

**Emirates Integrated Telecommunications  
Company PJSC and its subsidiaries**

**Consolidated financial statements  
for the year ended 31 December 2021**

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Consolidated financial statements for the year ended 31 December 2021**

	<b>Pages</b>
<b>Independent auditors' report</b>	<b>1 – 6</b>
<b>Consolidated statement of financial position</b>	<b>7</b>
<b>Consolidated statement of comprehensive income</b>	<b>8</b>
<b>Consolidated statement of changes in equity</b>	<b>9</b>
<b>Consolidated statement of cash flows</b>	<b>10</b>
<b>Notes to the consolidated financial statements</b>	<b>11 – 71</b>

## **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 2021, 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 consolidated 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 2021, 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 11.68 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 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 relating to revenue against the requirements of IFRSs.

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

**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 1.38 billion for the year with an accrual of AED 1.50 billion as at 31 December 2021.

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 per 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 2021 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.

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

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)**

**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.

## **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**

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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

## **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.

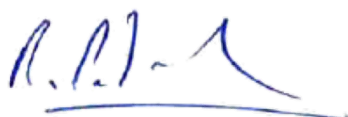
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 1 to the consolidated financial statements, the Group has not made investments in any shares during the financial year ended 31 December 2021;
- 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 2021 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 2021; and
- Note 26 to the consolidated financial statements discloses the social contributions made by the Group during the year ended 31 December 2021.

Deloitte & Touche (M.E.)



Rama Padmanabha Acharya  
Registration Number 701  
11 February 2022  
Dubai  
United Arab Emirates



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Consolidated statement of financial position

		As at 31 December	
		2021	2020
	Notes	AED 000	AED 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	9,068,070	8,063,422
Right-of-use assets	7	1,649,765	1,851,429
Intangible assets and goodwill	8	859,195	900,215
Lease receivable	9	139,422	149,963
Investments accounted for using the equity method	10	24,272	29,835
Financial asset at fair value through other comprehensive income	11	18,368	18,368
Contract assets	12	273,410	211,216
Trade and other receivables	13	83,338	-
<b>Total non-current assets</b>		<b>12,115,840</b>	<b>11,224,448</b>
<b>Current assets</b>			
Inventories	14	58,469	61,513
Lease receivable	9	16,371	18,213
Contract assets	12	462,841	454,101
Trade and other receivables	13	1,961,542	1,726,401
Due from related parties	15	48,655	139,869
Term deposits	16	1,374,248	2,029,327
Cash and bank balances	17	641,380	213,375
<b>Total current assets</b>		<b>4,563,506</b>	<b>4,642,799</b>
<b>Total assets</b>		<b>16,679,346</b>	<b>15,867,247</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	4,532,906	4,532,906
Share premium	24	232,332	232,332
Other reserves	25	2,018,485	1,908,411
Retained earnings		1,748,164	1,895,763
<b>Total equity</b>		<b>8,531,887</b>	<b>8,569,412</b>
<b>Non-current liabilities</b>			
Lease liabilities	18	1,553,484	1,691,727
Contract liabilities	12	247,073	195,149
Provision for employees’ end of service benefits	20	238,438	254,037
Other provisions	21	198,588	184,581
<b>Total non-current liabilities</b>		<b>2,237,583</b>	<b>2,325,494</b>
<b>Current liabilities</b>			
Trade and other payables	22	4,592,913	3,991,797
Lease liabilities	18	671,502	616,896
Contract liabilities	12	438,734	358,538
Due to related parties	15	6,727	5,110
Borrowings	19	200,000	-
<b>Total current liabilities</b>		<b>5,909,876</b>	<b>4,972,341</b>
<b>Total liabilities</b>		<b>8,147,459</b>	<b>7,297,835</b>
<b>Total equity and liabilities</b>		<b>16,679,346</b>	<b>15,867,247</b>

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 11 February 2022 and signed on its behalf by:

  
 Sara Awad Issa Musallam  
 Board Member

  
 Kais Ben Hamida  
 Chief Financial Officer

The notes on pages 11 to 71 form an integral part of these consolidated financial statements.

(7)

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Consolidated statement of comprehensive income

	Notes	For the year ended 31 December	
		2021 AED 000	2020 AED 000
Revenue	34	11,681,970	11,083,845
Operating expenses	26	(9,089,523)	(8,253,903)
Expected credit losses (net off recoveries)		(156,033)	(227,353)
Other income	35	130,574	13,904
Federal royalty	27	(1,381,894)	(1,511,938)
Finance income	28	27,560	50,575
Finance costs	28	(106,347)	(105,859)
Impairment of goodwill	8	-	(135,830)
Share of (loss)/profit of investments accounted for using equity method	10	(5,563)	10,099
Gain on disposal of investment accounted for using equity method	10.1	-	519,374
<b>Profit for the year</b>		<b>1,100,744</b>	<b>1,442,914</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Fair value changes on cash flow hedge	25	-	(520)
<i>Items that will not be re-classified to profit or loss</i>			
Actuarial (loss)/gain on defined benefit obligations	20	(5,042)	19,451
<b>Other comprehensive (loss)/income for the year</b>		<b>(5,042)</b>	<b>18,931</b>
<b>Total comprehensive income for the year attributable to shareholders of the Company</b>		<b>1,095,702</b>	<b>1,461,845</b>
Basic and diluted earnings per share (AED)	29	0.24	0.32

# 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 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
<b>Total comprehensive income for the year</b>	-	-	(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)
<b>At 31 December 2020</b>	<b>4,532,906</b>	<b>232,332</b>	<b>1,908,411</b>	<b>1,895,763</b>	<b>8,569,412</b>
At 1 January 2021	4,532,906	232,332	1,908,411	1,895,763	8,569,412
Profit for the year	-	-	-	1,100,744	1,100,744
Other comprehensive loss	-	-	-	(5,042)	(5,042)
<b>Total comprehensive income for the year</b>	-	-	-	1,095,702	1,095,702
Transfer to statutory reserve	-	-	110,074	(110,074)	-
Final cash dividend paid*	-	-	-	(679,936)	(679,936)
Interim cash dividend paid**	-	-	-	(453,291)	(453,291)
<b>At 31 December 2021</b>	<b>4,532,906</b>	<b>232,332</b>	<b>2,018,485</b>	<b>1,748,164</b>	<b>8,531,887</b>

\*For the year 2020, a final cash dividend of AED 0.15 per share amounting to AED 679,936 thousand was approved by the shareholders at the Annual General Meeting held on 25 March 2021 and paid on 21 April 2021.

