

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

**Review report and condensed consolidated financial information
for the six-month period ended 30 June 2021**

**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

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 2021 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.

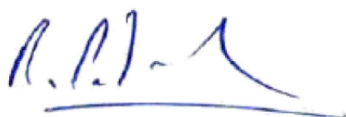
Scope of review

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
26 July 2021
Dubai
United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position For the six-month period ended 30 June 2021

	Notes	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	3	8,556,924	8,063,422
Right-of-use assets	4	1,703,178	1,851,429
Intangible assets and goodwill	5	841,745	900,215
Lease receivable	6	143,716	149,963
Investments accounted for using the equity method	7	27,597	29,835
Financial asset at fair value through other comprehensive income		18,368	18,368
Contract assets	8	275,846	211,216
Trade and other receivables	9	15,525	-
Total non-current assets		11,582,899	11,224,448
Current assets			
Inventories		60,709	61,513
Lease receivable	6	18,497	18,213
Contract assets	8	536,954	454,101
Trade and other receivables	9	1,884,235	1,726,401
Due from related parties	10	51,209	139,869
Term deposits		199,891	2,029,327
Cash and bank balances	11	795,115	213,375
Total current assets		3,546,610	4,642,799
Total assets		15,129,509	15,867,247
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves		1,958,111	1,908,411
Retained earnings		1,663,124	1,895,763
Total equity		8,386,473	8,569,412
Non-current liabilities			
Lease liabilities	12	1,593,060	1,691,727
Contract liabilities	8	201,096	195,149
Provision for employees' end of service benefits		232,563	254,037
Other provisions		189,788	184,581
Total non-current liabilities		2,216,507	2,325,494
Current liabilities			
Trade and other payables	14	3,337,506	3,991,797
Lease liabilities	12	632,725	616,896
Contract liabilities	8	351,085	358,538
Due to related parties	10	5,213	5,110
Borrowings	13	200,000	-
Total current liabilities		4,526,529	4,972,341
Total liabilities		6,743,036	7,297,835
Total equity and liabilities		15,129,509	15,867,247

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 26 July 2021 and signed on its behalf by:


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
For the six-month period ended 30 June 2021

	Notes	Reviewed six-month period ended 30 June		Reviewed three-month period ended 30 June	
		2021 AED 000	2020 AED 000	2021 AED 000	2020 AED 000
Revenue	21	5,738,105	5,656,437	2,854,811	2,668,389
Operating expenses	15	(4,370,466)	(4,108,882)	(2,180,424)	(2,001,405)
Expected credit losses on contract assets, trade receivables and due from related parties (net off recoveries)		(93,440)	(149,241)	(45,326)	(76,230)
Other income		178	3,549	111	366
Federal royalty	16	(740,938)	(824,678)	(368,779)	(363,478)
Finance income	17	16,426	35,950	5,378	7,694
Finance costs	17	(50,630)	(49,919)	(24,500)	(20,464)
Share of (loss)/profit of investments accounted for using equity method	7	(2,238)	7,195	(1,423)	422
Profit for the period		<u>496,997</u>	<u>570,411</u>	<u>239,848</u>	<u>215,294</u>
Other comprehensive loss					
Items <i>that may be re-classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge		-	(520)	-	-
Total comprehensive income for the period attributable to shareholders of the Company		<u>496,997</u>	<u>569,891</u>	<u>239,848</u>	<u>215,294</u>
Basic and diluted earnings per share (AED)	18	<u>0.11</u>	<u>0.13</u>	<u>0.05</u>	<u>0.05</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries
Condensed consolidated statement of changes in equity
For the six-month period ended 30 June 2021

	Share capital AED 000	Share premium AED 000	Other reserves AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2020	4,532,906	232,332	1,764,640	2,118,877	8,648,755
Profit for the 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>
At 1 January 2021	4,532,906	232,332	1,908,411	1,895,763	8,569,412
Profit for the period	-	-	-	496,997	496,997
Other comprehensive loss	-	-	-	-	-
Total comprehensive income for the period	-	-	-	496,997	496,997
Transfer to statutory reserve	-	-	49,700	(49,700)	-
Final cash dividend paid*	-	-	-	(679,936)	(679,936)
At 30 June 2021	<u>4,532,906</u>	<u>232,332</u>	<u>1,958,111</u>	<u>1,663,124</u>	<u>8,386,473</u>

