

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

**Consolidated Financial Statements
for the year ended 31 December 2015**

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Chairman's Message

Dear Shareholders,

I am honored to report our financial results for 2015. In line with our strategic objectives, our commitment to developing a sustainable business model enabled us to remain agile in a fast-changing environment, deliver positive results and continued shareholder value.

While global markets reverberated, we used the UAE Government's commitment to building a sustainable, diversified economy to help shape our own business, products and services, to best protect our company from the potential effects.

To balance the challenging external market factors, throughout 2015, our company entered a phase of maturity and transformation. We focused on ensuring efficiency and innovation is integrated throughout everything we do in order to protect and reinforce our business model. As a result, we are able to demonstrate positive results across our key focus areas, particularly in the field of mobile data revenue.

Throughout 2015 we continued to develop our business to align with the UAE's Smart Government initiative in accordance with Vision 2021. Smart City is a vital component of the UAE's drive to become a leading integrated technology provider, and we have a significant contribution to make, ensuring that the social fabric of our nation remains interconnected through the use of smart and simple technology. By focusing on innovative propositions that meet the requirements of our rapidly evolving consumer base, including a focus on providing high speed data, we are dedicated to helping achieve Dubai's self-declared ambition of becoming the leading smart city in the world. While Government backing is crucial, they will need help to make their Smart City ambitions a reality – and that's where the private sector, especially telecommunications, can play a big part.

During 2015, we progressed a number of Smart initiatives designed to improve the lives of UAE residents, including the Smart Lighting and Smart Meter programmes implemented across Dubai. As a result, we are working tirelessly to ensure that Dubai is a Smart City today, we don't want to wait for tomorrow.

The transition of our strategy to focus on facilitating digital integration across the UAE is due to our belief that telecommunication is the heart of societal change and can positively impact the quality of people's lives. This transformation has required the commitment and dedication of our inspirational employees. Every day they contribute to the success of our company, driving our strategy forward, and coming to management, and the Board, with truly innovative ideas on how we can further serve our customers. It is due to each and every one of their valuable contributions that we are able to deliver consistently strong results and shareholder value, whatever the economic environment.

Ensuring the wellbeing of our people is a key focus for our company. We have implemented and enhanced a number of initiatives centered on health and wellness that benefit our people and contribute to the development of a positive work environment.

In line with the UAE's Vision 2021 and the Government's pledge to address the number of UAE nationals working in the private sector, our Emiratisation strategy continues to flourish. Today, the proportion of Emirati employees represents 33% of our total staff and 58% of the company's senior executives. In order to deliver our strategy, we have continued to attract highly skilled people to develop our talent through management training and mentorship programmes.

Chairman's Message (continued)

Our efforts to transform our company are focused on reinvigorating our strategy, central to this is a commitment to ensure stability through the implementation of internationally recognised governance policies and procedures. Without an enduring commitment to best practice and the highest standards of business integrity and accountability, our efforts to transform the business would be lost. I am honoured to work alongside such an experienced Board as together we work with the company to adhere to all SCA requirements, going above and beyond the prescribed stipulations.

As ever, we have disclosed all material related party transactions that occurred in 2015 within the financial statements and continued efforts were made by the Board to ensure that the conditions of the transactions are fair, reasonable and in the interests of the shareholders.

Our strategy and vision remains centered on the needs of our customers. We continue to deliver best in class products and services that help improve the lives of all our subscribers. Our focus on improving infrastructure and the efficiency of operations in previous years has allowed us to provide consistent, long term shareholder value and protected us against some challenging external conditions.

As such, I am pleased to report that the Board of Directors has proposed a final annual dividend of AED 0.20 per share for the year 2015, making the total dividend for the year AED 0.43 per share of which, AED 0.13 per share was awarded as an interim dividend, and AED 0.10 as special dividend per share.

Once again, our Board has helped guide our company strategy along a path that will position us well for the future. I remain very grateful for their advice and support and would like to extend my thanks for their time and effort in 2015. In this regard, I would like to thank Mr Waleed Al Muhairi, a nominee Director on the Board for his support during his tenure, and welcome Mr Homaïd Al Shemmari in his place.