\*\*For the year 2021, an interim cash dividend of AED 0.10 per share amounting to AED 453,291 thousand was paid on 24 August 2021.

For the year 2021, a final cash dividend of AED 0.11 per share amounting to AED 498,620 thousand is proposed.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Consolidated statement of cash flows

	Notes	For the year ended 31 December	
		2021 AED 000	2020 AED 000
<b>Cash flows from operating activities</b>			
Profit for the year		1,100,744	1,442,914
Adjustments for:			
Depreciation and impairment of property, plant and equipment	6	1,473,014	1,346,997
Depreciation of right-of-use assets	7	367,607	362,409
Amortisation and impairment of intangible assets	8	184,623	181,018
Loss on disposal of property, plant and equipment and intangible assets		142	1,032
Provision for employees' end of service benefits	20	23,539	32,970
Release of provision for employees' end of service benefits	20	(27,674)	-
(Release)/loss allowance for inventory obsolescence	14	(8,574)	5,105
Loss allowances	30	178,118	254,102
Finance income	28	(27,560)	(50,575)
Finance costs	28	106,347	105,859
Impairment of goodwill	8	-	135,830
Share of loss/(profit) of investments accounted for using equity method	10	5,563	(10,099)
Gain on disposal of investment accounted for using equity method	10.1	-	(519,374)
Changes in working capital	30	1,184,794	1,425,151
Cash generated from operations		4,560,683	4,713,339
Royalty paid (net)	27	(1,507,186)	(1,950,078)
Payment of employees' end of service benefits	20	(22,350)	(26,312)
<b>Net cash generated from operating activities</b>		<b>3,031,147</b>	<b>2,736,949</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,869,109)	(1,834,580)
Purchase of intangible assets		(129,064)	(174,414)
Proceeds from disposal of property, plant and equipment and intangible assets		826	126
Payment for additional investments accounted for using equity method	10	-	(31,000)
Proceeds from disposal of investment accounted for using equity method		-	800,000
Interest received		32,068	116,543
Margin on guarantees released		-	1,535
Term deposits released (net)		655,000	919,374
<b>Net cash used in investing activities</b>		<b>(1,310,279)</b>	<b>(202,416)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities		(251,850)	(240,917)
Proceeds from borrowings		200,000	-
Payment of borrowings upfront fee		(18,112)	-
Repayment of borrowings		-	(716,332)
Dividends paid		(1,133,227)	(1,541,188)
Interest paid on lease liabilities		(82,767)	(86,454)
Interest paid others		(6,907)	(3,427)
<b>Net cash used in financing activities</b>		<b>(1,292,863)</b>	<b>(2,588,318)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>428,005</b>	<b>(53,785)</b>
Cash and cash equivalents at 1 January		210,872	264,657
<b>Cash and cash equivalents at 31 December</b>	17	<b>638,877</b>	<b>210,872</b>

Non-cash transactions are disclosed in Note 30 of the consolidated financial statements.

The notes on pages 11 to 71 form an integral part of these consolidated financial statements.

(10)

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021

### 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 2021 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 Group has not made investments in any shares during the financial year ended 31 December 2021.

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2021	2020	
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

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of UAE Federal Law No. 2 of 2015 (“the Companies Law”) on Commercial Companies was issued on 27 September 2020 and became effective on 2 January 2021. It requires companies to adjust their status in accordance with the provisions by 2 January 2022. The Group has complied with the required changes in accordance with the provisions of Federal Decree-Law No. 26 of 2020.

Federal Law No. 32 of 2021 concerning Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 to replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”) and came into force on 2 January 2022. The Group is in the process of reviewing the new provisions and will apply the requirements thereof and adjust its affairs no later than one year from 2 January 2022.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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) 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.

#### (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 2021.*

- *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*). The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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);
- *Annual Improvements to IFRSs 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture;*
- *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;
- *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. (Effective date deferred indefinitely. Adoption is still permitted);
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from 1 January 2023).* The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2;

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 2 Basis of preparation (continued)

#### 2.2 New standards, amendments and interpretations (continued)

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

- *Definition of Accounting Estimates - Amendments to IAS 8 (effective from 1 January 2023)*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error; and
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective from 1 January 2023)*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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

#### 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 for the dilutive effects of 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.



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 2 Basis of preparation (continued)

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

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 guidelines mainly relate to the segregation of items between regulated and non-regulated 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 stand-alone basis are defined as multiple element arrangements. The transaction price for these contracts is allocated to the performance obligations on a relative stand-alone selling price basis.

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 prices 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 2 Basis of preparation (continued)

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

##### 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.

(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 increase in the likelihood or risk of a default occurring since initial recognition instead of evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

(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. The sensitivity analysis in respect of recoverable amount of the CGUs is prescribed in Note 8 to the consolidated financial statements.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 2 Basis of preparation (continued)

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

##### Key sources of estimation uncertainty (continued)

##### *(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.

##### *(vi) Impairment of property, plant and equipment and intangible assets*

Property, plant and equipment and intangible assets are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Management did not identify any impairment indicators in the current or prior year for individual cash generating units. However, management identified certain individual items of property, plant and equipment and intangible assets for which future economic benefit is not expected and, accordingly, recorded an impairment in Notes 6 and 8.

#### 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"). In March 2020, the WHO classified COVID-19 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 several partial or total lockdowns in most countries.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **2 Basis of preparation (continued)**

#### **2.4 COVID-19 updates (continued)**

In Q3-2021, the overall situation regarding new infections improved in the UAE. The vaccination campaigns initiated at the end of 2020 were massively deployed with significant percentage of the eligible population being vaccinated. The vaccination drive around the world has been also gaining momentum and is helping in containing the impact of Covid-19. This resulted in gradual relaxation of travel restrictions with several countries and a start of normalisation of the activity in UAE at the end of Q3.

