Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated financial statements for the six-month period ended 30 June 2015

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated financial statements

Report on review of condensed interim consolidated financial information

The Shareholders
Emirates Integrated Telecommunications Company PJSC
Dubai, United Arab Emirates

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC (the 'Company') and its subsidiaries (together 'the Group') as at 30 June 2015 and the related condensed interim consolidated statements of comprehensive income for the three and six month periods then ended and statements of changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standards No. 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on this condensed interim 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 interim 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 interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates
4 August 2015

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Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

	Note	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Non-current assets			
Property, plant and equipment	4	8,107,770	8,202,372
Intangible assets	5	1,203,817	1,208,949
Investment	6	110,236	107,890
Total non-current assets		9,421,823	9,519,211
Current assets			
Inventories		110,254	150,183
Trade and other receivables	7	1,703,264	1,709,493
Due from related parties	8	558,721	466,475
Short term investments	9	5,015,000	5,840,000
Cash and bank balances	10	335,549	192,737
Total current assets		7,722,788	8,358,888
Current liabilities			
Trade and other payables	11	4,309,081	5,330,087
Due to a related party	8	26,998	-
Borrowings	12	184,444	574,462
Total current liabilities		4,520,523	5,904,549
Net current assets		3,202,265	2,454,339
Non-current liabilities			
Borrowings	12	4,417,582	3,856,136
Provision for employees' end of service benefits	13	175,676	165,396
Provisions	14	117,265	113,279
Total non-current liabilities		4,710,523	4,134,811
Net assets		7,913,565	7,838,739
Represented by:			
Share capital and reserves			
Share capital	15	4,571,429	4,571,429
Share premium	16	393,504	393,504
Other reserves	17	2,028,208	1,792,982
Retained earnings		920,424	1,080,824
Total equity		7,913,565	7,838,739

The condensed interim consolidated financial statements were approved by the Board of Directors on 4 August 2015 and signed on its behalf by:

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Ahmad bin Byat
Chairman

Osman Sultan
Chief Executive Officer

The notes on pages 6 to 24 form an integral part of these condensed interim consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of comprehensive income

		Reviewed six-month period ended 30 June		Reviewed three-month period ended 30 June	
		2015	2014	2015	2014
	Note	AED 000	AED 000	AED 000	AED 000
Revenue		6,141,928	5,978,956	3,091,304	3,023,698
Interconnect and related costs		(1,480,338)	(1,618,802)	(751,706)	(809,080)
Staff costs		(447,119)	(419,882)	(226,652)	(205,758)
Network operation and maintenance		(357,895)	(371,687)	(179,491)	(176,479)
Product costs		(281,138)	(283,568)	(142,186)	(135,106)
Outsourcing and contracting		(240,469)	(246,800)	(117,298)	(130,300)
Commission		(177,256)	(149,746)	(85,749)	(67,762)
Telecommunication license and related fees		(171,119)	(152,579)	(89,649)	(80,538)
Marketing		(169,182)	(128,976)	(88,215)	(58,835)
Rent and utilities		(51,415)	(36,001)	(25,445)	(13,936)
Other expenses	19	(128,185)	(100,559)	(46,129)	(58,040)
Other income		-	5,303	-	3,797
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		2,637,812	2,475,659	1,338,784	1,291,661
Depreciation		(657,898)	(571,872)	(328,296)	(290,872)
Amortisation of intangible assets		(73,578)	(70,543)	(40,258)	(34,611)
Operating profit		1,906,336	1,833,244	970,230	966,178
Finance income	20	53,546	43,715	24,032	20,423
Finance expense	20	(58,776)	(63,057)	(16,984)	(37,677)
Share of profit of investment accounted for using equity method		2,347	325	1,183	23
Profit before royalty		1,903,453	1,814,227	978,461	948,947
Royalty	21	(914,341)	(776,218)	(476,448)	(401,199)
Profit for the period		989,112	1,038,009	502,013	547,748
Total profit and comprehensive income attributable to shareholders of the Company		989,112	1,038,009	502,013	547,748
Basic and diluted earnings per share (AED)	22	0.22	0.23	0.11	0.12

There has been no “other comprehensive income” for the three and six month periods ended 30 June 2015 and 2014.

