Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Review report and condensed consolidated financial information for the six-month period ended 30 June 2019

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated financial information

Deloitte.

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

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

Report on review of condensed consolidated financial information

To the Board of Directors of
Emirates Integrated Telecommunications Company PJSC
Dubai, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Accounting Standards 34, 'Interim Financial Reporting' ('IAS 34') as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of interim financial information performed by the independent auditor of the entity"*. A review of condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those statements on 20 February 2019. Furthermore, the condensed consolidated financial information for the six month period ended 30 June 2018 were reviewed by another auditor, who expressed an unmodified conclusion on 18 July 2018.

Deloitte & Touche (M.E.)

R. P. A

Rama Padmanabha Acharya
Registration number 701
23 July 2019
Dubai
United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position

	Notes	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,546,332	7,811,506
Right-of-use assets	5	1,968,387	-
Intangible assets and goodwill	6	1,071,333	1,102,875
Investments accounted for using the equity method	7	216,486	188,179
Financial asset at fair value through other comprehensive income		18,368	18,368
Derivative financial instruments		2,818	10,968
Contract assets	8	178,701	196,687
Total non-current assets		11,002,425	9,328,583
Current assets			
Inventories		44,837	129,311
Contract assets	8	514,885	508,257
Trade and other receivables	9	2,044,130	1,907,738
Due from related parties	10	109,615	129,078
Term deposits	11	2,288,925	4,000,000
Cash and bank balances	12	243,448	502,091
Total current assets		5,245,840	7,176,475
Total assets		16,248,265	16,505,058
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves	18	1,685,171	1,601,993
Retained earnings		1,969,218	2,144,507
Total equity		8,419,627	8,511,738
Non-current liabilities			
Lease liabilities	13	1,751,634	-
Borrowings	14	-	716,332
Contract liabilities	8	187,457	190,631
Provision for employees' end of service benefits	15	258,840	252,564
Other provisions	16	159,468	115,764
Total non-current liabilities		2,357,399	1,275,291
Current liabilities			
Trade and other payables	17	3,291,344	4,802,736
Lease liabilities	13	310,464	-
Contract liabilities	8	413,844	444,141
Due to related parties	10	8,595	9,834
Borrowings	14	1,446,992	1,461,318
Total current liabilities		5,471,239	6,718,029
Total liabilities		7,828,638	7,993,320
Total equity and liabilities		16,248,265	16,505,058

The condensed consolidated financial information was approved by the Board of Directors on 23 July 2019 and signed on its behalf by:

....
Masood M. Sharif Mahmood
Board Member

....
Osman Sultan
Chief Executive Officer

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income

	Notes	Reviewed six-month period ended 30 June 2019 AED 000	Reviewed six-month period ended 30 June 2018 AED 000	Reviewed three-month period ended 30 June 2019 AED 000	Reviewed three-month period ended 30 June 2018 AED 000
Revenue	25	6,329,064	6,682,128	3,189,097	3,351,261
Operating expenses	19	(4,215,638)	(4,554,486)	(2,081,983)	(2,330,561)
Provision for impairment of trade receivables and contract assets (net of recoveries)		(167,156)	(124,043)	(105,926)	(47,757)
Other income		793	2,774	260	1,652
Operating profit before federal royalty		1,947,063	2,006,373	1,001,448	974,595
Federal royalty	20	(1,041,672)	(1,068,120)	(527,505)	(527,521)
Operating profit		905,391	938,253	473,943	447,074
Finance income	21	72,059	73,460	27,776	28,840
Finance costs	21	(70,899)	(51,578)	(40,495)	(26,644)
Share of profit of investments accounted for using equity method	7	6,727	5,184	2,591	3,448
Profit for the period		913,278	965,319	463,815	452,718
Other comprehensive (loss)/income					
Items that may be re-classified subsequently to profit or loss					
Fair value changes on cash flow hedge	18	(8,150)	4,137	(3,498)	(1,773)
Total comprehensive income for the period attributable to shareholders of the Company		905,128	969,456	460,317	450,945
Basic and diluted earnings per share (AED)	22	0.20	0.21	0.10	0.10