In Q4-2021, with the emergence of Omicron variant, some restrictions were re-imposed. However, early findings indicate that the impact of this new variant is lower than previous ones. The Group continues 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 including the ones related to going concern, impairment of assets and inventory, impairment of goodwill, onerous contract assessment and subsidiary accounting, with no material impact noted.

### **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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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*

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

When the Group loses control of a subsidiary, a gain or loss is recognised in statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the initial carrying amount for the purposes of subsequent accounting for the retained interest as an investment in an associate or a joint venture or financial asset.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant accounting policies (continued)

#### 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.

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 period. 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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**

##### Goodwill

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.



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant accounting policies (continued)

#### 3.4 Intangible assets (continued)

##### Goodwill (continued)

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.

##### Licenses and indefeasible rights of use

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

##### Computer software

Acquired computer software 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **3.5 Associates and joint venture (continued)**

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 recognises 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 consolidated statement of comprehensive income 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, direct 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant accounting policies (continued)

#### 3.11 Financial instruments

##### 3.11.1 Non-derivative financial assets

###### Classification, initial recognition and measurement

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.

###### *(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, term deposits 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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)*

###### Subsequent measurement

###### Financial assets measured at amortised cost

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.

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

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.

Gains and losses on these equity instruments 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 equity instruments, 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 expired.

##### 3.11.3 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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.

#### **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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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 discount on mobile and fixed line charges to employees for official and personal purposes. This benefit is not separately accounted for as staff costs.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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. 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 general economic 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 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 increase in the likelihood or risk of a default occurring since initial recognition instead of evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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 are 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 stand-alone 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 stand-alone 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant accounting policies (continued)

#### 3.19 Revenue recognition (continued)

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.

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 expenses. 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.

#### Variable Consideration

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.

#### Contract Modification

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 stand-alone selling prices.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **3.19 Revenue recognition (continued)**

##### Contract Modification (continued)

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 stand-alone selling price the contract is accounted for as a new contract till the end of the contract term.

##### Significant financing component

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.

Currently, in the case of handsets instalment products (bundled and stand-alone) 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 stand-alone 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 provided.

#### **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 financial institutions at normal commercial rates, amortisation of loan arrangement fees, interest on lease liabilities, interest on employees' end of service benefits, interest on asset retirement obligations and is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **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 (as amended), 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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.

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 Audit department. Internal Audit 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 credit terms are offered.

The management has established a credit policy under which each new customer is analysed for creditworthiness before credit terms 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.

# **Emirates Integrated Telecommunications Company PJSC and its subsidiaries**

## **Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)**

### **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)**

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.

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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 5 Financial risk management (continued)

#### 5.1 Financial risk factors (continued)

##### (a) Credit risk (continued)

#### 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	
	2021 AED 000	2020 AED 000	2021 AED 000	2020 AED 000
Aa3	-	-	73,823	63,982
A1	-	-	37,386	32,526
A+	-	-	1	5,211
A2	-	275,000	11,766	6,949
A3	-	-	28,454	4,909
A-	-	400,000	6,203	-
AA-	-	350,000	1,351	-
Baa1	-	-	-	52,479
Baa2	-	-	121,394	14,030
BBB+	1,375,000	1,005,000	307,959	3,235
Others	-	-	53,333	30,150
	1,375,000	2,030,000	641,670	213,471
Less: loss allowance	(752)	(673)	(290)	(96)
	1,374,248	2,029,327	641,380	213,375

##### (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.



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 5 Financial risk management (continued)

#### 5.1 Financial risk factors (continued)

##### (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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/GBP, 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.

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. 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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.

	2021 AED 000	2020 AED 000
Total borrowings (Note 19)	200,000	-
Less: Cash and bank balances/term deposits (Notes 16 and 17)	(2,015,628)	(2,242,702)
Net debt	(1,815,628)	(2,242,702)
Total equity	8,531,887	8,569,412
Total capital	6,716,259	6,326,710
Gearing %	(27%)	(35%)

Under the terms of the major borrowing facility, the Group is required to comply with net debt to EBITDA financial covenant. The Group has complied with this covenant in 2021.

#### 5.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximated their carrying values 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).

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 5 Financial risk management (continued)

#### 5.3 Fair value estimation (continued)

		In AED'000			
		Level 1	Level 2	Level 3	Total
<b>At 31 December 2021</b>					
Financial asset at fair value through other comprehensive income (Note 11)		-	-	18,368	18,368
		-	-	18,368	18,368
<b>At 31 December 2020</b>					
Financial asset at fair value through other comprehensive income (Note 11)		-	-	18,368	18,368
		-	-	18,368	18,368

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.

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, accrued royalty, due to related parties and other payables and accruals. The fair values of these financial assets and liabilities are not materially different from their carrying values unless stated otherwise (Note 32).

## Emirates Integrated Telecommunications Company PJSC and its subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

#### 6 Property, plant and equipment

	<b>Buildings AED 000</b>	<b>Plant and equipment AED 000</b>	<b>Furniture and fixtures AED 000</b>	<b>Motor vehicles AED 000</b>	<b>Capital work in progress AED 000</b>	<b>Total AED 000</b>
<b>Cost</b>						
At 1 January 2020	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
Additions	-	1,999,128	6,979	-	457,825	2,463,932
Addition: asset retirement obligations	-	8,095	-	-	-	8,095
Transfers	-	412,735	8,570	-	(421,305)	-
Disposals/write-off	-	(208,785)	(1,880)	-	(74,001)	(284,666)
<b>At 31 December 2021</b>	<b>52,532</b>	<b>22,145,296</b>	<b>341,569</b>	<b>4,403</b>	<b>573,509</b>	<b>23,117,309</b>
<b>Depreciation / impairment</b>						
At 1 January 2020	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
Reclassifications (Note 6.2)	-	5,205	-	-	(11,761)	(6,556)
Charge for the year	6,701	1,388,812	19,825	344	1,718	1,417,400
Disposals/write-off	-	(208,014)	(1,730)	-	(74,001)	(283,745)
Impairment charge	8,866	45,917	136	-	695	55,614
<b>At 31 December 2021</b>	<b>49,016</b>	<b>13,676,210</b>	<b>306,925</b>	<b>4,193</b>	<b>12,895</b>	<b>14,049,239</b>
<b>Net book value</b>						
<b>At 31 December 2021</b>	<b>3,516</b>	<b>8,469,086</b>	<b>34,644</b>	<b>210</b>	<b>560,614</b>	<b>9,068,070</b>
At 31 December 2020	19,083	7,489,833	39,206	554	514,746	8,063,422

