

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

**Review report and condensed consolidated financial information
for the three-month period ended 31 March 2020**

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

Condensed consolidated financial information

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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 31 March 2020 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three 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.

Deloitte & Touche (M.E.)



Rama Padmanabha Acharya
Registration number 701
21 April 2020
Dubai
United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position

	Notes	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,677,184	7,741,119
Right-of-use assets	5	1,642,919	1,699,651
Intangible assets and goodwill	6	1,045,395	1,051,446
Investments accounted for using the equity method	7	275,721	268,948
Financial asset at fair value through other comprehensive income		18,368	18,368
Contract assets	8	212,890	208,994
Total non-current assets		10,872,477	10,988,526
Current assets			
Inventories		90,539	111,795
Derivative financial instruments		-	520
Contract assets	8	428,267	473,195
Trade and other receivables	9	2,281,041	1,870,556
Due from related parties	10	145,391	164,995
Term deposits	11	2,548,665	2,948,701
Cash and bank balances	12	446,696	268,695
Total current assets		5,940,599	5,838,457
Total assets		16,813,076	16,826,983
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves	18	1,799,632	1,764,640
Retained earnings		2,438,482	2,118,877
Total equity		9,003,352	8,648,755
Non-current liabilities			
Lease liabilities	13	1,362,239	1,396,800
Contract liabilities	8	184,125	193,095
Provision for employees' end of service benefits	15	265,094	258,740
Other provisions	16	173,051	169,832
Total non-current liabilities		1,984,509	2,018,467
Current liabilities			
Trade and other payables	17	4,952,192	4,600,332
Lease liabilities	13	489,551	460,005
Contract liabilities	8	373,433	377,019
Due to related parties	10	10,039	6,073
Borrowings	14	-	716,332
Total current liabilities		5,825,215	6,159,761
Total liabilities		7,809,724	8,178,228
Total equity and liabilities		16,813,076	16,826,983

The condensed consolidated financial information was approved by the Board of Directors on 21 April 2020 and signed on its behalf by:



Ziad Galadari
 Board Member



Kais Ben Hamida
 Chief Financial Officer

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income

	Notes	Reviewed three-month period ended 31 March	
		2020 AED 000	2019 AED 000
Revenue	25	2,988,048	3,139,967
Operating expenses	19	(2,107,477)	(2,133,655)
Expected credit losses on contract assets, trade receivables and due from related parties (net of recoveries)		(73,011)	(61,230)
Other income		3,183	533
Operating profit before federal royalty		810,743	945,615
Federal royalty	20	(461,200)	(514,167)
Operating profit		349,543	431,448
Finance income	21	28,256	44,283
Finance costs	21	(29,455)	(30,404)
Share of profit of investments accounted for using equity method	7	6,773	4,136
Profit for the period		355,117	449,463
Other comprehensive loss			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Fair value changes on cash flow hedge	18	(520)	(4,652)
Other comprehensive loss for the period		(520)	(4,652)
Total comprehensive income for the period attributable to shareholders of the Company		354,597	444,811
Basic and diluted earnings per share (AED)	22	0.08	0.10

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of changes in equity For the three-month period ended 31 March 2020

	Share capital AED 000	Share premium AED 000	Other reserves (Note 18) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2019	<u>4,532,906</u>	<u>232,332</u>	<u>1,601,993</u>	<u>2,144,507</u>	<u>8,511,738</u>
Profit for the period	-	-	-	449,463	449,463
Other comprehensive loss	-	-	(4,652)	-	(4,652)
Total comprehensive income for the period	-	-	(4,652)	449,463	444,811
Transfer to statutory reserve	-	-	44,946	(44,946)	-
Final cash dividend proposed	-	-	997,239	(997,239)	-
Transfer to dividend payable*	-	-	(997,239)	-	(997,239)
At 31 March 2019	<u><u>4,532,906</u></u>	<u><u>232,332</u></u>	<u><u>1,642,287</u></u>	<u><u>1,551,785</u></u>	<u><u>7,959,310</u></u>
At 1 January 2020	<u>4,532,906</u>	<u>232,332</u>	<u>1,764,640</u>	<u>2,118,877</u>	<u>8,648,755</u>
Profit for the period	-	-	-	355,117	355,117
Other comprehensive loss	-	-	(520)	-	(520)
Total comprehensive income for the period	-	-	(520)	355,117	354,597
Transfer to statutory reserve	-	-	35,512	(35,512)	-
At 31 March 2020	<u><u>4,532,906</u></u>	<u><u>232,332</u></u>	<u><u>1,799,632</u></u>	<u><u>2,438,482</u></u>	<u><u>9,003,352</u></u>