The notes on pages 6 to 28 form an integral part of these condensed consolidated financial information.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of changes in equity

For the six month period ended 30 June 2019

	Share capital AED 000	Share premium AED 000	Other reserves (Note 18) AED 000	Retained earnings AED 000	Total AED 000
Adjusted balance at 1 January 2018 (Post impact of adoption of IFRS 15)	4,532,906	232,332	2,426,559	1,150,779	8,342,576
Profit for the period	-	-	-	965,319	965,319
Other comprehensive income	-	-	4,137	-	4,137
Total comprehensive income for the period	-	-	4,137	965,319	969,456
Transfer to statutory reserve	-	-	96,532	(96,532)	-
Cash dividend paid	-	-	(997,239)	-	(997,239)
Proposed interim cash dividend			589,278	(589,278)	-
At 30 June 2018	4,532,906	232,332	2,119,267	1,430,288	8,314,793
At 1 January 2019	4,532,906	232,332	1,601,993	2,144,507	8,511,738
Profit for the period	-	-	-	913,278	913,278
Other comprehensive loss	-	-	(8,150)	-	(8,150)
Total comprehensive income for the period	-	-	(8,150)	913,278	905,128
Transfer to statutory reserve	-	-	91,328	(91,328)	-
Final cash dividend proposed	-	-	997,239	(997,239)	-
Final cash dividend paid	-	-	(997,239)	-	(997,239)
At 30 June 2019	4,532,906	232,332	1,685,171	1,969,218	8,419,627

*A final cash dividend of AED 0.22 per share (30 June 2018: AED 0.22 per share) amounting to AED 997,239 (30 June 2018: AED 997,239) thousand was approved by the shareholders at Annual General Meeting.

**An interim cash dividend of AED 0.13 per share (30 June 2018: AED 0.13 per share) amounting to AED 589,278 thousand (30 June 2018: AED 589,278 thousand) is proposed. The condensed consolidated financial information for the six month period ended 30 June 2019 do not reflect proposed dividend.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of cash flows

	Note	Reviewed six-month period ended 30 June 2019 AED 000	2018 AED 000
Cash flows from operating activities			
Profit for the period		913,278	965,319
Adjustments for:			
Depreciation and impairment of property, plant and equipment		675,943	748,845
Depreciation of right-of-use assets		154,802	-
Amortisation and impairment of intangible assets		113,847	106,793
Provision for employees' end of service benefits		17,216	15,965
Provision for impairment of trade receivables and contract assets		169,084	123,560
Finance income		(72,059)	(73,460)
Finance costs		70,899	51,578
Unwinding of discount on asset retirement obligations		2,807	2,072
Share of profit of investments accounted for using equity method		(6,727)	(5,184)
Changes in working capital	23	442,993	314,895
Cash generated from operations		2,482,083	2,250,383
Royalty paid		(2,057,636)	(2,027,785)
Payment of employees' end of service benefits		(15,737)	(10,930)
Net cash generated from operating activities		408,710	211,668
Cash flows from investing activities			
Purchase of property, plant and equipment		(489,487)	(266,479)
Purchase of intangible assets		(95,022)	(202,310)
Payment for additional investments accounted for using equity method		(21,580)	(19,500)
Interest received		110,531	134,596
Margin on guarantees released		1,350	2,526
Term deposits released		1,711,075	1,865,000
Net cash from investing activities		1,216,867	1,513,833
Cash flows from financing activities			
Repayment of lease liabilities		(88,871)	-
Repayment of borrowings		(730,658)	(730,658)
Dividend paid		(997,239)	(997,239)
Interest paid on borrowings and lease liabilities		(66,102)	(47,705)
Net cash used in financing activities		(1,882,870)	(1,775,602)
Net decrease in cash and cash equivalents		(257,293)	(50,101)
Cash and cash equivalents at 1 January		496,698	398,079
Cash and cash equivalents at 30 June		239,405	347,978

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2019

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 condensed consolidated financial information for the six month period ended 30 June 2019 include the financial information of the Company and its subsidiaries (together the "Group").