Refer to Note 2 vi for change in presentation of corresponding information in this statement.

The notes on pages 6 to 24 form an integral part of these condensed interim consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of cash flows

	Note	Reviewed six-month period ended 30 June 2015 AED 000	2014 AED 000
Cash flows from operating activities			
Profit for the period		989,112	1,038,009
Adjustments for:			
Depreciation		657,898	571,872
Amortisation of intangible assets		73,578	70,543
Provision for employees' end of service benefits		17,383	13,914
Provision for impairment of trade receivables		49,481	28,244
Finance income		(53,546)	(43,715)
Interest expense		58,776	63,057
Equity-settled share based payment transactions		-	2,773
Fair value adjustment (asset retirement obligations)		(259)	3,871
Share of profit of investment accounted for using equity method		(2,347)	(325)
Changes in working capital	23	(893,143)	(931,597)
Net cash generated from operating activities		896,933	816,646
Cash flows from investing activities			
Purchase of property, plant and equipment		(727,461)	(597,972)
Purchase of intangible assets		(89,093)	(69,621)
Interest received		53,720	40,711
Margin on guarantees released		3,885	9,749
Short term investments released		825,000	285,000
Net cash generated from/(used in) investing activities		66,051	(332,133)
Cash flows from financing activities			
Proceeds from borrowings		282,056	2,865,692
Repayment of borrowings		(110,628)	(2,756,783)
Payment on behalf of founding shareholders		(2,105)	(2,156)
Interest paid		(71,324)	(64,004)
Dividend paid		(914,286)	(868,571)
Net cash used in financing activities		(816,287)	(825,822)
Net increase/(decrease) in cash and cash equivalents		146,697	(341,309)
Cash and cash equivalents at 1 January		180,700	378,477
Cash and cash equivalents at 30 June		327,397	37,168

Non-cash transaction

Settlement of old facilities (term loans) and the acquisition of new facilities is a non-cash transaction. Details are provided in Note 12.

The notes on pages 6 to 24 form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of changes in equity

	Share capital (Note 15) AED 000	Share premium (Note 16) AED 000	Other reserves (Note 17) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2014	4,571,429	393,504	1,626,373	552,371	7,143,677
Total profit and comprehensive income for the period	-	-	-	1,038,009	1,038,009
Total	4,571,429	393,504	1,626,373	1,590,380	8,181,686
Transfer to share based payment reserve	-	-	2,773	-	2,773
Transfer to statutory reserve	-	-	103,801	(103,801)	-
Cash dividend paid	-	-	(868,571)	-	(868,571)
Proposed interim cash dividend[(1)]	-	-	548,571	(548,571)	-
Total transactions with shareholders recognised directly in equity	-	-	(213,426)	(652,372)	(865,798)
At 30 June 2014	4,571,429	393,504	1,412,947	938,008	7,315,888
At 1 January 2015	4,571,429	393,504	1,792,982	1,080,824	7,838,739
Total profit and comprehensive income for the period	-	-	-	989,112	989,112
Total	4,571,429	393,504	1,792,982	2,069,936	8,827,851
Transfer to statutory reserve	-	-	98,911	(98,911)	-
Transfer to retained earnings	-	-	(828)	828	-
Cash dividend paid	-	-	(914,286)	-	-
Proposed interim cash dividend[(1)]	-	-	594,286	(594,286)	-
Proposed special cash dividend[(2)]	-	-	457,143	(457,143)	-
Total transactions with shareholders recognised directly in equity	-	-	235,226	(1,149,512)	(914,286)
At 30 June 2015	4,571,429	393,504	2,028,208	920,424	7,913,565

(1) An interim cash dividend of AED 0.13 per share *(2014: AED 0.12 per share*) amounting to AED 594,286 thousand *(2014: AED 548,571 thousand)* is proposed.

(2) A special cash dividend of AED 0.10 per share *(2014: Nil*) amounting to AED 457,143 thousand is proposed.

The notes on pages 6 to 24 form an integral part of these condensed interim consolidated financial statements.

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 was 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 interim consolidated financial statements for the period ended 30 June 2015 include the financial statements of the Company and its subsidiaries (together "the Group").