*For the year 2018, A final cash dividend of AED 0.22 per share amounting to AED 997,239 thousand was approved by the shareholders at Annual General Meeting held on 26 March 2019.

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

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows

	Note	Reviewed three-month period ended 31 March	
		2020 AED 000	2019 AED 000
Cash flows from operating activities			
Profit for the period		355,117	449,463
Adjustments for:			
Depreciation and impairment of property, plant and equipment		319,669	337,529
Depreciation of right-of-use assets		81,104	76,430
Amortisation and impairment of intangible assets		54,211	59,039
Provision for employees' end of service benefits		8,280	9,293
Loss allowance /(release) on contract assets		4,796	(2,333)
Loss allowance on trade receivables		53,179	64,223
Loss allowance on due from related parties		17,560	-
Finance income		(28,256)	(44,283)
Finance costs		29,455	30,404
Unwinding of discount on asset retirement obligations		1,741	1,494
Share of profit of investments accounted for using equity method		(6,773)	(4,136)
Changes in working capital	23	99,182	485,972
Cash generated from operations		989,265	1,463,095
Payment of employees' end of service benefits		(4,027)	(2,931)
Net cash generated from operating activities		985,238	1,460,164
Cash flows from investing activities			
Purchase of property, plant and equipment		(391,257)	(315,231)
Purchase of intangible assets		(47,498)	(54,612)
Interest received		28,705	4,005
Margin on guarantees released		1,375	750
Term deposits released		400,036	-
Net cash used in investing activities		(8,639)	(365,088)
Cash flows from financing activities			
Repayment of lease liabilities		(53,537)	(47,690)
Repayment of borrowings		(716,332)	(716,332)
Interest paid on borrowings and lease liabilities		(27,354)	(28,005)
Net cash used in financing activities		(797,223)	(792,027)
Net increase in cash and cash equivalents		179,376	303,049
Cash and cash equivalents at 1 January		264,657	496,698
Cash and cash equivalents at 31 March		444,033	799,747

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020

1 General information

Emirates Integrated Telecommunications Company PJSC the (“Company”) is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed consolidated financial information for the three-month period ended 31 March 2020 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
		2020	2019	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Outsourcing services	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	100%	100%	Singapore

During the year 2019, the Group signed a Shareholder Agreement (“SHA”) with Bahrain Telecommunications Company (B.S.C.) to form a limited liability private company (“investee company”) with an estimated capital commitment of AED 31 million, which will be paid in three tranches over a period of 24 months. The investee company has been incorporated with the name of Advanced Regional Communication Solutions Holding Limited in UAE. The principal activity of the investee company will be provision of connectivity and data centre services.

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 2019. 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 three-month period ended 31 March 2020 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

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 2020.*

Effective for annual periods beginning during the financial year beginning 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of Business - amendments to IFRS 3;
- Revised Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

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

- IFRS 17: Insurance Contracts (effective from 1 January 2021)

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

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 2019 except as given below.

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak"). Subsequently (March 2020), the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life.

As a result of the above and the resulting disruptions to the social and economic activities, the Group continues to assess regularly the impact of COVID-19 on its business, in particular the reduction of sales and the important erosion of certain of its revenue lines (roaming, prepaid, etc.). The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its adverse negative impact on the business difficult to assess accurately at this stage. The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations, the availability of the network and the ability of the organisation to cope with the lock-down situation.