The carrying amount of the Group's buildings include a nominal amount of AED 2 (2020: AED 2) in relation to plots of land granted to the Group by the UAE Government.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 6 Property, plant and equipment (continued)

6.1 During the year 2020, 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.

6.2 During the year 2021, the management of the Group undertook a review and re-classified impairment amounting to AED 6,556 thousand from accumulated impairment PPE to allowance for inventory obsolescence.

### 7 Right-of-use assets

	Land and buildings AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Total AED 000
<b>Cost</b>				
At 1 January 2020	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)
<b>At 31 December 2020</b>	<b>2,482,982</b>	<b>945</b>	<b>2,572</b>	<b>2,486,499</b>
Additions	143,608	-	-	143,608
Re-measurement	32,857	-	206	33,063
Disposals	(35,149)	-	(2,778)	(37,927)
<b>At 31 December 2021</b>	<b>2,624,298</b>	<b>945</b>	<b>-</b>	<b>2,625,243</b>
<b>Depreciation</b>				
At 1 January 2020	302,409	100	1,315	303,824
Charge for the year	361,103	100	1,206	362,409
Disposals	(31,019)	-	(144)	(31,163)
<b>At 31 December 2020</b>	<b>632,493</b>	<b>200</b>	<b>2,377</b>	<b>635,070</b>
Charge for the year	367,106	100	401	367,607
Disposals	(24,421)	-	(2,778)	(27,199)
<b>At 31 December 2021</b>	<b>975,178</b>	<b>300</b>	<b>-</b>	<b>975,478</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>1,649,120</b>	<b>645</b>	<b>-</b>	<b>1,649,765</b>
Net book value				
At 31 December 2020	1,850,489	745	195	1,851,429

The Group leases several assets including shops, technical sites, offices, warehouses, billboards and motor vehicles. The average lease term is 8.77 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).

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 8 Intangible assets and goodwill

	2021 AED 000	2020 AED 000
Goodwill	413,220	413,220
Intangible assets	445,975	486,995
	<u>859,195</u>	<u>900,215</u>

#### 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:

	2021 AED 000	2020 AED 000
Broadcasting operations	-	-
Fixed line business	413,220	413,220
	<u>413,220</u>	<u>413,220</u>

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.

As of 31 December 2020, 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 during the year 2020 against broadcasting CGU goodwill and AED 1,180 thousand against related assets. Accordingly, goodwill related to broadcasting CGU was fully written off in 2020. 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".

The estimated recoverable amount of the fixed line business CGU exceeded its carrying amount by approximately 217%.

The key assumptions for the fixed line business CGU value-in-use calculations at 31 December 2021 include:

- 5 year revenue growth projections;
- a pre-tax discount rate of 8.26% (2020: 10.62%) 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 2%, determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 8 Intangible assets and goodwill (continued)

#### Goodwill (continued)

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 would be required.

#### Sensitivity analysis

The Group has conducted an analysis of the sensitivity of impairment test to changes in the key assumptions used to determine the recoverable amount.

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	Telecomm- unications license fees AED 000	Indefeasible rights of use AED 000	Total AED 000
<b>Cost</b>					
At 1 January 2020	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
Additions	19,017	124,633	-	-	143,650
Transfers	108,489	(108,489)	-	-	-
Write off	(225,054)	(41,208)	-	-	(266,262)
<b>At 31 December 2021</b>	<b>2,346,531</b>	<b>158,831</b>	<b>124,500</b>	<b>207,359</b>	<b>2,837,221</b>
<b>Amortisation/impairment</b>					
At 1 January 2020	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
Charge for the year	168,350	-	6,223	5,800	180,373
Impairment charge	4,144	106	-	-	4,250
Write off	(225,007)	(41,208)	-	-	(266,215)
<b>At 31 December 2021</b>	<b>2,085,042</b>	<b>106</b>	<b>98,739</b>	<b>207,359</b>	<b>2,391,246</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>261,489</b>	<b>158,725</b>	<b>25,761</b>	<b>-</b>	<b>445,975</b>
At 31 December 2020	306,524	142,687	31,984	5,800	486,995

\* 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).

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 8 Intangible assets and goodwill (continued)

#### Intangible assets

The software in use includes all applications such as ERP and Billing systems which are currently in use while the capital work in progress relates to the development of software.

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

	<b>Current</b>		<b>Non-current</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>AED 000</b>	AED 000	<b>AED 000</b>	AED 000
Lease receivable	<u>16,371</u>	<u>18,213</u>	<u>139,422</u>	<u>149,963</u>

During the year 2020, the Group signed a sub-lease agreement to lease its data centre with a customer for a period of 10 years.

	<b>2021</b>	2020
	<b>AED 000</b>	AED 000
Maturity analysis:		
Not later than 1 year	19,337	18,774
Later than 1 year and not later than 5 years	83,328	80,901
Later than 5 years	<u>81,357</u>	<u>103,122</u>
	184,022	202,797
Less: unearned interest on lease receivable	<u>(28,229)</u>	<u>(34,621)</u>
	<u>155,793</u>	<u>168,176</u>

The interest income on lease receivable is presented in (Note 28).