The Company's principal objective is to provide fixed, mobile, wholesale, broadcasting and associated telecommunication services in the UAE. The commercial operations of the Company commenced on 11 February 2007.

During the year 2010, the Group established a wholly owned subsidiary; EITC Investment Holdings Limited incorporated as an offshore company in accordance with the Jebel Ali Free Zone Offshore Companies Regulations, 2003. The principal objective of this entity is to hold investments for new non-core business activities in which the Group wishes to invest in the future, such as content, media, data and value added services for telecommunications.

During the year 2014, EITC Investment Holdings Limited established a wholly owned subsidiary; Telco Operations FZ-LLC, registered on 24 April 2014 under Dubai Technology and Media Free Zone Private Companies Regulations, 2003. The principal activity of this entity is telecommunication services and network development. This entity started its operations during June 2014.

2 Basis of preparation

i Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting'. 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 as at and for the year ended 31 December 2014. The condensed interim consolidated financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

ii New standards, amendments and interpretations

There are no new IFRS or IFRIC interpretations issued that would be expected to have a material impact on the Group's condensed interim consolidated financial statements.

2 Basis of preparation (continued)

ii New standards, amendments and interpretations (continued)

Following are the relevant new standards and amendments issued but not effective until the financial years beginning after 1 January 2015 and not early adopted by the Group:

- Amendment to IFRS 11, 'Joint arrangements (effective from 1 January 2016);
- Amendments to IAS 16, 'Property, plant and equipment' (effective from 1 January 2016);
- Amendment to IAS 38, 'Intangible assets' (effective from 1 January 2016);
- Amendment to IFRS 10, Consolidated financial statements ' (effective from 1 January 2016);
- Amendment to IAS 28, ' Investments in associates and joint ventures' (effective from 1 January 2016);
- Amendment to IAS 27, 'Separate financial statements (effective from 1 January 2016);
- Amendment to IFRS 1 'Presentation of financial statements' (effective from 1 January 2016);
- IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 9, 'Financial instruments' (effective from 1 January 2018).

iii Basis of consolidation

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

iv Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention.

v Functional and presentation currency

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

vi Change in the presentation of condensed interim consolidated statement of comprehensive income

The Group had changed at the 2014 full year end the categorisation and presentation of its expenses in the 'condensed interim consolidated statement of comprehensive income' from 'by function' to 'by nature', both of which are allowed as per International Financial Reporting Standards. Accordingly, the presentations of corresponding information for the three-month and six-month periods ended 30 June 2014 have been amended to be consistent. There is no impact of the change in presentation of revenues, the total amount of expenses or on profit for the period. It is merely a change in presentation.

2 Basis of preparation (continued)

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

The new presentation 'by nature' of expenses provides information which the Group believes to be more relevant to the operations of a telecom business, compared to the previous presentation which, for example, included 'network operation and maintenance' expense in 'operating expenses' rather than 'cost of sales'.

Further, in the condensed interim consolidated statement of comprehensive income, the Group has presented a new measure i.e. Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") which is a Key Performance Indicator ("KPI") that is relevant to the telecom business and closely monitored by analysts. This measure is out of scope of IFRS but is presented only for the users to compare profitability between various telecommunication companies eliminating the effects of financing and accounting decisions.

The tables below shows the impact of the change in classification of various expenses for the six and three month periods ended 30 June 2014:

Reviewed six-month period ended 30 June 2014			
Presentation of expenses by nature	**AED'000**	**Presentation of expenses by function**	**AED'000**
Interconnect and related costs	1,618,802	Cost of sales	2,052,303
Commission	149,746		
Product costs	283,568		
Other expenses	187		
	2,052,303		
Staff costs	419,882	General and administrative expenses	2,098,712
Outsourcing and contracting	246,800		
Marketing	128,976		
Network operation and maintenance	371,687		
Rent and utilities	36,001		
Telecommunication license and related fees	152,579		
Depreciation	571,872		
Amortisation of intangible assets	70,543		
Other expenses	100,372		
	2,098,712		