We see tremendous opportunities over the coming years and we have established a strategy that will help us make the most of these opportunities for the benefit of both our customers, employees and our shareholders.

Ahmad Bin Byat
Chairman

Chief Executive Officer's Review

Dear Shareholders,

I am pleased to announce that 2015 was another profitable year for our company. We were able to deliver positive results across the majority of key indicators for the ninth consecutive successful year, maintaining our record of delivering strong value for both our customers and our shareholders.

Whilst the important 'My Number, My Identity' initiative, as directed by the Government, had a significant impact on both our subscriber base and our revenues, with the suspension of over 1.1 million customers in 2015, our commitment to developing a diversified, sustainable business model that provides innovative, bespoke products for our consumer and enterprise customers has enabled us to buffer much of the effect.

In 2015 we achieved growth with like for like revenues of AED 12.34 billion, an increase of 0.8% on 2014. Due to our dedication to continuous improvement, we saw operational efficiency gain strength and as such, 2015 led to healthy levels of profitability with EBITDA for 2015 reaching AED 5.42 billion, representing annual growth of 7.7%. Net profit before royalty grew by 4.3% to reach AED 3.86 billion for the year. However, an increase of 20.6 % in the royalty charges resulted in the achievement of net profit after royalty of AED 1.94 billion, compared to AED 2.11 billion in 2014.

Telecommunications is at the heart of society and the transformation of our relationship with technology. It is the driver of change, efficiency and happiness in our community, and as a sector, it is currently going through a revolution. We are in the midst of a paradigm shift where customers are consuming content and data in newer and varied ways, largely in digital formats. As a result, the industry is under pressure to innovate and come up with new ways to best serve their requirements of customers.

During the course of 2015, our customers' demand for connectivity remained strong. This translated into significant growth in mobile data revenue which increased by 7.3% from AED 2.76 billion in 2014 to AED 2.96 billion. As was the case last year, data now represents a larger percentage of mobile service revenues, at 32% compared to 29.8 % in 2014.

From an industry point of view, we continued to see pressure from the popularity of internet-based platforms (VOIP) affecting the monetization of communication, and also strong competition in the market. Similar to global trends, our customers demand services that go beyond connectivity; they want digitally focused products that provide simplicity and fit directly into their lifestyles. To remain competitive in the sector, and to protect the success we have built since inception in 2006, we devised a strategy that progressed our business towards becoming an integrated digital enabler.

In line with the UAE's Vision 2021, and the ambition of creating an innovation-led economy, we have been working tirelessly to develop our network infrastructure and deliver market-leading and innovative services for our customers. As such, last year, we focused on invigorating our business and ensuring that innovation is at the core of everything we do.

By embedding structural change and improving efficiency, we continued to build our capabilities to ensure an even better customer experience in an increasingly connected, data driven era. Our teams have reveled in the challenge to embed a culture of innovation, in line with His Highness Sheikh Mohammed bin Rashid Al Maktoum's innovation strategy, implementing cutting-edge solutions designed to enhance our customer's experience.

Chief Executive Officer's Review (continued)

We are committed to many of the UAE's major initiatives to enhance the lives of UAE citizens and the development of a digitally-enabled ecosystem. The UAE's 'Smart Government' and Dubai's 'Smart City' initiatives are excellent examples of this.

We have already built the foundations for a Smart City with WiFi UAE and showcased our roadmap of Dubai as a Smart City at the first Internet of Things network in the Middle East, and we have also developed a mechanism to analyse habits and trends of visitors to Dubai, providing the Government with useful statistics.

Also, having been awarded the Government's FEDnet initiative contract in 2014, we began work to deliver high speed connectivity and consolidation between federal institutions, installed the UAE's first Smart street lights in Dubai Silicon Oasis, we also supported DEWA in installing our Smart Meters to improve energy efficiency and addressed business efficiency and smart fleet management using machine to machine technology.

Our ability to remain agile in a fast-moving and challenging macro-economic environment is down to our people. They remain our biggest asset and without their dedication to serving our customers we would not have been able to initiate the transformation of our business model to protect and enhance shareholder value. Therefore, I would also like to express my gratitude to all of our employees for their hard work over the last twelve months.