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

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2019	2018	
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	Telecommunication and network	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	100%	100%	Singapore

2 Basis of preparation

i. Statement of compliance

These condensed consolidated financial information have been prepared in accordance with the requirements of IAS 34. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements for the year ended 31 December 2018. The condensed consolidated financial information do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In addition, results for the six-month period ended 30 June 2019 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2019.

2 Basis of preparation (continued)

ii New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2019

- IFRS 16, 'Leases' (effective from 1 January 2019).

The impact of the above amendments on the condensed consolidated financial information of the Group has been disclosed in Notes 3.1.

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

Effective for annual periods beginning after 1 January 2020

- Amendments regarding the definition of material;
- Amendments to clarify the definition of a business;
- IFRS 17: *Insurance Contracts*;
- 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 and investor to its associate or joint venture; and
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the *Conceptual Framework.*

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

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

iii Basis of consolidation

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

iv Basis of measurement

These condensed consolidated financial information have been prepared under the historical cost convention except for a financial asset at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value.

v Functional and presentation currency

These condensed consolidated financial information are presented in United Arab Emirates Dirham ("AED") rounded to the nearest thousand except when otherwise stated. This is the Group's functional and presentation currency.

2 Basis of preparation (continued)

vi 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 period. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

vii Use of estimates and judgements

The preparation of these condensed consolidated financial information, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual consolidated financial statements for the year ended 31 December 2018, except as mentioned in Note 3.1.

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed consolidated financial information as compared with the Group’s recent annual audited consolidated financial statements as at and for the year ended 31 December 2018, except for the adoption of new and amended standard as set out below:

New standard became applicable for the current reporting period and the Group had to change its accounting policies and make relevant adjustments as a result of adopting the following standard:

- IFRS 16 Leases

The impact of the adoption of this standard and the new accounting policies are disclosed in Note 3.1.

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases

IFRS 16 - Leases was issued in January 2016 and it replaces IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an arrangement contains a lease’, SIC-15 ‘Operating leases-incentives’ and SIC-27 ‘Evaluating the substance of transactions involving the legal form of a Lease’.

IFRS 16 is effective for annual periods commencing on or after 1 January 2019. It stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group’s financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for future lease obligations. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Policy applicable from 1 January 2019

The Group has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized the lease liabilities as of 1 January 2019.

	AED 000
Operating lease commitments disclosed as of 31 December 2018	**1,571,439**
Less: contract assessed as service agreements	(343,028)
Add: Adjustments as a result of changes in contracts, lease terms and payments (net)	908,663
Lease liability recognised as at 1 January 2019	**2,137,074**
Of which are:	
Current lease liabilities	287,475
Non-current lease liabilities	1,849,599
	2,137,074

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases (continued)

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by AED 2,109 million
- Lease liabilities – increase by AED 2,137 million

Based on the approach adopted by the Group on adoption of IFRS 16 Leases, it did not result in any impact on retained earnings on 1 January 2019.

Below given policy is applied to all active contracts as of 1 January 2019, contracts entered into, or changed, after 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the Group for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, where the contract is not separable into lease and non-lease component then the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases (continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Details for right-of-use assets and the related lease liabilities is shown under Notes 5 and 13.

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases (continued)

The related changes in judgments and estimation uncertainties pertaining to IFRS 16 are given below:

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).

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.