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 10 Investments accounted for using the equity method

Investments	Principal activities	Shareholding		Country of incorporation
		2021	2020	
Dubai Smart City Accelerator FZCO	To run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry	23.53%	23.53%	UAE
Advanced Regional Communications Solutions Holding Limited	Provision of connectivity and data centre services	50%	50%	UAE

### Movement in investments in associates and joint venture

	2021		
	Associate AED 000	Joint venture AED 000	Total AED 000
At 1 January	1,356	28,479	29,835
Share of profit/(loss) for the year	1,136	(6,699)	(5,563)
At 31 December	2,492	21,780	24,272

	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

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

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 10 Investments accounted for using the equity method (continued)

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

	2021		
	Associate AED 000	Joint venture AED 000	Total AED 000
Non-current assets	10,073	16,548	26,621
Current assets	713	39,319	40,032
Current liabilities	(195)	(2,840)	(3,035)
Non-current liabilities	-	(9,467)	(9,467)
Net assets	10,591	43,560	54,151
Revenue	-	4,400	4,400
Profit/(loss) for the year	4,828	(13,337)	(8,509)

	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

#### 10.1 Gain on disposal of investment accounted for using equity method

In 2020, EITC Investment Holding (a fully owned subsidiary of EITC Group), signed with Technology Holding Company (a fully owned subsidiary of Mamoura Diversified Global Holding PJSC), 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 against carrying value of investment amounting to AED 280 million.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 11 Financial asset at fair value through other comprehensive income

	2021 AED 000	2020 AED 000
<b>Unlisted shares</b>		
Anghami	18,368	18,368

The Group is holding 4.28% 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 Contract assets and contract liabilities

	<b>Current</b>		<b>Non-current</b>	
	2021 AED 000	2020 AED 000	2021 AED 000	2020 AED 000
Contract assets*	519,524	493,153	295,723	226,618
Less: provision for impairment of contract assets	(56,683)	(39,052)	(22,313)	(15,402)
	<u>462,841</u>	<u>454,101</u>	<u>273,410</u>	<u>211,216</u>

\*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 376,144 thousands (2020: AED 314,288 thousands).

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

	2021 AED 000	2020 AED 000
1 January	54,454	45,355
Charge during the year	24,542	9,099
31 December	<u>78,996</u>	<u>54,454</u>

	<b>Current</b>		<b>Non-current</b>	
	2021 AED 000	2020 AED 000	2021 AED 000	2020 AED 000
Contract liabilities	<u>438,734</u>	<u>358,538</u>	<u>247,073</u>	<u>195,149</u>

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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 13 Trade and other receivables

	2021 AED 000	2020 AED 000
Trade receivables	1,822,391	1,761,251
Due from other telecommunications operators*	205,341	103,472
Less: provision for impairment of trade receivables and due from other telecommunications operators	(633,801)	(646,099)
Trade receivables, net	1,393,931	1,218,624
Prepayments**	147,611	124,726
Advances to suppliers	397,445	240,829
Other receivables	105,893	142,222
Total trade and other receivables	2,044,880	1,726,401
Non-current***	83,338	-
Current	1,961,542	-
Total trade and other receivables	2,044,880	1,726,401

\*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 1,133,698 thousand (31 December 2020: AED 862,534 thousand).

\*\* Prepayments include unamortised loan fees amounting to AED 16,818 thousand (31 December 2020: AED Nil thousands) related to the borrowings secured during the period (Note 19).

\*\*\* Total non-current includes the non-current portion for the unamortised loan fees amounting to AED14,231 thousand and receivable amounting to AED 69,107 thousand against settlement of a legal dispute which will be collected over period of three years (Note 35).

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

	2021 AED 000	2020 AED 000
At 1 January	646,099	662,358
Charge for the year	153,497	219,996
Write-off during the year	(199,486)	(227,571)
Transfer of provision from/(to) due from related parties	33,691	(8,684)
At 31 December	633,801	646,099

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 14 Inventories

	2021 AED 000	2020 AED 000
Goods held for sale	78,885	83,947
Less: allowance for inventory obsolescence	(20,416)	(22,434)
At 31 December	58,469	61,513
Inventories recognised as an operating expense during the year	945,903	662,508
(Release)/loss allowance for inventory obsolescence recognised as an operating expense during the year	(8,574)	5,105

### 15 Related party balances and transactions

Related parties comprise the founding 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

	2021 AED 000	2020 AED 000
<b>Due from related parties</b>		
Axiom Telecom LLC (Entity under common shareholding)	47,999	105,695
Injazat Data Systems LLC (Entity under common shareholding)	-	63,193
ARCS Bahrain S.P.C (Subsidiary of a joint venture)	16	790
ARCS Holding Limited (Joint venture)	640	3,882
	48,655	173,560
Less: Loss allowance	-	(33,691)
	48,655	139,869

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

	2021 AED 000	2020 AED 000
At 1 January	33,691	-
Reclassified (to)/from trade and other receivables	(33,691)	8,684
Expected credit losses during the year	-	25,007
Closing balance	-	33,691

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 15 Related party balances and transactions (continued)

	2021 AED 000	2020 AED 000
<b>Due to related parties</b>		
Tecom Investments FZ LLC (Entity under common shareholding)	6,727	2,426
Khazna Data Center Limited (Associate)	-	2,684
	<hr/>	<hr/>
Closing balance	6,727	5,110
	<hr/>	<hr/>

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.

	2021 AED 000	2020 AED 000
Net revenue	725,707	948,070
Rent and services	42,826	35,168
Payment of lease liabilities	16,724	17,287
Recharge of operating expenses incurred on behalf of joint venture	3,020	3,882
Additional funding to associate and joint venture	-	31,000
Sale of an associate to a related party (Note 10.1)	-	800,000

### Key management compensation

	2021 AED 000	2020 AED 000
Short term employee benefits	35,088	30,628
Employees' end of service benefits	377	245
Post-employment benefits	1,139	1,245
Long term incentives	4,000	4,000
	<hr/>	<hr/>
	40,604	36,118
	<hr/>	<hr/>

Board of Directors fee during the year was AED 10,992 thousand (2020: 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 15 Related party balances and transactions (continued)

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

	2021 AED 000	2020 AED 000
Term deposits*	<u>1,374,248</u>	<u>2,029,327</u>

\*Term deposits represented net off loss allowance.