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Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

2 Basis of preparation (continued)

vii Use of estimates and judgements (continued)

From an accounting point of view, the Group concluded that such situation is likely to lead to an increase in the Expected Credit Loss (ECL) from trade receivables and contract assets in the condensed consolidated financial information in line with the requirements of IFRS 9. This is mainly due to the increase of the counterparty risk (risk of default) from enterprise and consumer customers. Even if the quantification of such increase in risk remains very difficult in the current uncertain environment and the absence of enough statistical historical data, certain additional loss allowances have been taken. These assumptions will be revisited according to the evolution of the situation and the availability of data allowing better estimation. The Group will continue to monitor the situation and make the necessary judgements and estimates as may be required.

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 2019.

There are no changes in the accounting policies during the three-month period ended 31 March 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (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 2020	52,517	18,454,092	319,811	4,438	606,846	19,437,704
Additions	-	199,973	2,393	-	52,556	254,922
Addition: asset retirement obligations	-	1,709	-	-	-	1,709
Transfers	-	74,942	754	-	(75,696)	-
Disposals/write-offs	-	(12,516)	(5,270)	(35)	(646)	(18,467)
At 31 March 2020	52,517	18,718,200	317,688	4,403	583,060	19,675,868
Depreciation / impairment						
At 1 January 2020	31,176	11,311,429	276,050	3,499	74,431	11,696,585
Depreciation/impairment charge for the period	565	314,262	3,838	188	-	318,853
Disposals/write-off /provision	-	(12,360)	(5,100)	(35)	741	(16,754)
At 31 March 2020	31,741	11,613,331	274,788	3,652	75,172	11,998,684
Net book value						
At 31 March 2020	20,776	7,104,869	42,900	751	507,888	7,677,184
At 31 December 2019	21,341	7,142,663	43,761	939	532,415	7,741,119

The carrying amount of the Group's buildings include a nominal amount of AED 2 (31 December 2019: AED 2) in relation to land granted to the Group by the UAE Government.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

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 2020	1,999,814	945	2,716	2,003,475
Additions during the period	24,586	-	-	24,586
Disposals	(6,722)	-	(144)	(6,866)
At 31 March 2020	<u>2,017,678</u>	<u>945</u>	<u>2,572</u>	<u>2,021,195</u>
Depreciation				
At 1 January 2020	302,409	100	1,315	303,824
Charge for the period	80,766	25	313	81,104
Disposals	(6,508)	-	(144)	(6,652)
At 31 March 2020	<u>376,667</u>	<u>125</u>	<u>1,484</u>	<u>378,276</u>
Net book value				
At 31 March 2020	<u>1,641,011</u>	<u>820</u>	<u>1,088</u>	<u>1,642,919</u>
At 31 December 2019	<u>1,697,405</u>	<u>845</u>	<u>1,401</u>	<u>1,699,651</u>

6 Intangible assets and goodwill

	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Goodwill	549,050	549,050
Intangible assets	496,345	502,396
	<u>1,045,395</u>	<u>1,051,446</u>

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 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	<u>549,050</u>	<u>549,050</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

6 Intangible assets and goodwill (continued)

The Group performs its annual impairment test at the end of every financial year (December) and when circumstance indicates 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 2019. 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 31 March 2020.

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	Telecomm- unications license fees AED 000	Rights of use AED 000	Total AED 000
Cost					
At 1 January 2020	2,396,528	97,371	124,500	199,304	2,817,703
Additions	15,378	29,711	-	3,075	48,164
Disposals	(54)	-	-	-	(54)
At 31 March 2020	<u>2,411,852</u>	<u>127,082</u>	<u>124,500</u>	<u>202,379</u>	<u>2,865,813</u>
Amortisation/ impairment					
At 1 January 2020	1,983,457	60,402	86,293	185,155	2,315,307
Charge for the period	43,138	-	1,547	9,526	54,211
Disposals	(50)	-	-	-	(50)
At 31 March 2020	<u>2,026,545</u>	<u>60,402</u>	<u>87,840</u>	<u>194,681</u>	<u>2,369,468</u>
Net book value					
At 31 March 2020	<u>385,307</u>	<u>66,680</u>	<u>36,660</u>	<u>7,698</u>	<u>496,345</u>
At 31 December 2019	<u>413,071</u>	<u>36,969</u>	<u>38,207</u>	<u>14,149</u>	<u>502,396</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