2 Basis of preparation (continued)

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

Reviewed three-month period ended 30 June 2014			
Presentation of expenses by nature	**AED'000**	**Presentation of expenses by function**	**AED'000**
Interconnect and related costs	809,080	Cost of sales	1,011,948
Commission	67,762		
Product costs	135,106		
	1,011,948		
Staff costs	205,758	General and administrative expenses	1,049,370
Outsourcing and contracting	130,300		
Marketing	58,835		
Network operation and maintenance	176,479		
Rent and utilities	13,936		
Telecommunication license and related fees	80,538		
Depreciation	290,872		
Amortisation of intangible assets	34,611		
Other expenses	58,041		
	1,049,370		

There is no change to the consolidated statement of financial position presentation or amounts as a result of the above change. Accordingly, no consolidated statement of financial position as at 31 December 2013 has been shown.

vii Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss 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 Company does not have any dilutive potential ordinary shares.

2 Basis of preparation (continued)

viii Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements, 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.

Judgements made by management in the application of IFRS that have significant effect on these condensed interim consolidated financial statements and estimates with a risk of material adjustment in the next year mainly comprise of residual value and useful lives of items of property, plant and equipment and intangible assets, key assumptions used in discounted cash flow projections for goodwill impairment test, provision for impairment of receivables, provision for employees' end of service benefits, provision for asset retirement obligation and calculation of federal royalty.

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed interim consolidated financial statements as compared with the Group's recent annual audited consolidated financial statements as at and for the year ended 31 December 2014.

There are no changes in the accounting policies during the six-month period ended 30 June 2015.

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 2015	47,208	11,865,186	238,021	1,536	1,624,949	13,776,900
Additions	1,641	4,308	8,290	-	546,717	560,956
Addition: asset retirement obligations	-	4,245	-	-	-	4,245
Transfers	-	654,559	4,557	-	(659,116)	-
Disposals / write-off	-	(154,248)	(911)	-	(230)	(155,389)
At 30 June 2015	48,849	12,374,050	249,957	1,536	1,512,320	14,186,712
Depreciation/impairment						
At 1 January 2015	19,740	5,335,747	211,086	1,459	6,496	5,574,528
Charge for the period	1,108	589,341	9,627	10	-	600,086
Disposals / write-off	-	(151,197)	(911)	-	(1,376)	(153,484)
Impairment	-	56,511	-	-	1,301	57,812
At 30 June 2015	20,848	5,830,402	219,802	1,469	6,421	6,078,942
Net book value						
At 30 June 2015	28,001	6,543,648	30,155	67	1,505,899	8,107,770
At 31 December 2014	27,468	6,529,439	26,935	77	1,618,453	8,202,372

The carrying amount of the Group's buildings include a nominal amount of AED 1 (2014: AED 1) in relation to land granted to the Group by the UAE Government.

5 Intangible assets

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Goodwill	549,050	549,050
Other intangible assets	654,767	659,899
	1,203,817	1,208,949

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.

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Goodwill	549,050	549,050

Goodwill is allocated to two Cash Generating Units, being the broadcasting operations and the fixed line business, and is tested for impairment annually. The key assumptions for the value-in-use calculations at 31 December 2014 included a discount rate of 9.3% and a terminal growth rate of 3%. The discount rate was a post-tax measure based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 13.5%. The terminal growth rate was determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

5 Intangible assets (continued)

Other intangible assets

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

	IT software AED 000	Telecomm-unications license fees AED 000	Indefeasible right of use AED 000	Reviewed 30 June 2015 Total AED 000	Audited 31 December 2014 Total AED 000
Opening balance	385,782	69,328	204,789	659,899	632,996
Additions during the period/year	62,597	-	5,849	68,446	178,954
Amortisation for the period/year	(54,991)	(3,086)	(15,501)	(73,578)	(152,049)
Write off	-	-	-	-	(2)
Closing balance	393,388	66,242	195,137	654,767	659,899

IT software is split between ‘software in use’ of AED 228,825 thousands (31 December 2014: AED 230,346 thousands) and ‘capital work in progress’ of AED 164,563 thousands (31 December 2014: AED 155,436 thousands). During the period, AED 45,080 thousand was transferred from ‘capital work in progress’ to ‘software in use’.