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

For the year 2021, an interim cash dividend of AED 0.10 per share amounting to AED 453,291 thousand is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows For the six-month period ended 30 June 2021

		Reviewed six-month period ended 30 June	
	Note	2021 AED 000	2020 AED 000
Cash flows from operating activities			
Profit for the period		496,997	570,411
Adjustments for:			
Depreciation and impairment of property, plant and equipment		698,991	653,236
Depreciation of right-of-use assets		183,133	166,346
Amortisation and impairment of intangible assets		93,469	97,817
(Gain)/loss on disposal of property, plant and equipment		(201)	835
Provision for employees' end of service benefits		14,833	14,332
Release of provision for employees' end of service benefits		(27,674)	-
(Release)/loss allowance for inventory obsolescence		(40)	15,767
Loss allowances		101,465	156,340
Finance income		(16,426)	(35,950)
Finance costs		50,630	49,919
Unwinding of discount on asset retirement obligations		3,765	3,456
Share of loss/(profit) of investments accounted for using equity method		2,238	(7,195)
Changes in working capital	19	450,800	629,625
Cash generated from operations		2,051,980	2,314,939
Royalty paid		(1,507,186)	(1,959,360)
Payment of employees' end of service benefits		(11,499)	(11,989)
Net cash generated from operating activities		533,295	343,590
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,102,750)	(808,237)
Purchase of intangible assets		(40,207)	(69,712)
Proceeds from disposal of property, plant and equipment		251	84
Interest received		26,822	111,435
Margin on guarantees released		-	1,535
Term deposits released		1,830,000	2,548,971
Net cash from in investing activities		714,116	1,784,076
Cash flows from financing activities			
Repayment of lease liabilities		(119,928)	(144,378)
Proceeds from borrowings		200,000	-
Payment of borrowings upfront fee		(18,112)	-
Repayment of borrowings		-	(716,332)
Dividend paid		(679,936)	(951,910)
Interest paid on lease liabilities		(42,734)	(36,942)
Interest paid others		(4,961)	(8,866)
Net cash used in financing activities		(665,671)	(1,858,428)
Net increase in cash and cash equivalents		581,740	269,238
Cash and cash equivalents at 1 January		210,872	264,657
Cash and cash equivalents at 30 June		792,612	533,895

Non-cash transactions are disclosed in Note 19.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021

1 General information

Emirates Integrated Telecommunications Company PJSC the (“Company”) is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed consolidated financial information for the six-month period ended 30 June 2021 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
		2021	2020	
EITC Investment Holdings Limited	Holding investments in new business i.e. content, media, data and value-added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Outsourcing services	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	100%	100%	Singapore

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of UAE Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and became effective on 2 January 2021. It requires companies to adjust their status in accordance with the provisions by 2 January 2022. The Group has concluded its impact assessment and the proposals to ensure compliance are now going through the internal review and approval process.

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 2020. The condensed consolidated financial information does 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 2021 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

There are no changes in the accounting policies during the six-month period ended 30 June 2021.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (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 2021.
- Interest Rate Benchmark Reform –Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- (b) New and amended standards not effective and not yet adopted by the Group:
- Classification of Liabilities as Current or Non-Current - amendments to IAS 1 (effective from 1 January 2023).
 - Reference to the Conceptual Framework - Amendments to IFRS 3 (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 2023).
 - Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) (Effective date deferred indefinitely. Adoption is still permitted).
 - Annual Improvements to IFRS Standards 2018–2020 (effective from 1 January 2022).
 - Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from 1 January 2023).
 - Definition of Accounting Estimates - Amendments to IAS 8 (effective from 1 January 2023).
 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective from 1 January 2023).

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).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

2 Basis of preparation (continued)

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.

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 2020 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”). In March 2020, the WHO classified COVID-19 as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this virus resulted in global travel restrictions and several partial or total lockdowns in most countries. These restrictions have been evolving depending on the evolution of the pandemic globally and within each country.

In Q2-2021, although the overall situation regarding new infections improved in the UAE and the vaccination campaigns initiated at the end of 2020 were massively deployed, further developments around the world regarding the new variants of the virus resulted in the reactivation of travel restrictions with several countries.