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 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	268,948	188,179
Investments during the period/year	-	70,256
Share of profit for the period/year	6,773	10,513
Closing balance	<u>275,721</u>	<u>268,948</u>

8 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Contract assets*	464,168	509,191	227,140	218,353
Less: loss allowance	<u>(35,901)</u>	<u>(35,996)</u>	<u>(14,250)</u>	<u>(9,359)</u>
	<u>428,267</u>	<u>473,195</u>	<u>212,890</u>	<u>208,994</u>

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 308,353 thousands (31 December 2019: AED 304,097 thousands).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

8 Contract assets and contract liabilities (continued)

8.1 The movement in loss allowance for contract assets is as follows:

	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	45,355	42,915
Expected credit losses during the period/year	4,796	2,440
Closing balance	<u>50,151</u>	<u>45,355</u>

	Current		Non-current	
	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Contract liabilities	<u>373,433</u>	<u>377,019</u>	<u>184,125</u>	<u>193,095</u>

9 Trade and other receivables

	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Trade receivables	2,002,812	1,941,223
Due from other telecommunications operators*	211,894	201,176
Less: loss allowance for trade receivables and due from other telecommunications operators	(659,602)	(662,358)
Trade receivables, net	<u>1,555,104</u>	<u>1,480,041</u>
Prepayments	341,090	95,355
Advances to suppliers	214,252	178,544
Other receivables	170,595	116,616
Total trade and other receivables	<u>2,281,041</u>	<u>1,870,556</u>

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 890,143 thousand (31 December 2019: AED 833,130 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

9 Trade and other receivables (continued)

The movement in loss allowances for trade receivables and due from other telecommunications operators is as follows:

	Reviewed 31 March 2020	Audited 31 December 2019
	AED 000	AED 000
Opening balance	662,358	759,281
Expected credit losses during the period/year	53,179	215,414
Write-off during the period/year	(47,251)	(312,337)
Reclassified to due from related parties	(8,684)	-
Closing balance	<u>659,602</u>	<u>662,358</u>

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, 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

	Reviewed 31 March 2020	Audited 31 December 2019
	AED 000	AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	107,022	106,045
Injazat Data Systems LLC (Entity under common shareholding)	64,414	58,950
ARCS Bahrain S.P.C (Joint venture)	199	-
	<u>171,635</u>	<u>164,995</u>
Less: Loss allowance	(26,244)	-
	<u>145,391</u>	<u>164,995</u>
Due to related parties		
Khazna Data Center Limited (Associate)	4,349	4,103
Tecom Investments FZ LLC (Entity under common shareholding)	5,690	1,970
	<u>10,039</u>	<u>6,073</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

10 Related party balances and transactions (continued)

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

	Reviewed 31 March 2020	Audited 31 December 2019
	AED 000	AED 000
Reclassified from trade and other receivables	8,684	-
Expected credit losses during the period	17,560	-
Closing balance	26,244	-

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.

