

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

**Review report and condensed consolidated financial information
for the six-month period ended 30 June 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 30 June 2020 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.

Deloitte & Touche (M.E.)




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

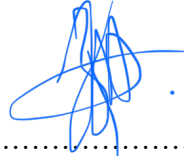
Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position

		Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,836,241	7,741,119
Right-of-use assets	5	1,604,158	1,699,651
Intangible assets and goodwill	6	1,019,147	1,051,446
Investments accounted for using the equity method	7	276,143	268,948
Financial asset at fair value through other comprehensive income		18,368	18,368
Contract assets	8	190,647	208,994
Total non-current assets		10,944,704	10,988,526
Current assets			
Inventories		88,168	111,795
Derivative financial instruments		-	520
Contract assets	8	426,191	473,195
Trade and other receivables	9	1,958,239	1,870,556
Due from related parties	10	92,157	164,995
Term deposits	11	399,730	2,948,701
Cash and bank balances	12	536,398	268,695
Total current assets		3,500,883	5,838,457
Total assets		14,445,587	16,826,983
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves	17	1,821,161	1,764,640
Retained earnings		1,680,337	2,118,877
Total equity		8,266,736	8,648,755
Non-current liabilities			
Lease liabilities	13	1,308,836	1,396,800
Contract liabilities	8	174,999	193,095
Provision for employees' end of service benefits		265,284	258,740
Other provisions	15	175,905	169,832
Total non-current liabilities		1,925,024	2,018,467
Current liabilities			
Trade and other payables	16	3,364,075	4,600,332
Lease liabilities	13	526,526	460,005
Contract liabilities	8	360,850	377,019
Due to related parties	10	2,376	6,073
Borrowings	14	-	716,332
Total current liabilities		4,253,827	6,159,761
Total liabilities		6,178,851	8,178,228
Total equity and liabilities		14,445,587	16,826,983

To the best of our knowledge, the financial information included in these condensed consolidated interim financial information fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The condensed consolidated financial information was approved by the Board of Directors on 21 July 2020 and signed on its behalf by:

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Sara Awad Issa Musallam
Board Member

.....

Kais Ben Hamida
Chief Financial Officer

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income

	Notes	Reviewed six-month period ended 30 June		Reviewed three-month period ended 30 June	
		2020 AED 000	2019 AED 000	2020 AED 000	2019 AED 000
Revenue	24	5,656,437	6,329,064	2,668,389	3,189,097
Operating expenses	18	(4,108,882)	(4,215,638)	(2,001,405)	(2,081,983)
Expected credit losses on contract assets, trade receivables and due from related parties (net of recoveries)		(149,241)	(167,156)	(76,230)	(105,926)
Other income		3,549	793	366	260
Operating profit before federal royalty		1,401,863	1,947,063	591,120	1,001,448
Federal royalty	19	(824,678)	(1,041,672)	(363,478)	(527,505)
Operating profit		577,185	905,391	227,642	473,943
Finance income	20	35,950	72,059	7,694	27,776
Finance costs	20	(49,919)	(70,899)	(20,464)	(40,495)
Share of profit of investments accounted for using equity method	7	7,195	6,727	422	2,591
Profit for the period		570,411	913,278	215,294	463,815
Other comprehensive income					
<i>Items that may be re-classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge	17	(520)	(8,150)	-	(3,498)
Total comprehensive income for the period attributable to shareholders of the Company		569,891	905,128	215,294	460,317
Basic and diluted earnings per share (AED)	21	0.13	0.20	0.05	0.10

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of changes in equity
For the six-month period ended 30 June 2020

	Share capital AED 000	Share premium AED 000	Other reserves (Note 17) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2019	4,532,906	232,332	1,601,993	2,144,507	8,511,738
Profit for the 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 paid	-	-	-	(997,239)	(997,239)
At 30 June 2019	<u>4,532,906</u>	<u>232,332</u>	<u>1,685,171</u>	<u>1,969,218</u>	<u>8,419,627</u>
At 1 January 2020	4,532,906	232,332	1,764,640	2,118,877	8,648,755
Profit for the period	-	-	-	570,411	570,411
Other comprehensive loss	-	-	(520)	-	(520)
Total comprehensive income for the period	-	-	(520)	570,411	569,891
Transfer to statutory reserve	-	-	57,041	(57,041)	-
Final cash dividend paid*	-	-	-	(951,910)	(951,910)
At 30 June 2020	<u>4,532,906</u>	<u>232,332</u>	<u>1,821,161</u>	<u>1,680,337</u>	<u>8,266,736</u>