We remain committed to nurturing the well-being and development of our employees so that we may lay the foundations for continued shareholder value and a sustainable future for our company. As a result, we were delighted to receive a Gallup score of 4.39 for 2015, a significant achievement on an international employee satisfaction barometer.

I am truly excited about the future of our company and to witness the fruits of our work. The past year has been demanding, but as we transition for the digital future, I would like to thank our shareholders for their continued trust and our Board of Directors who have provided unerring guidance and support during this time of change.

Osman Sultan
Chief Executive Officer



Independent Auditor's report to the shareholders of Emirates Integrated Telecommunications Company PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Emirates Integrated Telecommunications Company PJSC (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Douglas Patrick O'Mahony, Paul Suddaby and Jacques Fakhoury are registered as practising auditors with the UAE Ministry of Economy



Independent Auditor's report to the shareholders of Emirates Integrated Telecommunications Company PJSC (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of accounts;
- iv) the financial information included in the Chairman's message and Chief Executive Officer's review is consistent with the books of account of the Group;
- v) the Group has not purchased or invested in any shares during the year ended 31 December 2015;
- vi) Note 11 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and
- viii) Note 21 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2015.

PricewaterhouseCoopers
29 February 2016

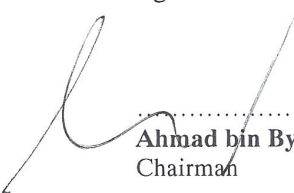
Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates


Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of financial position

		As at 31 December	
		2015	2014
	Note	AED 000	AED 000
Non-current assets			
Property, plant and equipment	6	8,333,480	8,202,372
Intangible assets	7	1,200,961	1,208,949
Investment in an associate	8	110,867	107,890
Derivative financial instrument	9	3,033	-
Total non-current assets		9,648,341	9,519,211
Current assets			
Inventories		83,237	150,183
Trade and other receivables	10	1,448,359	1,709,493
Due from related parties	11	397,145	466,475
Short term investments	12	6,200,000	5,840,000
Cash and bank balances	13	163,288	192,737
Total current assets		8,292,029	8,358,888
Current liabilities			
Trade and other payables	14	5,326,980	5,330,087
Due to related parties	11	28,071	-
Borrowings	15	133,669	574,462
Total current liabilities		5,488,720	5,904,549
Net current assets		2,803,309	2,454,339
Non-current liabilities			
Borrowings	15	4,357,789	3,856,136
Provision for employees' end of service benefits	16	186,887	165,396
Other provisions	17	88,318	113,279
Total non-current liabilities		4,632,994	4,134,811
Net assets		7,818,656	7,838,739
Represented by:			
Share capital and reserves			
Share capital	18	4,571,429	4,571,429
Share premium	19	393,504	393,504
Other reserves	20	1,987,804	1,792,982
Retained earnings		865,919	1,080,824
Total equity		7,818,656	7,838,739

The consolidated financial statements were approved by the Board of Directors on 29 February 2016 and signed on its behalf by:


Ahmad bin Byat
Chairman


Osman Sultan
Chief Executive Officer

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of comprehensive income

	Note	For the year ended 31 December	
		2015 AED 000	2014 AED 000
Revenue	30	12,337,048	12,238,365
Interconnect costs		(2,845,095)	(3,130,727)
Staff costs		(908,466)	(903,690)
Network operation and maintenance		(753,792)	(746,829)
Product costs		(569,286)	(637,275)
Outsourcing and contracting		(496,575)	(470,314)
Commission		(269,041)	(362,079)
Telecommunication license and related fees		(338,596)	(311,606)
Marketing		(359,391)	(296,993)
Rent and utilities		(106,828)	(83,665)
Other expenses	21	(274,136)	(270,940)
Other income		3,329	6,160
Earnings before interest, tax, depreciation and amortisation (EBITDA)		5,419,171	5,030,407
Depreciation	6	(1,384,161)	(1,162,403)
Amortisation of intangible assets	7	(172,695)	(152,049)
Operating profit		3,862,315	3,715,955
Finance income	23	112,821	93,095
Finance expense	23	(116,202)	(106,539)
Share of profit / (loss) of investment in an associate accounted for using equity method	8	2,977	(968)
Profit before royalty		3,861,911	3,701,543
Royalty	24	(1,920,558)	(1,592,194)
Profit for the year		1,941,353	2,109,349
Other comprehensive income			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Fair value changes on cash flow hedge	9	3,033	-
<i>Items that will not be re-classified to profit or loss</i>			
Actuarial gain on defined benefit obligations	16	1,246	-
Other comprehensive income for the year		4,279	-
Total comprehensive income for the year attributable entirely to shareholders of the Company		1,945,632	2,109,349
Basic and diluted earnings per share (AED)	25	0.42	0.46