	Reviewed three-month period ended 31 March	
	2020	2019
	AED 000	AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and broadcasting services	16,584	18,447
- Infrastructure cost	-	1,000
Axiom Telecom LLC – Authorised distributor – net sales	273,220	334,928
Injazat Data Systems LLC – Data Centre - rent and services	9,161	1,667
Injazat Data Systems LLC – Data Centre – net revenue	9,935	-
Associates		
Khazna Data Center Limited – rent and telecom services	12,500	28,587
Joint Venture		
ARCS Bahrain S.P.C – Leased lines - rent	199	-
Key management compensation		
Short term employee benefits	9,969	9,650
Employees’ end of service benefits	151	214
Post-employment benefits	311	381
Long term incentives	2,000	2,622
	<u>12,431</u>	<u>12,867</u>

Board of Directors fee recorded during the period was AED 2,500 thousand (31 March 2019: AED 3,000 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 condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

11 Term deposits

	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Term deposits	2,550,000	2,950,000
Less: loss allowance	(1,335)	(1,299)
	<u>2,548,665</u>	<u>2,948,701</u>

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 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Cash at bank (on deposit and call accounts)	446,125	268,095
Cash on hand	786	716
Less: loss allowance	(215)	(116)
	<u>446,696</u>	<u>268,695</u>
Less: margin on guarantees (Note 24)	(2,663)	(4,038)
Cash and cash equivalents	<u>444,033</u>	<u>264,657</u>

13 Lease liabilities

Opening balance	1,856,805	2,137,074
Lease liabilities for the period/ year	48,722	122,521
Payments made during the period/year	(53,537)	(128,448)
Disposals / remeasurement during the period/year	(200)	(274,342)
Closing balance	<u>1,851,790</u>	<u>1,856,805</u>

	Current		Non-current	
	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Lease liabilities	<u>489,551</u>	<u>460,005</u>	<u>1,362,239</u>	<u>1,396,800</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

14 Borrowings

	Current		Non-current	
	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Bank borrowings	-	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
<u>Bank borrowings</u>							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	440,820	-	(440,820)	-
Unsecured term loan 2	USD	LIBOR+0.95%	2020	183,675	-	(183,675)	-
Unsecured term loan 3	USD	LIBOR+0.95%	2020	91,837	-	(91,837)	-
				<u>716,332</u>	<u>-</u>	<u>(716,332)</u>	<u>-</u>

15 Provision for employees' end of service benefits

	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	258,740	252,564
Current service cost during the period/year	8,280	35,283
Interest cost during the period/year	2,101	8,568
Benefits paid during the period/year	(4,027)	(34,647)
Actuarial gain for the period/year recognised in other comprehensive income	-	(3,028)
Closing balance	<u>265,094</u>	<u>258,740</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

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

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 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	169,832	115,764
Additions during the period/year (net)	1,478	49,003
Adjustment for change in discount rate	-	259
Unwinding of discount	1,741	4,806
Closing balance	<u>173,051</u>	<u>169,832</u>

17 Trade and other payables

	Reviewed 31 March 2020 AED 000	Audited 31 December 2019 AED 000
Trade payables and accruals	1,605,191	1,675,211
Due to other telecommunications operators*	567,045	523,658
Accrued federal royalty (Note 20)	2,524,172	2,062,972
Value Added Tax (VAT) payable	16,753	8,987
Other payables and accruals	239,031	329,504
	<u>4,952,192</u>	<u>4,600,332</u>

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 890,143 thousand (31 December 2019: AED 833,130 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

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 2019	1,591,025	10,968	-	1,601,993
Transfer to statutory reserve	44,946	-	-	44,946
Final cash dividend proposed	-	-	997,239	997,239
Transfer to cash dividend payable	-	-	(997,239)	(997,239)
Fair value changes on cash flow hedge	-	(4,652)	-	(4,652)
At 31 March 2019	<u><u>1,635,971</u></u>	<u><u>6,316</u></u>	<u><u>-</u></u>	<u><u>1,642,287</u></u>
At 1 January 2020	1,764,120	520	-	1,764,640
Transfer to statutory reserve	35,512	-	-	35,512
Fair value changes on cash flow hedge	-	(520)	-	(520)
At 31 March 2020	<u><u>1,799,632</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,799,632</u></u>

