 January 2019 upon adoption of IFRS 16	2,105,347	825	2,805	2,108,977
Additions	243,821	120	-	243,941
Re-measurement/disposals	(349,354)	-	(89)	(349,443)
At 31 December 2019	1,999,814	945	2,716	2,003,475
Additions	696,817	-	-	696,817
Transfer to lease receivable	(177,425)	-	-	(177,425)
Re-measurement	14,778	-	-	14,778
Disposals	(51,002)	-	(144)	(51,146)
At 31 December 2020	**2,482,982**	**945**	**2,572**	**2,486,499**
Depreciation				
Charge for the year	318,403	100	1,315	319,818
Disposals	(15,994)	-	-	(15,994)
At 31 December 2019	302,409	100	1,315	303,824
Charge for the year	361,103	100	1,206	362,409
Disposals	(31,019)	-	(144)	(31,163)
At 31 December 2020	**632,493**	**200**	**2,377**	**635,070**
Net book value				
At 31 December 2020	**1,850,489**	**745**	**195**	**1,851,429**
Net book value At 31 December 2019	1,697,405	845	1,401	1,699,651

The Group leases several assets including shops, technical sites, offices, warehouses, billboards and motor vehicles. The average lease term is 8.44 years. Short term and low value leases are also included in right of use assets.

The maturity analysis of lease liabilities is presented in (Note 18).

	2020 AED 000	2019 AED 000
Amounts recognised in consolidated statement of comprehensive income		
Depreciation expense on right-of-use assets (Note 26)	362,409	319,818
Interest expense on lease liabilities (Note 28)	86,454	78,541

s

8 Intangible assets and goodwill

	2020 **AED 000**	2019 AED 000
Goodwill	413,220	549,050
Intangible assets	486,995	502,396
	900,215	1,051,446

Goodwill

The Group acquired the business of three wholly owned subsidiaries/divisions of Tecom Investments FZ LLC with effect from 31 December 2005. Goodwill represents the excess of purchase consideration paid over the fair value of net assets acquired.

Carrying amount of goodwill allocated to each of Cash Generating Units ("CGU") is as follows:

	2020 **AED 000**	2019 AED 000
Broadcasting operations	-	135,830
Fixed line business	413,220	413,220
	413,220	549,050

The Group tests goodwill for impairment annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the five-year business outlook.

The estimated recoverable amount of the broadcasting CGU was lower than the carrying amount of its net assets including goodwill, by AED 137,010 thousands. As a result of this analysis, the Group has recognised an impairment charge of AED 135,830 thousand in the current year against broadcasting CGU goodwill and AED 1,180 thousand against related assets. The impairment charge of AED 135,830 thousand on broadcasting CGU goodwill is presented separately on consolidated statement of comprehensive income and AED 1,180 thousand related to broadcasting CGU assets is disclosed in operating expenses under "depreciation and impairment on property, plant and equipment" Note 26.

The estimated recoverable amount of the fixed line business CGU exceeded its carrying amount by approximately 191%.

The key assumptions for the value-in-use calculations at 31 December 2020 include:

- 5 year revenue growth projections for the fixed line business and broadcasting operations;
- a pre-tax discount rate of 10.62% (2019: 10.23%) based on the historical industry average weighted-average cost of capital;
- maintenance capital expenditure projections allowing for replacement of existing infrastructure at the end of its useful life; and
- terminal growth rate of 3% for the fixed line and 0% for broadcasting businesses, determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

The fixed line model calculations are particularly sensitive to the revenue growth assumptions, including expectations around the impact of future competition in the Group's existing network zones. However, management considers that it would require a significant decline in revenue growth before any impairment of the fixed line CGU was required.

8 Intangible assets and goodwill (continued)

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated.

For broadcasting business CGU, any adverse movement in key assumptions (1% underperformance against forecast revenue or 1% increase in discount rate) would lead to further impairment.

For fixed line business CGU, any adverse movement in key assumptions (1% underperformance against forecast revenue or 1% increase in discount rate) would not result in an impairment charge.