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2019 (continued)

4 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2019	47,903	17,051,017	306,505	3,591	737,772	18,146,788
Additions	-	243,584	7,557	158	104,407	355,706
Addition: asset retirement obligations	-	64,121	-	-	-	64,121
Transfers	-	208,372	890	-	(209,262)	-
Disposals/write-offs	-	(20,798)	(381)	(48)	-	(21,227)
At 30 June 2019	47,903	17,546,296	314,571	3,701	632,917	18,545,388
Depreciation / impairment						
At 1 January 2019	28,903	9,971,739	260,551	3,440	70,649	10,335,282
Depreciation/impairment charge/(release) for the period	1,127	666,964	8,258	35	(441)	675,943
Disposals/write-off	-	(11,697)	(415)	(48)	(9)	(12,169)
At 30 June 2019	30,030	10,627,006	268,394	3,427	70,199	10,999,056
Net book value						
At 30 June 2019	17,873	6,919,290	46,177	274	562,718	7,546,332
At 31 December 2018	19,000	7,079,278	45,954	151	667,123	7,811,506

The carrying amount of the Group's buildings include a nominal amount of AED 1 (31 December 2018: AED 1) in relation to land granted to the Group by the UAE Government.

5 Right-of-use assets

	Land and buildings AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Total AED 000
Cost				
At 1 January 2019 upon adoption of IFRS 16	2,105,347	825	2,805	2,108,977
Additions during the period	14,212	-	-	14,212
Disposals	(544)	-	-	(544)
At 30 June 2019	2,119,015	825	2,805	2,122,645
Depreciation				
Charge for the period	154,086	43	673	154,802
Disposals	(544)	-	-	(544)
At 30 June 2019	153,542	43	673	154,258
Net book value				
At 30 June 2019	1,965,473	782	2,132	1,968,387

6 Intangible assets and goodwill

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Goodwill	549,050	549,050
Intangible assets	522,283	553,825
	1,071,333	1,102,875

Goodwill

The Group acquired the business and assets 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:

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	549,050	549,050

6 Intangible assets and goodwill (continued)

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2018. During the period, the Group's management has not noted any indicators of impairment and accordingly, no separate impairment assessment was carried out as of 30 June 2019.

Intangible assets

The net book value of the other intangible assets is as follows:

	Software in use AED 000	Capital work in progress AED 000	Telecommunications license fees AED 000	Rights of use AED 000	Total AED 000
Cost					
At 1 January 2019	2,205,237	132,591	124,500	185,451	2,647,779
Additions	58,340	8,203	-	16,414	82,957
Transfers	31,772	(31,772)	-	-	-
Write-offs	(705)	-	-	-	(705)
At 30 June 2019	2,294,644	109,022	124,500	201,865	2,730,031
Amortisation/impairment					
At 1 January 2019	1,857,944	-	80,070	155,940	2,093,954
Charge for the period	89,308	-	3,086	21,453	113,847
Write-offs	(53)	-	-	-	(53)
At 30 June 2019	1,947,199	-	83,156	177,393	2,207,748
Net book value					
At 30 June 2019	347,445	109,022	41,344	24,472	522,283
At 31 December 2018	347,293	132,591	44,430	29,511	553,825

7 Investments accounted for using the equity method

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

Khazna Data Center Limited
The Group has 26% ownership shares in Khazna Data Center Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
At 1 January	188,179	142,086
Investments during the period/year	21,580	35,879
Share of profit for the period/year	6,727	10,214
At 31 December	216,486	188,179

8 Contract assets and contract liabilities

	Current		**Non-current**	
	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 June 2019 AED 000**	Audited 31 December 2018 AED 000
Contract assets*	546,257	539,616	189,184	208,243
Less: provision for impairment of contract assets	(31,372)	(31,359)	(10,483)	(11,556)
	514,885	508,257	178,701	196,687

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 291,252 thousands (31 December 2018: AED 273,080 thousands).