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

		For the year ended 31 December	
		2015	2014
	Note	AED 000	AED 000
Cash flows from operating activities			
Profit before royalty		3,861,911	3,701,543
Adjustments for:			
Depreciation		1,384,161	1,162,403
Amortisation of intangible assets		172,695	152,049
Provision for employees' end of service benefits	16	30,058	42,943
Provision for impairment of trade receivables	10	88,283	75,089
Finance income	23	(112,821)	(93,095)
Interest expense	23	115,019	105,089
Equity-settled share based payment transactions	20	-	2,855
Unwinding of discount on asset retirement obligations	17	4,207	3,697
Share of (profit)/loss of investment in an associate	8	(2,977)	968
Changes in working capital	26	103,150	(210,394)
Cash generated from operations		5,643,686	4,943,147
Royalty paid	24	(1,562,257)	(1,072,973)
Net cash generated from operating activities		4,081,429	3,870,174
Cash flows used in investing activities			
Purchase of property, plant and equipment		(1,631,206)	(1,485,489)
Purchase of intangible assets		(138,687)	(153,701)
Payment for additional investment in an associate		(73,631)	(26,741)
Interest received		79,829	71,755
Margin on guarantees released	13	3,885	3,269
Short term investments placed		(4,435,000)	(5,840,000)
Short term investments released		4,075,000	4,485,000
Net cash used in investing activities		(2,119,810)	(2,945,907)
Cash flows used in financing activities			
Proceeds from borrowings		282,056	3,337,732
Repayment of borrowings		(221,196)	(2,882,584)
Decrease/(increase) in balance due from founding shareholders		38,900	(57,883)
Interest paid		(121,228)	(102,167)
Dividends paid	20	(1,965,715)	(1,417,142)
Net cash used in financing activities		(1,987,183)	(1,122,044)
Net decrease in cash and cash equivalents		(25,564)	(197,777)
Cash and cash equivalents at 1 January		180,700	378,477
Cash and cash equivalents at 31 December	13	155,136	180,700

Non-cash transaction

Settlement of old facilities (term loans) appearing as borrowings and the acquisition of new facilities is a non-cash transaction. Details are provided in Note 15.

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

	Share capital (Note 18) AED 000	Share premium (Note 19) AED 000	Other reserves (Note 20) 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
Profit for the year	-	-	-	2,109,349	2,109,349
Other comprehensive income	-	-	-	-	-
Total	<u>4,571,429</u>	<u>393,504</u>	<u>1,626,373</u>	<u>2,661,720</u>	<u>9,253,026</u>
Transfer to share based payment reserve	-	-	2,855	-	2,855
Transfer to statutory reserve	-	-	210,935	(210,935)	-
Transfer to retained earnings	-	-	(92,896)	92,896	-
Interim cash dividend ⁽¹⁾	-	-	548,571	(548,571)	-
Final cash dividend proposed ⁽³⁾	-	-	914,286	(914,286)	-
Cash dividends paid	-	-	(1,417,142)	-	(1,417,142)
Total transactions with shareholders recognised directly in equity	<u>-</u>	<u>-</u>	<u>166,609</u>	<u>(1,580,896)</u>	<u>(1,414,287)</u>
At 31 December 2014	<u>4,571,429</u>	<u>393,504</u>	<u>1,792,982</u>	<u>1,080,824</u>	<u>7,838,739</u>
Profit for the year	-	-	-	1,941,353	1,941,353
Other comprehensive income	-	-	3,033	1,246	4,279
Total	<u>4,571,429</u>	<u>393,504</u>	<u>1,796,015</u>	<u>3,023,423</u>	<u>9,784,371</u>
Transfer to statutory reserve	-	-	194,135	(194,135)	-
Transfer to retained earnings	-	-	(2,346)	2,346	-
Interim cash dividend ⁽¹⁾	-	-	594,286	(594,286)	-
Special cash dividend ⁽²⁾	-	-	457,143	(457,143)	-
Final cash dividend proposed ⁽³⁾	-	-	914,286	(914,286)	-
Cash dividends paid	-	-	(1,965,715)	-	(1,965,715)
Total transactions with shareholders recognised directly in equity	<u>-</u>	<u>-</u>	<u>191,789</u>	<u>(2,157,504)</u>	<u>(1,965,715)</u>
At 31 December 2015	<u>4,571,429</u>	<u>393,504</u>	<u>1,987,804</u>	<u>865,919</u>	<u>7,818,656</u>