Intangible assets

	Software in use AED 000	Capital work in progress AED 000	Telecommunications license fees AED 000	Indefeasible rights of use AED 000	Total AED 000
Cost					
At 1 January 2019	2,205,237	132,591	124,500	185,451	2,647,779
Additions	103,242	53,534	-	13,853	170,629
Transfers	88,754	(88,754)	-	-	-
Write off	(705)	-	-	-	(705)
At 31 December 2019	2,396,528	97,371	124,500	199,304	2,817,703
Additions	25,899	108,230	-	8,055	142,184
Transfers	21,706	(21,706)	-	-	-
Write off	(54)	-	-	-	(54)
At 31 December 2020	**2,444,079**	**183,895**	**124,500**	**207,359**	**2,959,833**
Amortisation/impairment					
At 1 January 2019	1,857,944	-	80,070	155,940	2,093,954
Reclassifications*	(65,125)	60,402	-	-	(4,723)
Charge for the year	190,691	-	6,223	29,215	226,129
Impairment charge	-	-	-	-	-
Write off	(53)	-	-	-	(53)
At 31 December 2019	1,983,457	60,402	86,293	185,155	2,315,307
Reclassifications*	(4,244)	(19,194)	-	-	(23,438)
Charge for the year	158,304	-	6,223	16,404	180,931
Impairment charge	87	-	-	-	87
Write off	(49)	-	-	-	(49)
At 31 December 2020	**2,137,555**	**41,208**	**92,516**	**201,559**	**2,472,838**
Net book value					
At 31 December 2020	**306,524**	**142,687**	**31,984**	**5,800**	**486,995**
At 31 December 2019	413,071	36,969	38,207	14,149	502,396

8 Intangible assets and goodwill (continued)

Intangible assets

* The management has identified certain PPE assets for which accumulated depreciation was recorded under intangible assets instead of PPE, therefore re-classified from intangible assets to PPE (Note 6.1).

The Software in use represents all applications such as ERP and Billing systems which are currently in use while the Capital work in progress relates to the development of these systems.

Telecommunication license fees represent charge by the Telecommunications Regulatory Authority to the Group to grant the license to operate as a telecommunications service provider in the UAE.

Indefeasible right of use represent the fees paid to a telecom operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE. Also included in the balance is an amount charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system.

9 Lease receivable

	Current		Non-current	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Lease receivable	18,213	-	149,963	-

During the year Group signed a sub-lease agreement to lease its data centre with a customer for a period of 10 years.

10 Investments accounted for using the equity method

Dubai Smart City Accelerator FZCO
During the year 2017, the Group acquired 23.53% shares in Dubai Smart City Accelerator FZCO ("the Associate"), a Free Zone Company with limited liability established in Dubai Silicon Oasis Free Zone, in the Emirate of Dubai. The business of the Associate is to run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry.

Khazna Data Center Limited
The Group had 26% ownership shares in Khazna Data Center Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services. In September 2020, the ownership in this associate has been disposed (Note 10.1).

Advanced Regional Communication Solutions Holding Limited
In 2019, the Group signed a Shareholder Agreement ("SHA") with Bahrain Telecommunications Company (B.S.C.) to form a limited liability private company ("the Joint Venture"). The joint venture has been incorporated with the name of Advanced Regional Communication Solutions Holding Limited (ARC Limited) in UAE. The Group has 50% ownership in shares of ARC Limited. The principal activity of the joint venture is provision of connectivity and data centre services.

10 Investments accounted for using the equity method (continued)

Movement in investments in associates and joint venture

	2020		
	Associates AED 000	**Joint venture AED 000**	**Total AED 000**
At 1 January	268,948	-	268,948
Investments during the year	-	31,000	31,000
Share of profit/(loss) for the year	12,620	(2,521)	10,099
Disposal of investment during the year (Note 10.1)	(280,212)	-	(280,212)
At 31 December	1,356	28,479	29,835

	2019		
	Associates AED 000	Joint venture AED 000	Total AED 000
At 1 January	188,179	-	188,179
Investments during the year	70,256	-	70,256
Share of profit for the year	10,513	-	10,513
At 31 December	268,948	-	268,948

Summarised financial information for the associates and joint venture are as follows:

Associate and joint venture statement of financial position as of 31 December and statement of comprehensive income for the year ended 31 December:

	2020		
	Associates AED 000	**Joint venture AED 000**	**Total AED 000**
Non-current assets	5,038	246	5,284
Current assets	741	63,915	64,656
Current liabilities	(9)	(7,208)	(7,217)
Non-current liabilities	-	-	-
Net assets	5,770	56,953	62,723
Revenue	156,127	4,113	160,240
Profit/(loss) for the year	37,689	(5,042)	32,647

10 Investments accounted for using the equity method (continued)

	2019		
	Associates AED 000	Joint venture AED 000	Total AED 000
Non-current assets	1,444,602	-	1,444,602
Current assets	121,556	-	121,556
Current liabilities	(162,106)	-	(162,106)
Non-current liabilities	(457,379)	-	(457,379)
Net assets	946,673	-	946,673
Revenue	149,618	-	149,618
Profit for the year	38,264	-	38,264

10.1 Gain on disposal of investment accounted for using equity method

On 14 September 2020, EITC Investment Holding, a fully owned subsidiary of EITC Group, signed with Technology Holding Company, a fully owned subsidiary of Mubadala, a sale and purchase agreement to sell its 26% shareholding (including its interest in shareholder loans) in Khazna Data Center Limited for a consideration of AED 800 million.