8 Contract assets and contract liabilities (continued)

8.1 The movement in the provision for impairment of contract assets is as follows:

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	42,915	29,355
Impairment (release)/charge during the period/year	(1,060)	13,560
Closing balance	41,855	42,915

	Current		**Non-current**	
	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 June 2019 AED 000**	Audited 31 December 2018 AED 000
Contract liabilities	413,844	444,141	187,457	190,631

9 Trade and other receivables

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Trade receivables	2,070,612	2,046,585
Due from other telecommunications operators*	170,749	179,730
Less: provision for impairment of trade receivables and due from other telecommunications operators	(705,779)	(759,281)
Trade receivables, net	1,535,582	1,467,034
Prepayments	257,860	176,739
Advances to suppliers	163,237	134,166
Other receivables	87,451	129,799
Total trade and other receivables	2,044,130	1,907,738

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 738,629 thousand (31 December 2018: AED 677,410 thousand).

9 Trade and other receivables (continued)

The movement in the provision for impairment of trade receivables and due from other telecommunications operators is as follows:

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	759,281	661,758
Provision for impairment during the period/year	170,144	232,237
Write-off during the period/year	(223,646)	(134,714)
Closing balance	705,779	759,281

10 Related party balances and transactions

Related parties comprise the shareholders of the Company, entities under common shareholding, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. The founding shareholders are Emirates Investment Authority, Mubadala Development Company and Emirates Communications & Technology Company LLC. Transactions with related parties are done on an arm's length basis in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

Related party balances

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	109,502	129,078
Tecom Investments FZ LLC	113	-
	109,615	129,078
Due to related parties		
Khazna Data Center Limited (Associate)	8,595	6,585
Tecom Investments FZ LLC (Entity under common shareholding)	-	3,249
	8,595	9,834

10 Related party balances and transactions (continued)

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 done on an arm's length basis in the ordinary course of business. The following table reflects the gross value of transactions with related parties.

	Reviewed six-month period ended 30 June	
	2019	2018
	AED 000	AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and broadcasting services	21,030	26,278
- Infrastructure cost	1,000	1,613
Axiom Telecom LLC – Authorised distributor – net sales	676,685	708,602
Injazat Data Systems LLC – Data Centre - rent and telecom services	1,890	569
Associates		
Khazna Data Center Limited – rent and telecom services	55,312	34,804
Khazna Data Center Limited- additional funding	21,580	19,500
Key management compensation		
Short term employee benefits	19,663	21,367
Employees' end of service benefits	457	429
Post-employment benefits	690	803
Long term incentives	5,288	9,854
	26,098	32,453

Board of Directors fee recorded during the period was AED 5,000 thousand (30 June 2018: AED 6,074 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.

11 Term deposits

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Term deposits	2,290,000	4,000,000
Less: loss allowance	(1,075)	-
	2,288,925	4,000,000

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.

12 Cash and bank balances

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

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Cash at bank (on deposit and call accounts), net off loss allowance	242,733	501,431
Cash on hand	715	660
	243,448	502,091
Less: margin on guarantees (Note 24)	(4,043)	(5,393)
Cash and cash equivalents	239,405	496,698

13 Lease liabilities

At 1 January 2019 upon adoption of IFRS 16	2,137,074	-
Lease liabilities for the period/year	13,895	-
Payments made during the period/year	(88,871)	-
Closing balance	2,062,098	-

	Current		**Non-current**	
	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 June 2019 AED 000**	Audited 31 December 2018 AED 000
Lease liabilities	310,464	-	1,751,634	-

14 Borrowings

	Current		Non-current	
	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 June 2019 AED 000**	Audited 31 December 2018 AED 000
Bank borrowings	1,432,665	1,432,665	-	716,332
Buyer credit arrangement	14,327	28,653	-	-
	1,446,992	1,461,318	-	716,332