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:

	2021 AED 000	2020 AED 000
Cash at bank (on deposit and call accounts)*	640,564	212,591
Cash on hand	816	784
Cash and bank balances	<u>641,380</u>	<u>213,375</u>
Less: margin on guarantees (Note 31)	<u>(2,503)</u>	<u>(2,503)</u>
Cash and cash equivalents	<u>638,877</u>	<u>210,872</u>

\* Cash at bank represented net off loss allowance.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 18 Lease liabilities

	<b>2021</b> <b>AED 000</b>	2020 AED 000
At 1 January	2,308,623	1,856,805
Lease liabilities during the year	143,608	696,817
Interest expense during the year	82,767	86,454
Payments made during the year	(334,617)	(327,371)
Re-measurement during the year	33,063	14,778
Disposals during the year	(8,458)	(18,860)
Closing balance	<u>2,224,986</u>	<u>2,308,623</u>

	<b>Current</b>		<b>Non-current</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>AED 000</b>	AED 000	<b>AED 000</b>	AED 000
Lease liabilities	671,502	616,896	1,553,484	1,691,727

	<b>2021</b> <b>AED 000</b>	2020 AED 000
Maturity analysis:		
Not later than 1 year	746,123	692,269
Later than 1 year and not later than 5 years	1,042,948	1,082,705
Later than 5 years	591,884	733,887
	<u>2,380,955</u>	<u>2,508,861</u>
Less: unearned interest on lease liabilities	(155,969)	(200,238)
	<u>2,224,986</u>	<u>2,308,623</u>

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.



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 19 Borrowings

On 29 April 2021, the Group signed a long term financing agreement with a group of local and international banks for an unsecured credit facility (the “Financing”) of AED 3,769 million equivalent. The Financing is composed of (a) a term loan facility of AED 1,788 million equivalent and a maturity of 7 years; and (b) a revolving credit facility of AED 1,981 million equivalent and a maturity of 5 years extendable to 7 years. The Financing proceeds will be used for general corporate purposes.

During the period, the Group made a drawdown of AED 200 million equivalent from the revolving credit facility.

The details of borrowings are as follows:

	<b>Current</b>	
	<b>2021</b>	2020
	<b>AED 000</b>	AED 000
Bank borrowings	200,000	-
	<u>200,000</u>	<u>-</u>

The transaction costs allocated to the Financing have been capitalised and will be amortised on a straight line basis over the term of the agreement. Unamortised transaction costs as at 31 December 2021 is presented within Note 13 as a prepayment. Carrying value of borrowings as at 31 December 2021 approximate fair value.

### 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 2021 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:

	<b>2021</b>	2020
	<b>AED 000</b>	AED 000
At 1 January	254,037	258,740
Current service cost	23,539	32,970
Interest cost (Note 28)	5,844	8,090
Actuarial loss/(gain) recognised in other comprehensive income*	5,042	(19,451)
Release of past service cost**	(27,674)	-
Benefits paid during the year	<u>(22,350)</u>	<u>(26,312)</u>
At 31 December	<u>238,438</u>	<u>254,037</u>

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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

\*Actuarial loss/(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 4,079 thousand (2020: AED 437 thousand), experience adjustments amounting to AED 963 thousand (2020: AED 18,053 thousand) and demographic assumptions amounting to AED nil thousand (2020: AED 961 thousand).

\*\* During the year 2021, the Group has changed its employees' end of service benefits structure, which has resulted release of past service cost.

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

	2021	2020
Average period of employment (years)	7.38	7.05
Average annual rate of salary increase	2.00%	2.00%
Average annual rate of salary increase for next 2 years	1%	1%
Discount rate	2.10%	2.50%

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:

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2021	2020	2021	2020	2021	2020
Withdrawal rate	10%	10%	(0.14%)	(0.37%)	0.15%	0.39%
Mortality age	1 year	1 year	(0.04%)	(0.01%)	0.04%	0.01%
Average annual rate of salary increase	1%	1%	7.56%	7.61%	(6.83%)	(6.84%)
Discount rate	1%	1%	(6.29%)	(6.30%)	7.08%	7.13%

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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.

	<b>2021</b> <b>AED 000</b>	2020 AED 000
At 1 January	184,581	169,832
Additions during the year (net)	5,844	6,557
Adjustment for change in discount/inflation rates	669	1,239
Unwinding of discount	7,494	6,953
At 31 December	<u>198,588</u>	<u>184,581</u>

The provision is recognised based on the following significant assumptions:

	<b>2021</b>	2020
Average period of restoration (years)	10	10
Inflation rate	2.06%	1.94%
Discount rate	<u>3.86%</u>	<u>3.87%</u>

### 22 Trade and other payables

	<b>2021</b> <b>AED 000</b>	2020 AED 000
Trade payables and accruals	2,259,681	1,438,164
Due to other telecommunications operators*	443,533	593,085
Accrued federal royalty (Note 27)	1,499,540	1,624,832
Valued Added Tax (VAT) payable	20,622	4,829
Other payables and accruals	369,537	330,887
	<u>4,592,913</u>	<u>3,991,797</u>

\*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 1,133,698 thousand (31 December 2020: AED 862,534 thousand).

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

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 23 Share capital

	2021 AED 000	2020 AED 000
Authorised, issued and fully paid up share capital (4,532,905,989 shares of AED 1 each)	<u>4,532,906</u>	<u>4,532,906</u>

### 24 Share premium

	2021 AED 000	2020 AED 000
Premium on issue of common share capital	<u>232,332</u>	<u>232,332</u>

### 25 Other reserves

	Statutory reserve (Note 25.1) AED 000	Hedge reserve AED 000	Total AED 000
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	<u>1,908,411</u>	<u>-</u>	<u>1,908,411</u>
At 1 January 2021	1,908,411	-	1,908,411
Transfer to statutory reserve	110,074	-	110,074
<b>At 31 December 2021</b>	<u><u>2,018,485</u></u>	<u><u>-</u></u>	<u><u>2,018,485</u></u>

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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 26 Operating expenses

	31 December	
	2021	2020
	AED 000	AED 000
Interconnect costs	2,842,683	2,552,170
Depreciation and impairment on property, plant and equipment (Note 6)	1,473,014	1,346,997
Product costs	1,167,403	833,451
Staff costs	996,419	979,194
Network operation and maintenance	783,357	737,857
Commission	398,158	367,064
Telecommunication license and related fees	359,365	390,813
Depreciation on right-of-use assets (Note 7)	367,607	362,409
Marketing	203,532	192,155
Amortisation and impairment on intangible assets (Note 8)	184,623	181,018
Outsourcing and contracting	107,186	118,054
Others	206,176	192,721
	<u>9,089,523</u>	<u>8,253,903</u>

During the year ended 31 December 2021, the Group has paid AED 1,576 thousand (2020: AED 1,055 thousand) for various social contribution purposes.