On 30 September 2020 the transaction was concluded and EITC Group received the AED 800 million cash consideration. The impact of this transaction on the financial statements is reflected as per the below:

	2020 AED 000	2019 AED 000
Consideration received in cash	800,000	-
Less: carrying value of the investment	(280,212)	-
Less: transaction cost	(414)	-
Gain on disposal	519,374	-

11 Financial asset at fair value through other comprehensive income

	2020 AED 000	2019 AED 000
Unlisted shares		
Anghami	18,368	18,368

In 2016, the Group acquired 4.8% shares in Anghami, a Cayman Islands exempted company registered in the Cayman Islands (unlisted company). The company is involved in the provision of media related content. The Group classified the investment as financial asset at fair value through other comprehensive income.

Due to the uncertain nature of cash flows arising from investment by the Group in unlisted shares of Anghami, the carrying amount is considered to be the best estimate of its fair value.

12 Derivative financial instruments

In 2015, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. The terms of the loans include quarterly interest payments, at a rate of LIBOR + 0.95% on the outstanding principal amount (Note 19).

The hedge covers the risk in variability of LIBOR over the entire term of the loans. The hedging instruments match the actual terms of the related interest payments on the loans in all respects, including LIBOR rate used, reset dates and notional amounts outstanding.

As of 31 December, the fair value of derivative financial instruments was as follows:

	2020 AED 000	2019 AED 000
Interest rate swap contracts – cash flow hedges	-	520

The related movement in derivative financial instruments is shown under hedge reserve (Note 25.2).

During the year 2020 borrowings has been fully repaid and related interest rate swap contract is also settled. There was no ineffectiveness during 2020 and 2019 in relation to the interest rate swap contracts.

13 Contract assets and contract liabilities

	Current		**Non-current**	
	2020 AED 000	2019 AED 000	**2020 AED 000**	2019 AED 000
Contract assets*	493,153	509,191	226,618	218,353
Less: provision for impairment of contract assets	(39,052)	(35,996)	(15,402)	(9,359)
	454,101	473,195	211,216	208,994

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 314,288 thousands (2019: AED 304,097 thousands).

13.1 The movement in the allowance for expected credit losses of contract assets is as follows:

	2020 AED 000	2019 AED 000
1 January	45,355	42,915
Charge during the year	9,099	2,440
31 December	54,454	45,355

13 Contract assets and contract liabilities (continued)

	Current		Non-current	
	2020	2019	**2020**	2019
	AED 000	AED 000	**AED 000**	AED 000
Contract liabilities	358,538	377,019	195,149	193,095

There was no revenue recognised in the current reporting period that is related to performance obligations that were satisfied in the prior year.

The Group contracts with customers are for periods of one year or less or are billed based on service provided. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

14 Trade and other receivables

	2020	2019
	AED 000	AED 000
Trade receivables	1,761,251	1,941,223
Due from other telecommunications operators*	103,472	201,176
Less: provision for impairment of trade receivables and due from other telecommunications operators	(646,099)	(662,358)
Trade receivables, net	1,218,624	1,480,041
Prepayments	124,726	95,355
Advances to suppliers	240,829	178,544
Other receivables**	142,222	116,616
Total trade and other receivables	1,726,401	1,870,556

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 862,534 thousand (31 December 2019: AED 833,130 thousand).

**Other receivables mainly include interest receivable on term deposits.

The Group's normal credit terms ranges between 15 and 150 days (2019: 15 and 150 days). No interest is charged on the trade and other receivable balances.