Telecommunication license fees represent the fees charged by the Telecommunications Regulatory Authority to the Group to grant the license to operate as a telecommunications service provider in the UAE. The fees are being amortised on a straight-line basis over a period of 20 years which is the term of the license, from the date of granting the license.

The additions to indefeasible right of use represent the fees paid to a telecom operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE. The fees are amortised on a straight line basis over 10 years. Also included in the balance is an amount charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees are amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

6 Investment

In the year 2013, the Group acquired 10% 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.

On 17 December 2014, the Group exercised first (in full) and second (in part) call options to acquire additional 16% interest in the ownership shares of the Associate as well as its contributed capital. At 30 June 2015, the legal formalities to complete the transaction were under process.

6 Investment (continued)

	Reviewed 31 June 2015 AED 000	Audited 31 December 2014 AED 000
Carrying amount of interest in the Associate	110,236	107,890
Share of profit/(loss) from continuing operations	2,347	(968)

7 Trade and other receivables

Trade receivables	961,910	955,109
Less: provision for impairment of trade receivables	(452,293)	(423,389)
	509,617	531,720
Due from other telecommunications operators, net of provision for impairment	414,284	405,171
Less: payable balances set off where right to set off exists	(337,107)	(247,026)
Unbilled revenue	400,112	536,772
Total trade receivables, net (Note 7.1)	986,906	1,226,637
Advances to suppliers	273,068	183,518
Prepayments	269,076	230,834
Deferred fees	102,389	1,250
Other receivables	71,825	67,254
	1,703,264	1,709,493

7.1 The majority of the provision for impairment of trade receivables is against balances more than 180 days overdue. At 30 June 2015, AED 409,622 thousand of receivables are more than 180 days overdue against which impairment provisions of AED 365,093 thousand are carried. (31 December 2014: AED 454,403 thousand and AED 332,925 thousand).

7.2 Other receivables include AED 3,544 thousand (31 December 2014: AED 786 thousand) being the fair value of the interest rate swap, a derivative financial instrument designated as fair value through profit and loss account by the Group.

7 Trade and other receivables (continued)

The movement in the provision for impairment of trade receivables is as follows:

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	423,389	417,670
Provision for impairment during the period/year	48,703	75,478
Write-off during the period/year	(19,799)	(69,759)
Closing balance	452,293	423,389

8 Related party balances and transactions

Related parties comprise the shareholders of the Company, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. Transactions with related parties are on terms and conditions approved by the Group's management or by the Board of Directors.

Related party balances

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Due from related parties		
Axiom Telecom LLC	306,887	234,650
Founding shareholders	251,834	230,994
Tecom Investments FZ LLC	-	831
	558,721	466,475
Due to a related party		
Tecom Investments FZ LLC	26,998	-

8 Related party balances and transactions (continued)

Related party transactions

All transactions with related parties are carried out at commercial rates. The following table reflects the gross value of transactions with related parties.

	Reviewed six-month period ended 30 June	
	2015 AED 000	2014 AED 000
Tecom Investments FZ LLC:		
- Office rent and services	52,388	38,445
- Infrastructure cost	55,539	14,328
Axiom Telecom LLC– Authorised distributor – net sales	1,428,182	1,531,418
Injazat Data Systems LLC – Data centre – rent and services	5,249	3,791
Khaznah Data Center – Rent and services	20,797	-

Key management compensation

Short term employee benefits	17,835	21,096
Employees' end of service benefits	344	413
Post-employment benefits	726	550
Long term incentives	5,264	2,707
Directors' remuneration	4,943	4,536
	29,112	29,302

9 Short term investments

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Short term investments	5,015,000	5,840,000

Short term investments represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. Management does not have any intention to hold these short term investments for more than 1 year from the reporting date.