In order to conform with current period presentation, the items “network operation and maintenance”, “marketing”, “outsourcing and contracting” and “other expenses” for the year ended 31 December 2020 were presented reflecting certain reclassifications to ensure comparability with 2021 figures. Without these reclassifications the figures should have been AED 703,448 thousand, AED 150,629 thousand, AED 196,435 thousand and AED 190,275 thousand respectively.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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.

	<b>2021</b> <b>AED 000</b>	2020 AED 000
Total revenue for the year (Note 34)	11,681,970	11,083,845
Broadcasting revenue for the year	(148,236)	(148,214)
Other allowable deductions	<u>(3,924,101)</u>	<u>(3,232,266)</u>
Total adjusted revenue	<u>7,609,633</u>	<u>7,703,365</u>
Profit before royalty	2,482,638	2,954,852
Allowable deductions	<u>(307,209)</u>	<u>(467,439)</u>
Total regulated profit	<u><u>2,175,429</u></u>	<u><u>2,487,413</u></u>
	<b>2021</b> <b>AED 000</b>	2020 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).	1,451,640	1,555,077
Adjustments to charge	<u>(69,746)</u>	<u>(43,139)</u>
Charge for the year	<u><u>1,381,894</u></u>	<u><u>1,511,938</u></u>
Movement in the royalty accruals is as follows:		
At 1 January	1,624,832	2,062,972
Payment made during the year (net)	(1,507,186)	(1,950,078)
Charge for the year	<u>1,381,894</u>	<u>1,511,938</u>
At 31 December (Note 22)	<u><u>1,499,540</u></u>	<u><u>1,624,832</u></u>

Federal royalty for the year 2021 is to be paid within 4 months from the year ended 31 December 2021.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 28 Finance income and costs

	2021 AED 000	2020 AED 000
<b>Finance income</b>		
Interest income	21,169	47,771
Finance income on lease receivable	6,391	2,804
	<u>27,560</u>	<u>50,575</u>
<b>Finance costs</b>		
Interest expense on lease liabilities	82,767	86,454
Interest expense others*	23,580	19,405
	<u>106,347</u>	<u>105,859</u>

\*Interest expense others includes interest cost on defined benefit obligations, unwinding of discount on asset retirement obligations and finance costs on borrowings.

### 29 Earnings per share

	2021	2020
Profit for the year (AED 000)	1,100,744	1,442,914
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.24</u>	<u>0.32</u>

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

	2021 AED 000	2020 AED 000
Change in:		
Inventories	11,618	45,177
Contract assets	(95,476)	7,773
Trade and other receivables	(458,372)	(141,809)
Trade and other payables	1,502,073	1,531,281
Contract liabilities	132,120	(16,427)
Due from related parties	91,214	119
Due to related parties	1,617	(963)
Net changes in working capital	<u>1,184,794</u>	<u>1,425,151</u>
<b>Non-cash transactions:</b>		
Accruals for property, plant and equipment	603,677	(170,679)
Accruals for intangible assets	14,539	(16,852)
Additions to right-of-use assets	176,671	519,392

## Emirates Integrated Telecommunications Company PJSC and its subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

#### 30 Changes in working capital (continued)

	2021 AED 000	2020 AED 000
<b>Loss allowances:</b>		
Loss allowance on contract assets	24,542	9,099
Loss allowance on trade receivables	153,497	219,996
Loss allowance on due from related parties	-	25,007
Loss allowance on term deposits	79	-
	<u>178,118</u>	<u>254,102</u>

The reconciliation for the changes in liabilities arising from financing activities are presented in Notes 18 and 19 of the consolidated financial statement.

#### 31 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 71,837 thousand (2020: AED 82,647). Bank guarantees are secured against margin of AED 2,503 thousand (2020: AED 2,503 thousand) (Note 17).

The Group is subject to 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 1,033,232 thousand (2020: AED 1,282,735 thousand).



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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	<b>Carrying amount</b>		<b>Fair value</b>	
		<b>2021</b>	2020	<b>2021</b>	2020
		<b>AED 000</b>	AED 000	<b>AED 000</b>	AED 000
<b>Non-derivatives</b>					
Financial asset at fair value through other comprehensive income	11	18,368	18,368	18,368	18,368
Lease receivable	9	155,793	168,176	155,793	168,176
Contract assets	12	360,106	351,028	360,106	351,028
Trade and other receivables	13	1,499,824	1,360,846	1,499,824	1,360,846
Due from related parties	15	48,655	139,869	48,655	139,869
Term deposits	16	1,374,248	2,029,327	1,374,248	2,029,327
Cash and bank balances	17	641,380	213,375	641,380	213,375
		<u>4,098,374</u>	<u>4,280,989</u>	<u>4,098,374</u>	<u>4,280,989</u>

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 921,201 thousand (2020: AED 679,844 thousand) have been excluded from contract assets, trade and other receivables and due from related parties.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 32 Financial instruments and risk management (continued)

#### 32.1 Credit risk (continued)

##### *Exposure to credit risk (continued)*

##### **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:

	<b>Gross 2021 AED 000</b>	<b>Impaired 2021 %</b>	<b>Impaired 2021 AED 000</b>	<b>Gross 2020 AED 000</b>	<b>Impaired 2020 %</b>	<b>Impaired 2020 AED 000</b>
Not past due	1,096,930	3.28%	(35,925)	903,126	1.29%	(11,658)
Past due 0-30 days	371,443	7.14%	(26,514)	232,426	9.06%	(21,051)
Past due 31-180 days	363,921	21.07%	(76,692)	546,139	11.59%	(63,303)
More than 180 days	<u>1,816,893</u>	31.57%	<u>(573,666)</u>	<u>1,624,609</u>	39.29%	<u>(638,232)</u>
	<u>3,649,187</u>		<u>(712,797)</u>	<u>3,306,300</u>		<u>(734,244)</u>

Non-financial assets (subscriber acquisition costs, prepayments and advances to suppliers) amounting to AED 921,201 thousand (2020: AED 679,844 thousand) have been excluded from contract assets, trade receivables and due from related parties.