The movement in the allowance for expected credited losses of trade receivables and due from other telecommunications operators is as follows:

	2020	2019
	AED 000	AED 000
At 1 January	662,358	759,281
Charge for the year	219,996	215,414
Write-off during the year	(227,571)	(312,337)
Transfer of provision to due from related parties	(8,684)	-
At 31 December	646,099	662,358

15 Related party balances and transactions

Related parties comprise the shareholders of the Company, entities under common shareholding, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. The founding shareholders are Emirates Investment Authority, Mamoura Diversified Global Holding PJSC & Emirates International Telecommunications Company L.L.C. Transactions with related parties are in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

Related party balances

	2020 AED 000	2019 AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	105,695	106,045
Injazat Data Systems LLC (Entity under common shareholding)	63,193	58,950
ARCS Bahrain S.P.C (Subsidiary of a joint venture)	790	-
ARCS Holding Limited (Joint venture)	3,882	-
	173,560	164,995
Less: Loss allowance	(33,691)	-
	139,869	164,995

The movement in loss allowances for due from related parties is as follows:

	2020 AED 000	2019 AED 000
Reclassified from trade and other receivables	8,684	-
Expected credit losses during the period	25,007	-
Closing balance	33,691	-
Due to related parties		
Khazna Data Center Limited (Associate)	2,684	4,103
Tecom Investments FZ LLC (Entity under common shareholding)	2,426	1,970
Closing balance	5,110	6,073

Due to the short term nature of related party balances, their carrying amount is considered to be the same as their fair values.

Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions with related parties referred to below are in the ordinary course of business. The following table reflects the gross value of transactions with related parties.

	2020 AED 000	2019 AED 000
Net revenue	948,070	1,395,937
Rent and services	35,168	148,322
Recharge of operating expenses incurred on behalf of joint venture	3,882	-
Additional funding to associate and joint venture	31,000	70,256
Sale of an associate to a related party (Note 10.1)	800,000	-

15 Related party balances and transactions (continued)

Key management compensation

	2020	2019
	AED 000	AED 000
Short term employee benefits	30,628	39,520
Employees' end of service benefits	245	706
Post-employment benefits	1,245	1,311
Long term incentives	4,000	7,463
	36,118	49,000

Board of Directors fee during the year was AED 10,000 thousand (2019: AED 10,000 thousand).

No loan has been provided to Directors, their spouses, children and relatives of the second degree and any corporates in which they own 20% or more.

The Group also provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 15 to 150 days. Refer Note 27 for disclosure of the royalty payable to the Federal Government of the UAE. In accordance with IAS 24 (revised 2009): Related Party Disclosures, the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence.

16 Term deposits

	2020	2019
	AED 000	AED 000
Term deposits	2,030,000	2,950,000
Less: loss allowance	(673)	(1,299)
	2,029,327	2,948,701

Term deposits represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. These term deposits denominated primarily in UAE Dirham, with banks. Interest is earned on these term deposits at prevailing market rates. The carrying amount of these term deposits approximates to their fair value.

17 Cash and bank balances

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2020 **AED 000**	2019 AED 000
Cash at bank (on deposit and call accounts)	213,264	269,278
Cash on hand	784	716
Less: loss allowance	(673)	(1,299)
Cash and bank balances	213,375	268,695
Less: margin on guarantees (Note 31)	(2,503)	(4,038)
Cash and cash equivalents	210,872	264,657

18 Lease liabilities

	2020 **AED 000**	2019 AED 000
At 1 January	1,856,805	2,137,074
Lease liabilities during the year	696,817	122,521
Interest expense during the year	86,454	78,541
Payments made during the year	(327,371)	(206,989)
Re-measurement during the year	14,778	51,752
Disposals during the year	(18,860)	(326,094)
Closing balance	2,308,623	1,856,805

	Current		**Non-current**	
	2020 **AED 000**	2019 AED 000	**2020** **AED 000**	2019 AED 000
Lease liabilities	616,896	460,005	1,691,727	1,396,800

	2020 **AED 000**	2019 AED 000
Maturity analysis:		
Not later than 1 year	692,269	529,436
Later than 1 year and not later than 5 years	1,082,705	994,699
Later than 5 years	733,887	665,826
	2,508,861	2,189,961
Less: unearned interest on lease liabilities	(200,238)	(333,156)
	2,308,623	1,856,805

The Group does not face a significant liquidity risk with regard to its lease liabilities.

The Group does not have any variable component in lease payments.

19 Borrowings

The details of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Opening balance AED 000	Drawn AED 000	Repaid AED 000	Closing balance AED 000
Bank borrowings							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	440,820	-	(440,820)	-
Unsecured term loan 2	USD	LIBOR+0.95%	2020	183,675	-	(183,675)	-
Unsecured term loan 3	USD	LIBOR+0.95%	2020	91,837	-	(91,837)	-
				716,332	-	(716,332)	-

The borrowings were fully repaid during the year.