10 Cash and bank balances

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

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Cash at bank (on deposit and call accounts)	335,110	192,353
Cash on hand	439	384
	335,549	192,737
Less: margin on guarantees	(8,152)	(12,037)
Cash and cash equivalents	327,397	180,700

11 Trade and other payables

Trade payables and accruals	1,733,487	2,075,729
Due to other telecommunications operators	995,314	919,978
Less: receivable balances set off where right to set off exists	(337,107)	(247,026)
Accrued royalty	946,352	1,594,268
Deferred revenue	661,056	573,237
Customer deposits	129,134	129,030
Employee benefit accruals	96,781	197,051
Retention payable	10,120	13,876
Others	73,944	73,944
	4,309,081	5,330,087

12 Borrowings

Bank borrowings	4,297,995	4,044,103
Buyer credit arrangements	304,031	386,495
	4,602,026	4,430,598
Less: Current portion of borrowings	(184,444)	(574,462)
	4,417,582	3,856,136

During the first quarter of 2015, the Company settled its previous term loan facilities and entered into new term loan facilities with reduced interest rates. The outstanding arrangement fee of AED 23.1 million on the previous term loan facilities was fully amortised during this period and recorded in finance expense.

12 Borrowings (continued)

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
Facilities settled							
Unsecured bank loan	USD	LIBOR+1.20%	2019	2,644,920	-	(2,644,920)	-
Unsecured bank loan	USD	LIBOR+1.15%	2019	848,158	253,892	(1,102,050)	-
Unsecured bank loan	USD	LIBOR+1.17%	2017	551,025	-	(551,025)	-
				4,044,103	253,892	(4,297,995)	-
Existing facilities							
Term loan							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	-	2,644,920	-	2,644,920
Unsecured term loan 2	USD	LIBOR+0.95%	2020	-	1,102,050	-	1,102,050
Unsecured term loan 3	USD	LIBOR+0.95%	2020		551,025	-	551,025
				-	4,297,995	-	4,297,995
Buyer credit arrangements							
Buyer credit arrangement 1	USD	LIBOR+1.50%	2015	73,445	-	(36,752)	36,693
Buyer credit arrangement 2	USD	LIBOR+1.20%	2017	298,968	-	(59,794)	239,174
Buyer credit arrangement 3	USD	Nil	2015	14,082	28,164	(14,082)	28,164
				386,495	28,164	(110,628)	304,031

13 Provision for employees' end of service benefits

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	165,396	143,697
Charge for the period/year	17,383	42,943
Payments made during period/year	(7,103)	(21,244)
Closing balance	175,676	165,396

14 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 substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	113,279	97,989
Additions during period/year	4,245	11,593
Fair value adjustment during the period/year	(259)	3,697
Closing balance	117,265	113,279

15 Share capital

	Reviewed 30 June 2015	Audited 31 December 2014
Authorised, issued and fully paid up shares (par value AED 1 each)	4,571,428,571	4,571,428,571

16 Share premium

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Premium on issue of common share capital	393,504	393,504

17 Other reserves

	Share based payment reserve (Note 18) AED 000	Statutory reserve (see below) AED 000	Proposed dividend AED 000	Total AED 000
At 1 January 2014	93,581	664,221	868,571	1,626,373
Transfer to share based payment reserve	2,773	-	-	2,773
Transfer to statutory reserve	-	103,801	-	103,801
Cash dividend paid	-	-	(868,571)	(868,571)
Proposed interim cash dividend	-	-	548,571	548,571
At 30 June 2014	96,354	768,022	548,571	1,412,947
At 1 January 2015	3,540	875,156	914,286	1,792,982
Transfer to statutory reserve		98,911	-	98,911
Transfer to retained earnings	(828)	-	-	(828)
Cash dividend paid	-	-	(914,286)	(914,286)
Proposed interim cash dividend	-	-	594,286	594,286
Proposed special cash dividend	-	-	457,143	457,143
At 30 June 2015	2,712	974,067	1,051,429	2,028,208

In accordance with the UAE Federal Law No. 8 of 1984 (as amended) 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 Share based payment plan

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Share based payment reserve	2,712	3,540

The Group had in place an Executive Share Option Plan ("ESOP") for selected senior managers to receive equity settled share options of the Company. The ESOP consisted of annual grant schemes up to 2011, when new grants were discontinued.

As at 30 June 2015, 3,534,781 options (31 December 2014: 4,597,000) are outstanding with last expiry date being 15 January 2018.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of the options is calculated using the Black-Scholes option pricing model.