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

From accounting perspective, the Group continued to assess the Expected Credit Loss (ECL) from trade receivables and contract assets and accounted for such in the consolidated financial statements in accordance with the requirements of IFRS 9. The Group also assessed the potential impacts of the current situation across all relevant areas of the business including the ones related to going concern, impairment of assets and inventory, onerous contract assessment and subsidiary accounting, with no material impact noted in Q2-2021.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

3 Property, plant and equipment

	AED 000
Cost	
At 1 January 2021	20,929,948
Additions	1,189,939
Addition: asset retirement obligations	3,210
Disposals/write-offs	<u>(85,977)</u>
At 30 June 2021	<u>22,037,120</u>
Depreciation / impairment	
At 1 January 2021	12,866,526
Depreciation and impairment charge for the period	698,991
Disposals/write-offs	<u>(85,321)</u>
At 30 June 2021	<u>13,480,196</u>
Net book value	
At 30 June 2021	<u>8,556,924</u>
At 31 December 2020	<u>8,063,422</u>

The carrying amount of the Group's property, plant and equipment includes a nominal amount of AED 2 (31 December 2020: AED 2) in relation to plots of land granted to the Group by the UAE Government.

The cost includes capital work in progress amounting to AED 414,435 thousand, as of 30 June 2021 (31 December 2020: AED 610,990 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

4 Right-of-use assets

	AED 000
Cost	
At 1 January 2021	2,486,499
Additions	40,222
Remeasurement	4,360
Disposals	(35,069)
	<hr/>
At 30 June 2021	<hr/> 2,496,012 <hr/>
Depreciation	
At 1 January 2021	635,070
Charge for the period	183,133
Disposals	(25,369)
	<hr/>
At 30 June 2021	<hr/> 792,834 <hr/>
Net book value	
At 30 June 2021	<hr/> 1,703,178 <hr/>
At 31 December 2020	<hr/> 1,851,429 <hr/>

5 Intangible assets and goodwill

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Goodwill*	413,220	413,220
Intangible assets	428,525	486,995
	<hr/>	<hr/>
	841,745	900,215
	<hr/>	<hr/>

*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 the goodwill is allocated to fixed line business Cash Generating Unit ("CGU").

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

5 Intangible assets and goodwill (continued)

Intangible assets

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

	AED 000
Cost	
At 1 January 2021	2,959,833
Additions	34,999
Disposals/write-offs	<u>(222,744)</u>
At 30 June 2021	<u>2,772,088</u>
Amortisation	
At 1 January 2021	2,472,838
Charge for the period	93,469
Disposals/write-offs	<u>(222,744)</u>
At 30 June 2021	<u>2,343,563</u>
Net book value	
At 30 June 2021	<u>428,525</u>
At 31 December 2020	<u>486,995</u>

The cost includes capital work in progress balance amounting to AED 109,785 thousand as of 30 June 2021 (31 December 2020: AED 183,895 thousand).

6 Lease receivable

	Current		Non-current	
	Reviewed	Audited	Reviewed	Audited
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	AED 000	AED 000	AED 000	AED 000
Lease receivable	18,497	18,213	143,716	149,963

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

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

7 Investments accounted for using the equity method

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

Movement in investments in associates and joint venture

	2021		
	Associates AED 000	Joint venture AED 000	Total AED 000
At 1 January 2021	1,356	28,479	29,835
Share of loss for the period	-	(2,238)	(2,238)
At 30 June 2021	1,356	26,241	27,597
	2020		
	Associates AED 000	Joint venture AED 000	Total AED 000
At 1 January 2020	268,948	-	268,948
Investments during the year	-	31,000	31,000
Share of profit/(loss) for the year	12,620	(2,521)	10,099
Disposal of investment during the year*	(280,212)	-	(280,212)
At 31 December 2020	1,356	28,479	29,835

*In 2020, EITC Investment Holding, a fully owned subsidiary of EITC Group, signed with Technology Holding Company, a fully owned subsidiary of Mamoura Diversified Global Holding PJSC, a sale and purchase agreement to sell its 26% shareholding (including its interest in shareholder loans) in Khazna Data Center Limited for a consideration of AED 800 million against carrying value of investment amounting to AED 280 million.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

8 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Contract assets*	580,462	493,153	299,328	226,618
Less: loss allowance	(43,508)	(39,052)	(23,482)	(15,402)
	<u>536,954</u>	<u>454,101</u>	<u>275,846</u>	<u>211,216</u>

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 330,699 thousands (31 December 2020: AED 314,288 thousands).