20 Provision for employees' end of service benefits

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out as at 31 December 2020 by a registered actuary in the UAE. The present value of defined benefit obligations and the related current and past service cost, were measured using the Projected Unit Credit Method. Changes in the present value of defined benefit obligations is as follows:

	2020 AED 000	2019 AED 000
At 1 January	258,740	252,564
Current service cost	32,970	35,283
Interest cost (Note 28)	8,090	8,568
Actuarial gain recognised in other comprehensive income*	(19,451)	(3,028)
Benefits paid during the year	(26,312)	(34,647)
At 31 December	254,037	258,740

*Actuarial gain recognised in other comprehensive income relates to re-measurements of the employees' end of service benefits obligation from changes in financial assumptions amounting to AED 437 thousand (2019: AED 306 thousand), experience adjustments amounting to AED 18,053 thousand (2019: AED 2,722 thousand) and demographic assumptions amounting to AED 961 thousand (2019: AED nil)

20 Provision for employees' end of service benefits (continued)

The provision is recognised based on the following significant actuarial assumptions:

	2020	2019
Average period of employment (years)	7.05	7.50
Average annual rate of salary increase	2.00%	2.77%
Discount rate	2.50%	3.57%

Through its defined benefit plan, the Group is exposed to a number of actuarial risks, the most significant of which include, longevity risk, withdrawal risk and salary increase risk.

Sensitivity of the provision for employees' end of service benefits to changes in principal assumptions is included below:

			Impact on defined benefit obligation			
	Change in assumption		**Increase in assumption**		**Decrease in assumption**	
	2020	2019	**2020**	2019	**2020**	2019
Average period of employment (years)	1 year	1 year	(0.37%)	(0.29 %)	0.39%	0.22%
Average annual rate of salary increase	1%	1%	7.61%	8.48%	(6.84%)	(7.57%)
Discount rate	1%	1%	(6.30%)	(7.01%)	7.13%	7.99%

21 Other provisions

Asset retirement obligations

In the course of the Group's activities a number of sites and other commercial premises are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are expected to occur at the dates of exit of the assets to which they relate. These assets are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

	2020 **AED 000**	2019 AED 000
At 1 January	169,832	115,764
Additions during the year	6,557	49,003
Adjustment for change in discount/inflation rates	1,239	259
Unwinding of discount	6,953	4,806
At 31 December	184,581	169,832

The provision is recognised based on the following significant assumptions:

	2020	2019
Average period of restoration (years)	10	10
Inflation rate	1.94%	1.80%
Discount rate	3.87%	3.96%

22 Trade and other payables

	2020 **AED 000**	2019 AED 000
Trade payables and accruals	1,438,164	1,675,211
Due to other telecommunications operators*	593,085	523,658
Accrued federal royalty (Note 27)	1,624,832	2,062,972
Valued Added Tax (VAT) payable	4,829	8,987
Other payables and accruals	330,887	329,504
	3,991,797	4,600,332

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 862,534 thousand (31 December 2019: AED 833,130 thousand).

The carrying amounts of trade and other payables approximate their fair value.

23 Share capital

	2020 **AED 000**	2019 AED 000
Authorised, issued and fully paid up share capital (4,532,905,989 shares of AED 1 each)	4,532,906	4,532,906

24 Share premium

	2020 **AED 000**	2019 AED 000
Premium on issue of common share capital	232,332	232,332

25 Other reserves

	Statutory reserve (Note 25.1) AED 000	**Hedge reserve (Note 25.2) AED 000**	**Total AED 000**
At 1 January 2019	1,591,025	10,968	1,601,993
Transfer to statutory reserve	173,095	-	173,095
Fair value changes on cash flow hedge	-	(10,448)	(10,448)
At 31 December 2019	1,764,120	520	1,764,640
At 1 January 2020	1,764,120	520	1,764,640
Transfer to statutory reserve	144,291	-	144,291
Fair value changes on cash flow hedge	-	(520)	(520)
At 31 December 2020	1,908,411	-	1,908,411

25.1 In accordance with the UAE Federal Law No. 2 of 2015 ("Companies Law") and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

25.2 Hedge reserve is related to derivative financial instrument (Note 12).

26 Operating expenses

	31 December	
	2020	2019
	AED 000	AED 000
Interconnect costs	2,552,170	2,811,216
Depreciation and impairment on property, plant and equipment (Note 6)	1,346,997	1,387,189
Staff costs	979,194	934,169
Product costs	833,451	894,253
Network operation and maintenance	703,448	633,682
Telecommunication license and related fees	390,813	407,575
Commission	367,064	390,423
Depreciation on right-of-use assets (Note 7)	362,409	319,818
Outsourcing and contracting	196,435	222,229
Amortisation and impairment on intangible assets (Note 8)	181,018	226,129
Marketing	150,629	250,082
Others	190,275	153,056
	8,253,903	8,629,821

During the year ended 31 December 2020, the Group has paid AED 1,055 thousand (2019: AED 1,555 thousand) for various social contribution purposes.