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

For the year 2020, an interim cash dividend of AED 0.13 per share amounting to AED 589,278 thousand is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows

		Reviewed six-month period ended 30 June	
		2020	2019
		AED 000	AED 000
	Note		
Cash flows from operating activities			
Profit for the period		570,411	913,278
Adjustments for:			
Depreciation and impairment of property, plant and equipment		653,236	675,943
Depreciation of right-of-use assets		166,346	154,802
Amortisation and impairment of intangible assets		97,817	113,847
Loss on disposal of property, plant and equipment		835	-
Provision for employees' end of service benefits		14,332	17,216
Loss allowance release on contract assets		(1,624)	(1,060)
Loss allowance on trade receivables		123,593	170,144
Loss allowance on due from related parties		34,371	-
Finance income		(35,950)	(72,059)
Finance costs		49,919	70,899
Unwinding of discount on asset retirement obligations		3,456	2,807
Share of profit of investments accounted for using equity method		(7,195)	(6,727)
Changes in working capital	22	645,392	442,993
Cash generated from operations		2,314,939	2,482,083
Royalty paid		(1,959,360)	(2,057,636)
Payment of employees' end of service benefits		(11,989)	(15,737)
Net cash generated from operating activities		343,590	408,710
Cash flows from investing activities			
Purchase of property, plant and equipment		(808,237)	(489,487)
Purchase of intangible assets		(69,712)	(95,022)
Proceeds from disposal of property, plant and equipment		84	-
Payment for additional investments accounted for using equity method		-	(21,580)
Interest received		111,435	110,531
Margin on guarantees released		1,535	1,350
Term deposits released		2,548,971	1,711,075
Net cash from investing activities		1,784,076	1,216,867
Cash flows from financing activities			
Repayment of lease liabilities		(144,378)	(88,871)
Repayment of borrowings		(716,332)	(730,658)
Dividend paid		(951,910)	(997,239)
Interest paid on borrowings and lease liabilities		(45,808)	(66,102)
Net cash used in financing activities		(1,858,428)	(1,882,870)
Net increase/(decrease) in cash and cash equivalents		269,238	(257,293)
Cash and cash equivalents at 1 January		264,657	496,698
Cash and cash equivalents at 30 June		533,895	239,405

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 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 six-month period ended 30 June 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 Group’s capital commitment share 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 six-month period ended 30 June 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 six-month period ended 30 June 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:

- Amendments to references to the Conceptual Framework in IFRS standards;
- Definition of Business - amendments to IFRS 3;
- Definition of Material – amendments to IAS 1 and IAS 8;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7; and
- Covid-19-Related Rent Concessions – amendments to IFRS 9.

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

- Classification of Liabilities as Current or Non-Current – amendments to IAS 1 (effective from 1 January 2022);
- Property, Plant and Equipment – Proceeds before Intended Use – amendments to IAS 16 (effective from 1 January 2022);
- Onerous Contracts — Cost of Fulfilling a Contract – amendments to IAS 37 (effective from 1 January 2022);
- 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 six-month period ended 30 June 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.

COVID-19 Updates

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak"). Subsequently (March 2020), the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease necessitated global travel restrictions and total lockdown in most countries of the world between March and May 2020. Due to the unprecedented adverse effect of the lockdown on the global economy and some success in the efforts to flatten the infection curve, many countries started easing gradually the lock down restrictions between May and June 2020. However, the lockdown is expected to drive a global recession with negative GDP growth across the world.