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

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Opening balance	54,454	45,355
Charge during the period/year	<u>12,536</u>	<u>9,099</u>
Closing balance	<u>66,990</u>	<u>54,454</u>

	Current		Non-current	
	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Contract liabilities	<u>351,085</u>	<u>358,538</u>	<u>201,096</u>	<u>195,149</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

9 Trade and other receivables

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Trade receivables	1,783,074	1,761,251
Due from other telecommunications operators*	133,179	103,472
Less: provision for impairment of trade receivables and due from other telecommunications operators	(674,659)	(646,099)
Trade receivables, net	1,241,594	1,218,624
Prepayments**	330,909	124,726
Advances to suppliers	280,533	240,829
Other receivables	46,724	142,222
Total trade and other receivables	1,899,760	1,726,401
Non-current	15,525	-
Current	1,884,235	1,726,401
Total trade and other receivables	1,899,760	1,726,401

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 1,043,582 thousand (31 December 2020: AED 862,534 thousand).

** Prepayments include unamortised loan fees amounting to AED 18,112 thousands (31 December 2020: AED Nil thousands) related to the borrowings secured during the period (Note 13).

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

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
At 1 January	646,099	662,358
Expected credit losses during the period/year	89,493	219,996
Write-off during the period/year	(94,624)	(227,571)
Transfer from/to due from related parties	33,691	(8,684)
Closing balance	674,659	646,099

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

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 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Due from related parties	51,209	173,560
Less: Loss allowance	-	(33,691)
	<u>51,209</u>	<u>139,869</u>
Due to related parties	<u>5,213</u>	<u>5,110</u>

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

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
As at 1 January	33,691	-
Expected credit losses during the period/year	-	25,007
Transfer to/from trade and other receivables	<u>(33,691)</u>	<u>8,684</u>
Closing balance	<u>-</u>	<u>33,691</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 2021 AED 000	2020 AED 000
Net revenue	351,852	547,600
Rent and services	43,592	83,812
Recharge of operating expenses incurred on behalf of a related party	1,597	-

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

10 Related party balances and transactions (continued)

Related party transactions (continued)

Key management compensation

	Reviewed six-month period ended 30 June	
	2021	2020
	AED 000	AED 000
Short term employee benefits	15,726	18,937
Employees' end of service benefits	139	151
Post-employment benefits	535	623
Long term incentives	2,000	2,000
	18,400	21,711

Board of Directors fee recorded during the period was AED 5,652 thousand (30 June 2020: 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.

11 Cash and bank balances

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

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Cash at bank (on deposit and call accounts)*	794,328	212,591
Cash on hand	787	784
	795,115	213,375
Less: margin on guarantees (Note 20)	(2,503)	(2,503)
Cash and cash equivalents	792,612	210,872

*Cash at bank represented net off loss allowance.

12 Lease liabilities

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Opening balance	2,308,623	1,856,805
Lease liabilities for the period/year	40,222	696,817
Interest expense during the period/year	42,734	86,454
Payments made during the period/year	(162,662)	(327,371)
Re-measurement during the period/year	4,360	14,778
Disposals during the period/year	(7,492)	(18,860)
Closing balance	2,225,785	2,308,623

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

12 Lease liabilities (continued)

	Current		Non-current	
	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Lease liabilities	632,725	616,896	1,593,060	1,691,727

13 Borrowings

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

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

The details of borrowings are as follows:

	Current	
	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Bank borrowings	200,000	-
	200,000	-

The transaction costs allocated to the Financing have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Unamortised transaction costs as at 30 June 2021 is presented within note 9 as a prepayment. Carrying value of borrowings as of 30 June 2021 approximate fair value.