(1) An interim cash dividend of AED 0.13 per share (2014: AED 0.12 per share) amounted to AED 594,286 thousand (2014: AED 548,571 thousand) was paid during the year.

(2) A special cash dividend of AED 0.10 per share (2014: Nil) amounted to AED 457,143 thousand was paid during the year.

(3) A final cash dividend of AED 0.20 per share (2014: AED 0.20 per share) amounting to AED 914,286 thousand (2014: AED 914,286 thousand) is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015

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 consolidated financial statements for the year ended 31 December 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.

UAE Federal Law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2015	2014	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Telecommunication and network	100%	100%	UAE

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instrument.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.3.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations

(a) *Amendment and interpretations issued and effective but have no material impact to the Group's financial statements*

- IAS 19, 'Employee benefits', regarding defined benefit plans (amendment) (effective annual periods on or after 1 July 2014 although endorsed for annual periods on or after 1 February 2015); and
- IFRIC 21, 'Levies' (effective annual periods on or after 1 January 2014 endorsed 17 June 2014).

(b) *New standards and amendments issued but not effective until financial years beginning after 1 January 2016 and not early adopted by the Group*

- IFRS 11 (amendment), 'Joint arrangements' (effective from 1 January 2016);
- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' (amendment) (effective 1 January 2016);
- IFRS 10 'Consolidated financial statements' and IAS 28 'Investment in associates' (amendment) (effective from 1 January 2016);
- IAS 27 (amendment) 'Separate financial statements' (effective from 1 January 2016);
- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations' regarding methods of disposal (effective from 1 January 2016);
- IFRS 7 (amendment) 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts (effective from 1 January 2016);
- IAS 19 (amendment) 'Employee benefits' regarding discount rates (effective from 1 January 2016);
- IAS 34 (amendment) 'Interim financial reporting' regarding disclosure (effective from 1 January 2016);
- IAS 1 (amendment) 'Presentation of financial statements' on the disclosure initiative (effective from 1 January 2016);
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018);
- IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

IFRS 15 'Revenue from contracts with customers', establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard is effective for annual periods beginning on or after 1 January 2018 while earlier application is permitted. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

This revenue standard will impact telecommunication entities with certain changes having the potential for the greatest impact, such as:

- Additional revenue may need to be allocated to discounted or 'free' products provided at the beginning of a service period due to the elimination of the 'contingent revenue cap', and changes to and restrictions in the use of the 'residual method' currently applied by the companies; and
- Accounting treatment of activation fees, customer acquisition costs, and certain contract fulfilment costs may be affected.

The Group is yet to assess full impact of this new revenue standard on its operations. It expects to apply this standard from 1 January 2018.

Management is in the process of identifying the relevance and the impact of the other standards, amendments and interpretations as mentioned above on its consolidated financial statements. Management expects that most of the relevant standards, amendments and interpretations will not have a material impact on the consolidated financial statements, except for IFRS 15, which is likely to result in acceleration of recognition of some revenue streams when adopted.

2.2 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.