In view of the above, the Group continues to assess regularly the impact of COVID-19 on its business, in particular, reduced sales (equipment and Gross Adds), significant negative adverse impact on roaming revenues, prepaid revenue erosion resulting from Wifi offload, increased credit risks and certain business operational challenges as experienced by most companies in the UAE and across the world. Though the evolution of the COVID-19 impact became clearer in Q2 2020, its full impact on the population and economy is still uncertain at this point. The Group reasonably managed the several areas of operational risks identified and implemented various measures that ensured continuity of the operations and availability of the network during the lock-down. Even in the midst of the pandemic, the management continued to deliver through all the risk mitigating and emergency measures in place.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

2 Basis of preparation (continued)

vii Use of estimates and judgements (continued)

From an accounting perspective, we identified some credit risk challenges and reflected such in the Expected Credit Loss (ECL) from trade receivables and contract assets in the condensed consolidated financial information in accordance with the requirements of IFRS 9. This is mainly due to the increase of the counterparty risk (risk of default) from certain enterprise and consumer customers. The quantification of the full impact of such increase in risk remains challenging, however, certain additional loss allowances have been taken. The Group also assessed the potential impacts of the current situation across all relevant areas of the business; specifically relating to going concern, impairment of assets and inventory, subsidiary accounting, etc., with no material impact. The management 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 six-month period ended 30 June 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

4 Property, plant and equipment

	Reviewed 30 June 2020 AED 000
Cost	
At 1 January 2020	19,437,704
Additions	745,186
Addition: asset retirement obligations	4,879
Disposals/write-offs	(22,337)
At 30 June 2020	20,165,432
Depreciation / impairment	
At 1 January 2020	11,696,585
Depreciation charge for the period	651,947
Impairment charge for the period	1,289
Disposals/write-offs	(20,630)
At 30 June 2020	12,329,191
Net book value	
At 30 June 2020	7,836,241
At 31 December 2019	7,741,119

The carrying amount of the Group's property, plant and equipment includes a nominal amount of AED 2 (31 December 2019: AED 2) in relation to plots of land granted to the Group by the UAE Government.

The cost includes capital work in progress balance amounting to AED 509,323 thousand as of 30 June 2020 (31 December 2019: AED 606,846 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

5 Right-of-use assets

	Reviewed 30 June 2020 AED 000
Cost	
At 1 January 2020	2,003,475
Additions	82,209
Disposals / remeasurement	(30,697)
At 30 June 2020	2,054,987
Depreciation	
At 1 January 2020	303,824
Charge for the period	166,346
Disposals	(19,341)
At 30 June 2020	450,829
Net book value	
At 30 June 2020	1,604,158
At 31 December 2019	1,699,651

6 Intangible assets and goodwill

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Goodwill	549,050	549,050
Intangible assets	470,097	502,396
	1,019,147	1,051,446

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.

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 30 June 2020.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

6 Intangible assets and goodwill (continued)

Intangible assets

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

	Reviewed 30 June 2020 AED 000
Cost	
At 1 January 2020	2,817,703
Additions	65,522
Disposals	(54)
At 30 June 2020	2,883,171
Amortisation/impairment	
At 1 January 2020	2,315,307
Charge for the period	97,817
Disposals	(50)
At 30 June 2020	2,413,074
Net book value	
At 30 June 2020	470,097
At 31 December 2019	502,396

The cost includes capital work in progress balance amounting to AED 130,948 thousand as of 30 June 2020 (31 December 2019: AED 97,371 thousand).

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 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	7,195	10,513
Closing balance	276,143	268,948

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

8 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 30 June 2020	Audited 31 December 2019	Reviewed 30 June 2020	Audited 31 December 2019
	AED 000	AED 000	AED 000	AED 000
Contract assets*	458,715	509,191	201,854	218,353
Less: loss allowance	(32,524)	(35,996)	(11,207)	(9,359)
	<u>426,191</u>	<u>473,195</u>	<u>190,647</u>	<u>208,994</u>

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 308,914 thousands (31 December 2019: AED 304,097 thousands).

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

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	45,355	42,915
Expected credit (gains)/losses during the period/year	(1,624)	2,440
Closing balance	<u>43,731</u>	<u>45,355</u>

	Current		Non-current	
	Reviewed 30 June 2020	Audited 31 December 2019	Reviewed 30 June 2020	Audited 31 December 2019
	AED 000	AED 000	AED 000	AED 000
Contract liabilities	<u>360,850</u>	<u>377,019</u>	<u>174,999</u>	<u>193,095</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

9 Trade and other receivables

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Trade receivables	1,946,662	1,941,223
Due from other telecommunications operators*	139,721	201,176
Less: loss allowance for trade receivables and due from other telecommunications operators	(684,378)	(662,358)
Trade receivables, net	1,402,005	1,480,041
Prepayments	258,390	95,355
Advances to suppliers	214,772	178,544
Other receivables	83,072	116,616
Total trade and other receivables	1,958,239	1,870,556

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 780,465 thousand (31 December 2019: AED 833,130 thousand).