In order to conform with current year presentation, the items “network operation and maintenance”, “outsourcing and contracting” and “other expenses” for the year ended 31 December 2019 were presented reflecting certain reclassifications to ensure comparability with 2020 figures. Without these reclassifications the figures should have been AED 526,756 thousand, AED 360,504 thousand and AED 121,707 thousand respectively.

27 Federal royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2017 to 2021 are 15% on regulated revenue and 30% on regulated profit after deducting royalty on regulated revenue.

	2020	2019
	AED 000	AED 000
Total revenue for the year (Note 34)	11,083,845	12,587,958
Broadcasting revenue for the year	(148,214)	(160,825)
Other allowable deductions	(3,232,266)	(3,521,026)
Total adjusted revenue	7,703,365	8,906,107
Profit before royalty	2,954,852	3,759,962
Allowable deductions	(467,439)	(113,425)
Total regulated profit	2,487,413	3,646,537

27 Federal royalty (continued)

	2020 AED 000	2019 AED 000
Charge for royalty: 15% of the total adjusted revenue plus 30% of net regulated profit for the year before distribution (after deducting 15% of the total adjusted revenue).	1,555,077	2,029,103
Adjustments to charge	(43,139)	(95)
Charge for the year	1,511,938	2,029,008

Movement in the royalty accruals is as follows:

At 1 January	2,062,972	2,103,174
Payment made during the year (net)	(1,950,078)	(2,069,210)
Charge for the year	1,511,938	2,029,008
At 31 December (Note 22)	1,624,832	2,062,972

28 Finance income and costs

	2020 AED 000	2019 AED 000
Finance income		
Interest income	47,771	124,052
Finance income on lease receivable	2,804	-
	50,575	124,052
Finance costs		
Interest expense on lease liabilities	86,454	78,541
Interest expense others*	20,528	46,824
Exchange (gain)/loss, net	(1,123)	(375)
	105,859	124,990

*Interest expense others includes interest cost on defined benefit obligations amounted to AED 8,090 thousand (2019: AED 8,568 thousand) (Note 20).

29 Earnings per share

	2020	2019
Profit for the year (AED 000)	1,442,914	1,730,954
Weighted average number of shares (‘000’)	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.32	0.38

Diluted earnings per share have not been presented separately as the Group has no commitments that would dilute earnings per share.

30 Changes in working capital

	2020 AED 000	2019 AED 000
Change in:		
Inventories	50,282	17,516
Contract assets	7,773	20,315
Trade and other receivables	(141,809)	(275,706)
Trade and other payables	1,531,281	1,805,374
Contract liabilities	(16,427)	(64,658)
Due from related parties	119	(35,917)
Due to related parties	(963)	(3,761)
Net changes in working capital	1,430,256	1,463,163

31 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 82,647 thousand (2019: AED 70,626). Bank guarantees are secured against margin of AED 2,503 thousand (2019: AED 4,038 thousand) (Note 17).

The Group is subject to litigation with a party and expecting a reasonable prospect of success. If successful, this is going to have a favourable impact on the Group's consolidated financial statements. Other than the above, there are litigations in the normal course of business and the management is of the view that the outcome of these court cases will not have a material impact on the Group's consolidated financial statements. Details of these cases are not disclosed in order not to prejudice the Group's position in these litigations.

The Group has outstanding capital commitments amounting to AED 1,282,735 thousand (2019: AED 1,321,653 thousand).

32 Financial instruments and risk management

32.1 Credit risk

Exposure to credit risk

The carrying amount and the fair value of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Carrying amount		Fair value	
		2020	2019	**2020**	2019
		AED 000	AED 000	**AED 000**	AED 000
Derivatives					
Interest rate swap contracts – cash flow hedges	12	-	520	-	520
Non-derivatives					
Financial asset at fair value through other comprehensive income	11	18,368	18,368	18,368	18,368
Lease receivable		168,176	-	168,176	-
Contract assets	13	351,028	378,092	351,028	378,092
Trade and other receivables	14	1,360,846	1,596,657	1,360,846	1,596,657
Due from related parties	15	139,869	164,995	139,869	164,995
Term deposits	16	2,029,327	2,948,701	2,029,327	2,948,701
Cash and bank balances	17	213,375	268,695	213,375	268,695
		4,280,989	5,375,508	4,280,989	5,375,508

For the purpose of the exposure to credit risk on financial assets disclosure, non-financial assets (subscriber acquisition costs, prepayments and advances to suppliers) amounting to AED 679,844 thousand (2019: AED 577,996 thousand) have been excluded from contract assets, trade and other receivables and due from related parties.