19 Other expenses

	Reviewed six-month period ended 30 June	
	2015	2014
	AED 000	AED 000
Provision for impairment of receivables	49,481	28,244
Office expenses	35,733	31,171
Consulting	22,070	18,407
Legal and license fees	11,565	8,170
Others	9,336	14,567
	128,185	100,559

20 Finance income and expenses

Finance income		
Interest income	53,546	43,715
Finance expense		
Interest expense	58,878	63,473
Exchange loss/(gain)	(102)	(416)
	58,776	63,057

21 Royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2012 to 2016 are as follows:

Royalty	**2012**	**2013**	**2014**	**2015**	**2016**
On regulated revenue	5%	7.5%	10%	12.5%	15%
On regulated profit after deducting royalty on regulated revenue	17.5%	20%	25%	30%	30%

	Reviewed six-month period ended 30 June	
	2015	2014
	AED 000	AED 000
Total revenue for the period (Note 25)	6,141,928	5,978,956
Broadcasting revenue for the period (Note 25)	(80,557)	(81,151)
Other allowable deductions	(1,536,952)	(1,595,642)
Total adjusted revenue	4,524,419	4,302,163

21 Royalty (continued)

	Reviewed six-month period ended 30 June	
	2015	2014
	AED 000	AED 000
Profit before royalty	1,903,453	1,814,227
Allowable deductions	(68,569)	-
Total regulated profit	1,834,884	1,814,227
Provision for royalty: 12.5% *(2014: 10%)* of the total adjusted revenue plus 30% *(2014: 25%)* of the net regulated profit for the period before distribution after deducting 12.5% *(2014: 10%)* of the total adjusted revenue.	946,352	776,218
Adjustment to 2014 provision	(32,011)	-
	914,341	776,218

During the current period, the Group adjusted the royalty provision for 2014 to reflect a change in calculation arising from new royalty Guidelines issued by the Ministry of Finance on 12 February 2015 applicable for 2014 onwards. Provision for royalty for the current period has also been based on these new Guidelines.

Movement in the royalty provision is as follows:

	Reviewed 30 June 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	1,594,268	1,075,047
Payment made during the period/year	(1,562,257)	(1,072,973)
Provision for the period/year	914,341	1,592,194
Closing balance	946,352	1,594,268

22 Earnings per share

	Reviewed six-month period ended 30 June	
	2015	2014
	AED 000	AED 000
Profit for the period (AED '000)	989,112	1,038,009
Weighted average number of shares ('000)	4,571,429	4,571,429
Basic and diluted earnings per share (AED)	0.22	0.23

23 Changes in working capital

	Reviewed six-month period ended 30 June	
	2015	2014
	AED 000	AED 000
Inventories	39,929	(33,709)
Trade and other receivables	(43,426)	(311,723)
Trade and other payables	(819,400)	(521,369)
Due from related parties	(90,141)	(41,606)
Due to a related party	26,998	(13,168)
Payment of employees' end of service benefits	(7,103)	(10,022)
Net change in working capital	(893,143)	(931,597)

24 Contingent liabilities and commitments

The Group has outstanding capital commitments and outstanding bank guarantees amounted to AED 820,885 thousand and AED 8,152 thousand, respectively (2014: AED 757,417 thousand and AED 12,037 thousand, respectively). Bank guarantees are secured against margin of AED 8,152 thousand (2014: AED 12,037 thousand) (Note 10).

25 Segment analysis

30 June 2015

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	4,478,771	1,265,869	316,731	80,557	6,141,92
Segment contribution	3,084,411	1,011,526	69,047	30,681	4,195,665
Unallocated costs					(2,289,329)
Finance income and expenses, other income, share of profit of investment					(2,883)
Profit before royalty					1,903,453
Royalty					(914,341)
Profit for the period					989,112

25 Segment Analysis (continued)

30 June 2014

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	4,495,231	1,052,109	350,465	81,151	5,978,956
Segment contribution	2,981,193	840,918	75,012	29,530	3,926,653
Unallocated costs					(2,098,712)
Finance income and expenses, other income, share of profit of investment					(13,714)
Profit before royalty					1,814,227
Royalty					(776,218)
Profit for the period					1,038,009

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.