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

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	662,358	759,281
Expected credit losses during the period/year	123,593	215,414
Write-off during the period/year	(92,889)	(312,337)
Reclassified to due from related parties	(8,684)	-
Closing balance	684,378	662,358

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

10 Related party balances and transactions (continued)

Related party balances

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Due from related parties	135,212	164,995
Less: Loss allowance	(43,055)	-
	<u>92,157</u>	<u>164,995</u>
Due to related parties	<u>2,376</u>	<u>6,073</u>

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

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Reclassified from trade and other receivables	8,684	-
Expected credit losses during the period/year	34,371	-
Closing balance	<u>43,055</u>	<u>-</u>

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 six-month period ended 30 June	
	2020 AED 000	2019 AED 000
Net revenue	547,600	676,685
Infrastructure cost	-	1,000
Rent and services	83,812	78,232
Additional funding to associates	-	21,580
Key management compensation		
Short term employee benefits	18,937	19,663
Employees' end of service benefits	151	457
Post-employment benefits	623	690
Long term incentives	<u>2,000</u>	<u>5,288</u>
	<u>21,711</u>	<u>26,098</u>

Board of Directors fee recorded during the period was AED 5,000 thousand (30 June 2019: AED 5,000 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 six-month period ended 30 June 2020 (continued)

11 Term deposits

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Term deposits	400,000	2,950,000
Less: loss allowance	(270)	(1,299)
	<u>399,730</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 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Cash at bank (on deposit and call accounts)	535,880	268,095
Cash on hand	776	716
Less: loss allowance	(258)	(116)
	<u>536,398</u>	<u>268,695</u>
Less: margin on guarantees (Note 23)	(2,503)	(4,038)
Cash and cash equivalents	<u>533,895</u>	<u>264,657</u>

13 Lease liabilities

Opening balance	1,856,805	2,137,074
Lease liabilities for the period/year	134,395	122,521
Payments made during the period/year	(144,378)	(128,448)
Disposals / remeasurement during the period/year	(11,460)	(274,342)
Closing balance	<u>1,835,362</u>	<u>1,856,805</u>

	Current		Non-current	
	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Lease liabilities	<u>526,526</u>	<u>460,005</u>	<u>1,308,836</u>	<u>1,396,800</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

14 Borrowings

	Current		Non-current	
	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Bank borrowings	-	716,332	-	-

The borrowings were fully repaid during the period.

15 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 assets are brought into use.

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	169,832	115,764
Additions during the period/year (net)	2,617	49,003
Adjustment for change in discount rate	-	259
Unwinding of discount	3,456	4,806
Closing balance	175,905	169,832

16 Trade and other payables

	Reviewed 30 June 2020 AED 000	Audited 31 December 2019 AED 000
Trade payables and accruals	1,581,889	1,675,211
Due to other telecommunications operators*	562,318	523,658
Accrued federal royalty (Note 19)	928,290	2,062,972
Value Added Tax (VAT) payable	16,840	8,987
Other payables and accruals	274,738	329,504
	3,364,075	4,600,332

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 780,465 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 six-month period ended 30 June 2020 (continued)

17 Other reserves

	Statutory reserve (Note 17.1) AED 000	Hedge reserve (Note 17.2) AED 000	Total AED 000
At 1 January 2019	1,591,025	10,968	1,601,993
Transfer to statutory reserve	91,328	-	91,328
Fair value changes on cash flow hedge	-	(8,150)	(8,150)
At 30 June 2019	1,682,353	2,818	1,685,171
At 1 January 2020	1,764,120	520	1,764,640
Transfer to statutory reserve	57,041	-	57,041
Fair value changes on cash flow hedge	-	(520)	(520)
At 30 June 2020	1,821,161	-	1,821,161

17.1 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.