The details of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Opening balance AED 000	Drawn AED 000	Settled AED 000	Closing balance AED 000
Bank borrowings							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	1,322,460	-	(440,820)	881,640
Unsecured term loan 2	USD	LIBOR+0.95%	2020	551,025	-	(183,675)	367,350
Unsecured term loan 3	USD	LIBOR+0.95%	2020	275,512	-	(91,837)	183,675
				2,148,997	-	(716,332)	1,432,665
Buyer credit arrangement							
Buyer credit arrangement	USD	Nil	2019	28,653	-	(14,326)	14,327
				28,653	-	(14,326)	14,327

15 Provision for employees' end of service benefits

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	252,564	236,072
Current service cost during the period/year	17,216	35,309
Interest cost during the period/year	4,797	8,331
Benefits paid during the period/year	(15,737)	(21,835)
Actuarial gain for the period/year recognised in other comprehensive income	-	(5,313)
Closing balance	258,840	252,564

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The Group carries out actuarial valuation of the present value of the defined benefit obligations annually.

16 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.

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	115,764	110,924
Additions during the period/year	40,897	3,375
Adjustment for change in discount rate	-	(1,795)
Unwinding of discount	2,807	3,260
Closing balance	159,468	115,764

17 Trade and other payables

Trade payables and accruals	1,368,849	1,707,932
Due to other telecommunications operators*	557,676	603,129
Accrued federal royalty (Note 20)	1,087,210	2,103,174
Value Added Tax (VAT) payable	25,711	26,427
Other payables and accruals	251,898	362,074
	3,291,344	4,802,736

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 738,629 thousand (31 December 2018: AED 677,410 thousand).

18 Other reserves

	Statutory reserve (Note 18.1) AED 000	Hedge reserve (Note 18.2) AED 000	Proposed dividend AED 000	Total AED 000
At 1 January 2018	1,415,726	13,594	997,239	2,426,559
Transfer to statutory reserve	96,532	-	-	96,532
Cash dividend paid	-	-	(997,239)	(997,239)
Proposed interim cash dividend	-	-	589,278	589,278
Fair value changes on cash flow hedge	-	4,137	-	4,137
At 30 June 2018	1,512,258	17,731	589,278	2,119,267
At 1 January 2019	1,591,025	10,968	-	1,601,993
Transfer to statutory reserve	91,328	-	-	91,328
Final cash dividend proposed	-	-	997,239	997,239
Cash dividend paid	-	-	(997,239)	(997,239)
Fair value changes on cash flow hedge	-	(8,150)	-	(8,150)
At 30 June 2019	1,682,353	2,818	-	1,685,171

18.1 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.

18.2 Hedge reserve is related to derivative financial instrument.

19 Operating expenses

	Reviewed six-month period ended 30 June	
	2019	2018
	AED 000	AED 000
Interconnect costs	1,407,829	1,496,742
Product costs	412,539	611,331
Depreciation and impairment on property, plant and equipment (Note 4)	675,943	748,845
Depreciation on right-of-use assets (Note 5)	154,802	-
Amortisation and impairment on intangible assets (Note 6)	113,847	106,793
Staff costs	441,689	485,138
Network operation and maintenance	259,257	394,119
Outsourcing and contracting	189,512	206,394
Commission	196,101	188,530
Telecommunication license and related fees	172,461	23,499
Marketing	142,774	145,724
Others	48,884	147,371
	4,215,638	4,554,486

20 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.

Movement in the federal royalty accruals is as follows:

	Reviewed 30 June 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	2,103,174	2,054,019
Payment made during the period/year	(2,057,636)	(2,027,785)
Charge for the period/year	1,041,672	2,076,940
Closing balance	1,087,210	2,103,174

In addition to above charge for the period/year, there is royalty reimbursement (net) during the period/year amounting to AED Nil (31 December 2018: AED 1,872 thousand).