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

19 Operating expenses

	Reviewed three-month period ended 31 March	
	2020	2019
	AED 000	AED 000
Interconnect costs	665,841	685,672
Product costs	231,819	228,211
Depreciation and impairment on property, plant and equipment (Note 4)	319,669	337,529
Depreciation on right-of-use assets (Note 5)	81,104	76,430
Amortisation and impairment on intangible assets (Note 6)	54,211	59,039
Staff costs	248,950	218,240
Network operation and maintenance	161,126	130,168
Outsourcing and contracting	43,881	95,411
Commission	95,759	94,823
Telecommunication license and related fees	106,146	108,167
Marketing	48,332	77,294
Others	50,639	22,671
	<u>2,107,477</u>	<u>2,133,655</u>

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 31 March 2020	Audited 31 December 2019
	AED 000	AED 000
Opening balance	2,062,972	2,103,174
Payment made during the period/year	-	(2,069,210)
Charge for the period/year	<u>461,200</u>	<u>2,029,008</u>
Closing balance	<u>2,524,172</u>	<u>2,062,972</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

21 Finance income and costs

	Reviewed three-month period ended 31 March	
	2020 AED 000	2019 AED 000
Finance income		
Interest income	28,256	44,283
Finance costs		
Interest expense on lease liabilities	18,574	23,613
Interest expense others*	9,549	7,173
Exchange differences	1,332	(382)
	<u>29,455</u>	<u>30,404</u>

*Interest expense others includes interest cost on defined benefit obligations amounted to AED 2,101 thousand (31 March 2019: AED 2,399 thousand).

22 Earnings per share

	Reviewed three-month period ended 31 March	
	2020	2019
Profit for the period (AED 000)	355,117	449,463
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.08</u>	<u>0.10</u>

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 three-month period ended 31 March	
	2020 AED 000	2019 AED 000
Change in:		
Inventories	21,256	53,827
Contract assets	36,236	51,654
Trade and other receivables	(464,113)	(365,202)
Trade and other payables	512,349	741,780
Contract liabilities	(12,556)	(19,697)
Due from related parties	2,044	14,246
Due to related parties	3,966	9,364
Net changes in working capital	<u>99,182</u>	<u>485,972</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

24 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 70,309 thousand (31 December 2019: AED 70,626 thousand). Bank guarantees are secured against margin of AED 2,663 thousand (31 December 2019: AED 4,038 thousand) (Note 12).

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

The Group has outstanding capital commitments amounting to AED 1,317,399 thousand (31 December 2019: AED 1,321,653 thousand).

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

25 Segment analysis (continued)

31 March 2020

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	1,502,765	639,618	482,708	221,630	2,846,721
At a point in time	134,533	1,855	-	4,939	141,327
	<u>1,637,298</u>	<u>641,473</u>	<u>482,708</u>	<u>226,569</u>	<u>2,988,048</u>
Segment contribution	<u>985,984</u>	<u>557,966</u>	<u>325,055</u>	<u>118,116</u>	1,987,121
Unallocated costs					(1,179,561)
Other income					<u>3,183</u>
Operating profit before federal royalty					810,743
Federal royalty					<u>(461,200)</u>
Operating profit					349,543
Finance income/costs and share of profit of investments accounted for using equity method (net)					<u>5,574</u>
Profit for the period					<u><u>355,117</u></u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the three-month period ended 31 March 2020 (continued)

25 Segment analysis (continued)

31 March 2019

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	1,656,770	608,849	503,374	234,744	3,003,737
At a point in time	131,011	2,342	-	2,877	136,230
	<u>1,787,781</u>	<u>611,191</u>	<u>503,374</u>	<u>237,621</u>	<u>3,139,967</u>
Segment contribution	<u>1,107,860</u>	<u>531,118</u>	<u>343,505</u>	<u>156,068</u>	2,138,551
Unallocated costs					(1,193,469)
Other income					<u>533</u>
Operating profit before federal royalty					945,615
Federal royalty					<u>(514,167)</u>
Operating profit					431,448
Finance income/costs and share of profit of investments accounted for using equity method (net)					<u>18,015</u>
Profit for the period					<u><u>449,463</u></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.

The Group's operations are subject to limited level of seasonality or cyclicity.