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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 32 Financial instruments and risk management (continued)

#### 32.2 Liquidity risk

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

#### 31 December 2021

	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
<b>Non-derivative financial liabilities</b>							
Borrowings	200,000	200,000	200,000	200,000	-	-	-
Trade payables and accruals	2,259,681	2,259,681	2,259,681	2,259,681	-	-	-
Due to other telecommunication operators	443,533	443,533	443,533	443,533	-	-	-
Accrued royalty	1,499,540	1,499,540	1,499,540	1,499,540	-	-	-
Other payables and accruals	369,537	369,537	369,537	369,537	-	-	-
Due to related parties	6,727	6,727	6,727	6,727	-	-	-
	<u>4,779,018</u>	<u>4,779,018</u>	<u>4,779,018</u>	<u>4,779,018</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 31 December 2020

	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
<b>Non-derivative financial liabilities</b>							
Borrowings	-	-	-	-	-	-	-
Trade payables and accruals	1,438,164	1,438,164	1,438,164	1,438,164	-	-	-
Due to other telecommunication operators	523,658	523,658	523,658	523,658	-	-	-
Accrued royalty	1,624,832	1,624,832	1,624,832	1,624,832	-	-	-
Other payables and accruals	330,887	330,887	330,887	330,887	-	-	-
Due to related parties	5,110	5,110	5,110	5,110	-	-	-
	<u>3,922,651</u>	<u>3,922,651</u>	<u>3,922,651</u>	<u>3,922,651</u>	<u>-</u>	<u>-</u>	<u>-</u>

Contractual maturities related to lease liabilities disclosed in Note 18.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 32 Financial instruments and risk management (continued)

#### 32.3 Currency risk

##### Exposure to currency risk

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

	31 December 2021		31 December 2020	
	Thousand		Thousand	
	EUR	GBP	EUR	GBP
Trade receivables	7,943	345	5,360	329
Trade payables	(1,148)	(245)	(59)	(416)
Net exposure	6,795	100	5,301	(87)

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

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
EUR 1	4.3715	4.1624	4.1507	4.4879
GBP 1	5.0011	4.6856	4.9500	5.0246

##### 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.

	2021 AED 000	2020 AED 000
<b>Increase/(decrease) in profit</b>		
EUR	(2,971)	(2,206)
GBP	(50)	41

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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 32 Financial instruments and risk management (continued)

#### 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	
	2021	2020
	AED 000	AED 000
<b>Variable interest rate instruments</b>		
Bank borrowings	200,000	-

##### 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.

	2021	2020
	AED 000	AED 000
<b>Decrease in profit</b>		
Variable interest rate instruments	(500)	-

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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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:

	<b>2021</b> <b>AED 000</b>	2020 AED 000
<b>Financial asset at fair value through other comprehensive income</b>	<b>18,368</b>	<b>18,368</b>
<b>Financial assets measured at amortised cost</b>		
Lease receivable	155,793	168,176
Contract assets	360,106	351,028
Trade and other receivables	1,499,824	1,360,846
Due from related parties	48,655	139,869
Term deposits	1,374,248	2,029,327
Cash and bank balances	641,380	213,375
	<u>4,080,006</u>	<u>4,262,621</u>
<b>Financial liabilities measured at amortised cost</b>		
Lease liabilities	2,224,986	2,308,624
Borrowings	200,000	-
Trade and other payables	4,572,291	3,991,797
Due to related parties	6,727	5,110
	<u>7,004,004</u>	<u>6,305,531</u>

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 921,201 thousand (2020: AED 679,844 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 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 2021 and 31 December 2020.

	31 December 2021			31 December 2020		
	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
<b>Financial assets</b>						
Trade and other receivables	3,178,578	(1,133,698)	2,044,880	2,588,935	(862,534)	1,726,401
<b>Total</b>	<u>3,178,578</u>	<u>(1,133,698)</u>	<u>2,044,880</u>	<u>2,588,935</u>	<u>(862,534)</u>	<u>1,726,401</u>
<b>Financial liabilities</b>						
Trade and other payables	5,726,611	(1,133,698)	4,592,913	4,854,331	(862,534)	3,991,797
<b>Total</b>	<u>5,726,611</u>	<u>(1,133,698)</u>	<u>4,592,913</u>	<u>4,854,331</u>	<u>(862,534)</u>	<u>3,991,797</u>

### 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 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.

# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 34 Segment analysis (continued)

31 December 2021

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
<b>Segment revenue</b>					
Timing of revenue recognition					
Over time	5,300,882	2,839,409	1,923,564	835,457	10,899,312
At a point in time	763,533	4,897	-	14,228	782,658
	<u>6,064,415</u>	<u>2,844,306</u>	<u>1,923,564</u>	<u>849,685</u>	<u>11,681,970</u>
Segment contribution	<u>3,060,801</u>	<u>2,425,731</u>	<u>1,374,676</u>	<u>421,091</u>	7,282,299
Unallocated costs					(4,845,885)
Other income					130,574
Federal royalty					(1,381,894)
Finance income/costs and share of profit of investments accounted for using equity method (net)					(84,350)
Profit for the year					<u><u>1,100,744</u></u>



# Emirates Integrated Telecommunications Company PJSC and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

### 34 Segment analysis (continued)

#### 31 December 2020

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
<b>Segment revenue</b>					
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
	<u>5,936,095</u>	<u>2,568,609</u>	<u>1,800,823</u>	<u>778,318</u>	<u>11,083,845</u>
Segment contribution	<u>3,428,069</u>	<u>2,193,145</u>	<u>1,288,179</u>	<u>416,662</u>	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					<u>1,442,914</u>

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 Other income

During the year 2021, the Group has recognised AED 130,109 thousand under other income against settlement of a legal dispute (Note 13).

### 36 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.