Impairment of contract assets, trade receivables and due from related parties

The ageing of contract assets, trade receivables and due from related parties as follows:

	Gross 2020 AED 000	**Impaired 2020 %**	**Impaired 2020 AED 000**	Gross 2019 AED 000	Impaired 2019 %	Impaired 2019 AED 000
Not past due	903,126	1.29%	(11,658)	1,082,462	2.85%	(30,803)
Past due 0-30 days	232,426	9.06%	(21,051)	263,433	7.55%	(19,894)
Past due 31-180 days	546,139	11.59%	(63,303)	491,235	14.11%	(69,335)
More than 180 days	1,624,609	39.29%	(638,232)	1,726,841	34.03%	(587,681)
	3,306,300		(734,244)	3,563,971		(707,713)

Non-financial assets (subscriber acquisition costs, prepayments and advances to suppliers) amounting to AED 679,844 thousand (2019: AED 577,996 thousand) have been excluded from contract assets, trade receivables and due from related parties.

32 Financial instruments and risk management (continued)

32.1 Credit risk (continued)

Impairment of contract assets, trade receivables and due from related parties (continued)

To measure the expected credit losses, contract assets, trade receivables and due from related parties have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses are based on the analysis of billing, collection and outstanding balance over an appropriate period 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.

The impairment provision in respect of contract assets, trade receivables and due from related parties is used to record impairment losses unless the Group is satisfied that there is no reasonable expectation of recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

32.2 Liquidity risk

The following are the contractual maturities of financial liabilities along with fair values:

31 December 2020

				Contractual cash flows			
	Fair value AED 000	**Carrying amount AED 000**	**Total AED 000**	**6 months or less AED 000**	**6-12 months AED 000**	**1-2 years AED 000**	**Above 2 years AED 000**
Non-derivative financial liabilities							
Trade payables and accruals	1,438,164	1,438,164	1,438,164	1,438,164	-	-	-
Due to other telecommunication operators	593,085	593,085	593,085	593,085	-	-	-
Accrued royalty	1,624,832	1,624,832	1,624,832	1,624,832	-	-	-
Valued Added Tax (VAT) Payable	4,829	4,829	4,829	4,829	-	-	-
Other payables and accruals	330,887	330,887	330,887	330,887	-	-	-
Due to related parties	5,110	5,110	5,110	5,110	-	-	-
	3,996,907	3,996,907	3,996,907	3,996,907	-	-	-

32 Financial instruments and risk management (continued)

32.2 Liquidity risk (continued)

31 December 2019

	Fair value AED 000	Carrying amount AED 000	Total AED 000	Contractual cash flows: 6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	716,332	716,332	716,332	716,332	-	-	-
Trade payables and accruals	1,675,211	1,675,211	1,675,211	1,675,211	-	-	-
Due to other telecommunication operators	523,658	523,658	523,658	523,658	-	-	-
Accrued royalty	2,062,972	2,062,972	2,062,972	2,062,972	-	-	-
Valued Added Tax (VAT) Payable	8,987	8,987	8,987	8,987	-	-	-
Other payables and accruals	329,504	329,504	329,504	329,504	-	-	-
Due to related parties	6,073	6,073	6,073	6,073	-	-	-
	5,322,737	5,322,737	5,322,737	5,322,737	-	-	-

Contractual maturities related to lease liabilities disclosed in Note 18.

32.3 Currency risk

Exposure to currency risk

The Group’s exposure to foreign currency risk was as follows:

	31 December 2020 Thousand		31 December 2019 Thousand	
	EUR	**GBP**	EUR	GBP
Trade receivables	5,360	329	11,614	451
Trade payables	(59)	(416)	-	(161)
Net exposure	5,301	(87)	11,614	290

The following significant exchange rates against AED have been applied during the year:

	Average rate		**Reporting date spot rate**	
	2020	2019	**2020**	2019
EUR 1	4.1624	4.1327	4.4879	4.1195
GBP 1	4.6856	4.7017	5.0246	4.8722

32 Financial instruments and risk management (continued)

32.3 Currency risk (continued)

Sensitivity analysis

A 10 percent strengthening of the AED against the following currencies at 31 December would have increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2020	2019
	AED 000	AED 000
Increase/(decrease) in profit		
EURO	(2,206)	(4,800)
GBP	41	(136)

Conversely a 10 percent weakening of the AED against the above currencies at 31 December will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

32.4 Interest rate risk

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments was:

	Carrying Amount	
	2020	2019
	AED 000	AED 000
Variable interest rate instruments		
Bank borrowings	-	716,332

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2020	2019
	AED 000	AED 000
Decrease in profit		
Variable interest rate instruments	-	7,139

Conversely a decrease in interest rates by 100 basis points will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

During previous years, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank borrowings. Hedged portion of the bank borrowings is not included in the sensitivity analysis (Note 12).