14 Trade and other payables

	Reviewed 30 June 2021 AED 000	Audited 31 December 2020 AED 000
Trade payables and accruals	1,631,326	1,438,164
Due to other telecommunications operators*	539,647	593,085
Federal royalty payables and accruals (Note 16)	858,584	1,624,832
Value Added Tax (VAT) payable	10,283	4,829
Other payables and accruals	297,666	330,887
	3,337,506	3,991,797

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 1,043,582 thousand (31 December 2020: AED 862,534 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

15 Operating expenses

	Reviewed six-month period ended 30 June	
	2021 AED 000	2020 AED 000
Interconnect costs	1,398,406	1,303,151
Depreciation and impairment on property, plant and equipment (Note 3)	698,991	653,236
Product costs	544,734	392,938
Staff costs	474,249	508,857
Network operation and maintenance	366,151	340,032
Commission	193,962	182,314
Telecommunication license and related fees	184,938	197,431
Depreciation on right-of-use assets (Note 4)	183,133	166,346
Amortisation and impairment on intangible assets (Note 5)	93,469	97,817
Marketing	90,595	104,152
Outsourcing and contracting	50,572	54,553
Others	91,266	108,055
	<u>4,370,466</u>	<u>4,108,882</u>

In order to conform with current period presentation, the items “network operation and maintenance”, “marketing”, “outsourcing and contracting” and “other expenses” for the period ended 30 June 2020 were presented reflecting certain reclassifications to ensure comparability with 2021 figures. Without these reclassifications the figures should have been AED 330,699 thousand, AED 83,121 thousand, AED 86,208 thousand and AED 106,764 thousand respectively.

16 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 2021 AED 000	Audited 31 December 2020 AED 000
Opening balance	1,624,832	2,062,972
Payment made during the period/year	(1,507,186)	(1,950,078)
Charge for the period/year	740,938	1,511,938
Closing balance	<u>858,584</u>	<u>1,624,832</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

17 Finance income and costs

	Reviewed six-month period ended 30 June	
	2021	2020
	AED 000	AED 000
Finance income		
Interest income	13,141	35,950
Finance income on lease receivable	3,285	-
	<u>16,426</u>	<u>35,950</u>
Finance costs		
Interest expense on lease liabilities	42,734	36,942
Interest expense others*	7,896	12,977
	<u>50,630</u>	<u>49,919</u>

*Interest expense others includes interest cost on defined benefit obligations amounted to AED 2,866 thousand (30 June 2020: AED 4,201 thousand).

18 Earnings per share

	Reviewed six-month period ended 30 June	
	2021	2020
Profit for the period (AED 000)	496,997	570,411
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	<u>0.11</u>	<u>0.13</u>

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

19 Changes in working capital

	Reviewed six-month period ended 30 June	
	2021	2020
	AED 000	AED 000
Change in:		
Inventories	844	7,860
Contract assets	(160,019)	66,975
Trade and other receivables	(255,136)	(286,761)
Trade and other payables	777,854	841,046
Contract liabilities	(1,506)	(34,265)
Due from related parties	88,660	38,467
Due to related parties	103	(3,697)
Net changes in working capital	<u>450,800</u>	<u>629,625</u>
Non-cash transactions:		
Accruals for property, plant and equipment	88,351	61,577
Accruals for intangible assets	(5,208)	12,249
Additions to right-of-use assets	40,222	82,209

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

20 Contingencies and commitments

The Group has outstanding bank guarantees amounting to AED 64,599 thousand (31 December 2020: AED 82,647 thousand). Bank guarantees are secured against margin of AED 2,503 thousand (31 December 2020: AED 2,503 thousand) (Note 11).

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 condensed consolidated financial information. 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 condensed consolidated financial information. 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 901,337 thousand (31 December 2020: AED 1,282,735 thousand).

21 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed consolidated financial information for the six-month period ended 30 June 2021 (continued)

21 Segment analysis (continued)

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 2021

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	2,606,944	1,348,058	954,797	437,869	5,347,668
At a point in time	379,844	2,538	-	8,055	390,437
	<u>2,986,788</u>	<u>1,350,596</u>	<u>954,797</u>	<u>445,924</u>	<u>5,738,105</u>
Segment contribution	<u>1,518,618</u>	<u>1,166,163</u>	<u>677,506</u>	<u>238,754</u>	3,601,041
Unallocated costs					(2,326,842)
Other income					178
Federal royalty					(740,938)
Finance income/costs and share of profit of investments accounted for using equity method (net)					(36,442)
Profit for the period					<u><u>496,997</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 2021 (continued)

21 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	205,277	3,400	-	6,249	214,926
	<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>	<u>3,762,265</u>
Unallocated costs					(2,363,951)
Other income					3,549
Federal royalty					(824,678)
Finance income/costs and share of profit of investments accounted for using equity method (net)					<u>(6,774)</u>
Profit for the period					<u>570,411</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.