21 Finance income and costs

	Reviewed six-month period ended 30 June	
	2019	2018
	AED 000	AED 000
Finance income		
Interest income	72,059	73,460
Finance costs		
Interest expense on borrowings	24,382	50,483
Interest expense on lease liabilities	46,769	-
Exchange differences	(252)	1,095
	70,899	51,578

22 Earnings per share

	Reviewed six-month period ended 30 June	
	2019	2018
Profit for the period (AED 000)	913,278	965,319
Weighted average number of shares (‘000’)	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.20	0.21

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

23 Changes in working capital

	Reviewed six-month period ended 30 June	
	2019	2018
	AED 000	AED 000
Change in:		
Inventories	84,474	(106,424)
Contract assets	12,418	(50,731)
Trade and other receivables	(409,329)	(304,245)
Trade and other payables	770,677	660,296
Contract liabilities	(33,471)	68,979
Due from related parties	19,463	55,695
Due to related parties	(1,239)	(8,675)
Net changes in working capital	442,993	314,895

24 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 963,497 thousand and AED 59,022 thousand, respectively (31 December 2018: AED 1,139,214 thousand and AED 36,677 thousand, respectively). Bank guarantees are secured against margin of AED 4,043 thousand (31 December 2018: AED 5,393 thousand) (Note 12). The Group is subject to litigation in the normal course of its business and of the view that the outcome of these court cases will not have a material impact on the Group’s income or financial position.

25 Segment analysis

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

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

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

30 June 2019

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	3,350,959	1,223,332	1,041,156	447,892	6,063,339
At a point in time	222,230	4,708	-	38,787	265,725
	3,573,189	1,228,040	1,041,156	486,679	6,329,064
Segment contribution	2,261,381	1,055,262	672,321	337,612	4,326,576
Unallocated costs					(2,380,306)
Other income					793
Operating profit before federal royalty					1,947,063
Federal royalty					(1,041,672)
Operating profit					905,391
Finance income/costs and share of profit of investments accounted for using equity method					7,887
Profit for the period					913,278

25 Segment analysis (continued)

30 June 2018

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	3,619,310	1,138,189	1,074,713	418,656	6,250,868
At a point in time	407,615	5,399	-	18,246	431,260
	4,026,925	1,143,588	1,074,713	436,902	6,682,128
Segment contribution	2,454,436	1,002,704	712,789	202,712	4,372,641
Unallocated costs					(2,369,042)
Other income					2,774
Operating profit before federal royalty					2,006,373
Federal royalty					(1,068,120)
Operating profit					938,253
Finance income/costs and share of profit of investments accounted for using equity method					27,066
Profit for the period					965,319

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.

There are no items of highly seasonal or cyclical nature in the interim operations during the periods ended 30 June 2019 and 30 June 2018.

26 Comparatives

Change in the presentation of condensed consolidated statement of comprehensive income

During 2019, the Group has changed the categorisation and presentation of its expenses in the 'consolidated statement of comprehensive income' from 'by nature' to 'by function', both of which are allowed as per International Financial Reporting Standards. Accordingly, the presentation of comparative information for the six-month period ended 30 June 2018 has been amended to be consistent with the current period presentation. There is no impact of the change on revenues, finance costs, provision for impairment of trade receivables and contract assets, total amount of expenses or on profit for the period.

26 Comparatives (continued)

Change in the presentation of condensed consolidated statement of comprehensive income (continued)

The table below shows the impact of the change in classification of various expenses for the six month period ended 30 June 2018:

Presentation of expenses by nature	AED'000	Presentation of expenses by function	AED'000
Interconnect costs	1,496,742	Operating expenses	4,554,486
Product costs	611,331		
Depreciation and impairment on property, plant and equipment	748,845		
Amortisation and impairment of intangible assets	106,793		
Staff costs	485,138		
Network operation and maintenance	394,119		
Outsourcing and contracting	206,394		
Commission	188,530		
Telecommunication license and related fees	23,499		
Rent and utilities	56,611		
Marketing expenses	145,724		
Other expenses	90,760		
	4,554,486		

There is no change to the consolidated statement of financial position presentation or amounts as a result of the above change.