32 Financial instruments and risk management (continued)

32.5 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2020 **AED 000**	2019 AED 000
Derivative financial instruments	-	520
Financial asset at fair value through other comprehensive income	18,368	18,368
Financial assets measured at amortised cost		
Lease receivable	168,176	-
Contract assets	351,028	378,092
Trade and other receivables	1,360,846	1,596,657
Due from related parties	139,869	164,995
Term deposits	2,029,327	2,948,701
Cash and bank balances	213,375	268,695
	4,262,621	5,357,140
Lease liabilities	2,308,624	1,856,805
Borrowings	-	716,332
Trade and other payables	3,991,797	4,600,332
Due to related parties	5,110	6,073
	6,305,531	7,179,542

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 679,844 thousand (2019: AED 577,996 thousand) have been excluded from contract assets, trade and other receivables.

33 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, 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.

33 Offsetting financial assets and financial liabilities (continued)

The following table presents the recognised financial instruments that are offset in the statement of financial position, as at 31 December 2020 and 31 December 2019.

	31 December 2020			31 December 2019		
	Gross amounts AED 000	**Gross amounts set off AED 000**	**Net amount presented AED 000**	Gross amounts AED 000	Gross amounts set off AED 000	Net amount presented AED 000
Financial assets						
Trade and other receivables	2,588,935	(862,534)	1,726,401	2,703,686	(833,130)	1,870,556
Total	2,588,935	(862,534)	1,726,401	2,703,686	(833,130)	1,870,556
Financial liabilities						
Trade and other payables	4,854,331	(862,534)	3,991,797	5,433,462	(833,130)	4,600,332
Total	4,854,331	(862,534)	3,991,797	5,433,462	(833,130)	4,600,332

34 Segment analysis

The Group mainly has operations in the UAE. The Group is organised into four major business segments as follows:

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI. Mobile handset sales, including instalment sales, are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and sms to national and international carriers and operators. Services include termination of inbound international voice traffic and international hubbing.
- Others. Others include broadcasting services, international roaming, site sharing, etc.

Segment contribution, referred to by the Group as gross margin, represents revenue less direct costs of sales. It is calculated before charging network operating costs, sales and general and administration expenses. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

34 Segment analysis (continued)

31 December 2020

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	5,454,339	2,562,418	1,800,823	766,097	10,583,677
At a point in time	481,756	6,191	-	12,221	500,168
	5,936,095	2,568,609	1,800,823	778,318	11,083,845
Segment contribution	3,428,069	2,193,145	1,288,179	416,662	7,326,055
Unallocated costs					(4,723,466)
Other income					13,904
Federal royalty					(1,511,938)
Finance income/costs, impairment of goodwill and share of profit of investments accounted for using equity method (net)					(181,015)
Gain on disposal of investment accounted for using equity method					519,374
Profit for the year					1,442,914

34 Segment analysis (continued)

31 December 2019

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	6,536,690	2,484,172	2,059,516	927,196	12,007,574
At a point in time	517,909	9,120	-	53,355	580,384
	7,054,599	2,493,292	2,059,516	980,551	12,587,958
Segment contribution	4,409,691	2,140,970	1,318,954	637,757	8,507,372
Unallocated costs					(4,759,845)
Other income					2,860
Federal royalty					(2,029,008)
Finance income/costs and share of profit of investments accounted for using equity method (net)					9,575
Profit for the year					1,730,954

The Group's assets and liabilities have not been identified to any of the reportable segments as the majority of the operating fixed assets are fully integrated between segments. The Group believes that it is not practical to provide segment disclosure relating to total assets and liabilities since a meaningful segregation of available data is not feasible.

35 Comparatives

In order to conform with current year presentation, the comparative figures for the previous year has been regrouped, where necessary. Such regrouping did not affect the previously reported profit, comprehensive income or equity.

36 Subsequent events

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Group shall apply and adjust their status in accordance with the provisions thereof (to the extent applicable) by no later than one year from the date on which this Decree-Law takes effect.