17.2 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 six-month period ended 30 June 2020 (continued)

18 Operating expenses

	Reviewed six-month period ended 30 June	
	2020	2019
	AED 000	AED 000
Interconnect costs	1,303,151	1,407,829
Product costs	392,938	412,539
Depreciation and impairment on property, plant and equipment (Note 4)	653,236	675,943
Depreciation on right-of-use assets (Note 5)	166,346	154,802
Amortisation and impairment on intangible assets (Note 6)	97,817	113,847
Staff costs	508,857	441,689
Network operation and maintenance	330,699	259,257
Outsourcing and contracting	86,208	189,512
Commission	182,314	196,101
Telecommunication license and related fees	197,431	172,461
Marketing	83,121	142,774
Others	106,764	48,884
	4,108,882	4,215,638

19 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 2020 AED 000	Audited 31 December 2019 AED 000
Opening balance	2,062,972	2,103,174
Payment made during the period/year	(1,959,360)	(2,069,210)
Charge for the period/year	824,678	2,029,008
Closing balance	928,290	2,062,972

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

20 Finance income and costs

	Reviewed six-month period ended 30 June	
	2020	2019
	AED 000	AED 000
Finance income		
Interest income	35,950	72,059
Finance costs		
Interest expense on lease liabilities	36,942	46,769
Interest expense others*	11,958	24,382
Exchange differences	1,019	(252)
	49,919	70,899

*Interest expense others includes interest cost on defined benefit obligations amounted to AED 4,201 thousand (30 June 2019: AED 4,797 thousand).

21 Earnings per share

	Reviewed six-month period ended 30 June	
	2020	2019
Profit for the period (AED 000)	570,411	913,278
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.13	0.20

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

22 Changes in working capital

	Reviewed six-month period ended 30 June	
	2020	2019
	AED 000	AED 000
Change in:		
Inventories	23,627	84,474
Contract assets	66,975	12,418
Trade and other receivables	(286,761)	(409,329)
Trade and other payables	841,046	770,677
Contract liabilities	(34,265)	(33,471)
Due from related parties	38,467	19,463
Due to related parties	(3,697)	(1,239)
Net changes in working capital	645,392	442,993

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

23 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 83,762 thousand (31 December 2019: AED 70,626 thousand). Bank guarantees are secured against margin of AED 2,503 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 the above, there are litigations in the normal course of business and the management is of the view that the outcome of these court cases will not have a material impact on the Group's consolidated financial statements. Details of these cases are not disclosed in order not to prejudice the Group's position in these litigations.

The Group has outstanding capital commitments amounting to AED 1,432,566 thousand (31 December 2019: AED 1,321,653 thousand).

24 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 six-month period ended 30 June 2020 (continued)

24 Segment analysis (continued)

30 June 2020

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	2,807,706	1,283,132	937,588	413,085	5,441,511
At a point in time	<u>205,277</u>	<u>3,400</u>	<u>-</u>	<u>6,249</u>	<u>214,926</u>
	<u>3,012,983</u>	<u>1,286,532</u>	<u>937,588</u>	<u>419,334</u>	<u>5,656,437</u>
Segment contribution	<u>1,822,751</u>	<u>1,107,407</u>	<u>623,514</u>	<u>208,593</u>	3,762,265
Unallocated costs					(2,363,951)
Other income					<u>3,549</u>
Operating profit before federal royalty					1,401,863
Federal royalty					<u>(824,678)</u>
Operating profit					577,185
Finance income/costs and share of profit of investments accounted for using equity method (net)					<u>(6,774)</u>
Profit for the period					<u><u>570,411</u></u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2020 (continued)

24 Segment analysis (continued)

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
	<u>3,573,189</u>	<u>1,228,040</u>	<u>1,041,156</u>	<u>486,679</u>	<u>6,329,064</u>
Segment contribution	<u>2,261,381</u>	<u>1,055,514</u>	<u>672,321</u>	<u>337,360</u>	4,326,576
Unallocated costs					(2,380,306)
Other income					<u>793</u>
Operating profit before federal royalty					1,947,063
Federal royalty					<u>(1,041,672)</u>
Operating profit					905,391
Finance income/costs and share of profit of investments accounted for using equity method (net)					<u>7,887</u>
Profit for the period					<u><u>913,278</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.