2.3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Provision for impairment of trade receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the aging of the counter party accounts, historic experience and the information available on the parties' financial position. Changes to the estimated impairment provision may be required if the financial condition of the parties was to improve or deteriorate.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2 Basis of preparation (continued)

2.3 Critical accounting estimates and judgments (continued)

(ii) Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested, but do include the Group's expectations of future capital expenditure necessary to maintain the Group's network existing operations. These calculations are performed internally by the Group and require the use of estimates and assumptions. The input factors most sensitive to change are management estimates of future cash flows based on budgets, growth rates and discount rate. Further detail on these assumptions has been disclosed in Note 7. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. No impairment is recognised on the goodwill in the current and the prior year.

(iii) Useful lives of property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets. The useful lives of the property, plant and equipment are provided in Note 3.2.

(iv) Asset retirement obligations

The Group exercises judgement in determining the expected cash outflows related to its asset retirement obligations. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Group's provision is based on management's best estimate of the future cash outflows required to settle the obligations, discounted using appropriate discount rate. Additional information on this provision is disclosed in Note 17.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2 Basis of preparation (continued)

2.3 Critical accounting estimates and judgments (continued)

(v) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No. 320/15/23 of 2012 and various guidelines issued by the UAE Ministry of Finance (“the MoF”) and subsequent clarification letters require use of certain critical judgements, interpretations and assumptions. These mainly relate to the segregation of items between regulated and other activities and items which the Group judges as not subject to Federal royalty or which may be set off against revenue which are subject to Federal royalty.

(vi) Residual value method

Postpaid products with multiple deliverables that have value to customers on standalone basis are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, subscriber identification module (SIM) card and a service package. The principles in IAS 18 require that revenue in respect of each separable element of a transaction is measured at its fair value. Management believe that the price which is regularly charged for a standalone element is the best evidence of its fair value.

In case of postpaid customers' arrangements, the total contract value is lower than the total fair value of the standalone elements. Therefore, management has decided to apply the residual value method to allocate the revenue over various elements. In applying the residual value method, consideration is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.1 Consolidation (continued)

(a) Subsidiaries (continued)

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.1 Consolidation (continued)

(c) Associates (continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

If the ownership in an associate is increased in a way that the Group acquires power to govern the financial and operating policies of the acquiree, the acquiree is consolidated as a subsidiary as a step acquisition as per IFRS 3. After taking into account any impairment, the investment in the associate is derecognised and any gain or loss on derecognition of the investment is taken to the consolidated income statement. However, if the ownership is increased and the Group maintains significant influence, the Group increases the investment amount.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associate in the consolidated statement of comprehensive income.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates are same as the Group's accounting policies.

3.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	20-35
Plant and equipment	2-25
Furniture and fixtures	3-5
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.11.2).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated statement of comprehensive income.

Capital work in progress includes assets which are under construction or inspection pending certification for their intended use and are stated at cost net of any accumulated impairment losses. When available for use, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies. No depreciation is charged on such assets until available for use.

3.3 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquiree, in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the Cash Generating Units (CGUs) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.3 Intangible assets (continued)

Licenses and other rights of use

Separately acquired licenses and rights of use are shown at historical cost. Licenses and rights of use acquired in a business combination are recognised at fair value at the acquisition date. Licenses and rights of use have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses and rights of use over their estimated useful lives as shown below:

	Years
Telecommunications license fee	20
Indefeasible right of use	10-15

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3.4 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.6 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

3.7 Financial instruments

3.7.1 Non-derivative financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'due from related parties' 'short term investments' and 'cash and bank balances' in the consolidated statement of financial position.

Recognition and measurement

The Group recognises loans and receivables when it becomes a party to the contractual provision of the instruments. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and bank balances comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts, if any, that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3.7.2 Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: 'borrowings', 'due to related parties' and 'trade and other payables' in the consolidated statement of financial position.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.2 Non-derivative financial liabilities (continued)

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.7.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair value of the derivative financial instruments used for hedging purposes are disclosed in note 9. Movement in the hedging reserve in shareholders' equity is shown in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance expenses'.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

3.7.6 Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Group's shareholders, but are included in a separate component of reserves once proposed by the Company's Board of Directors.

3.8 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.9 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision is recognised in the consolidated statement of comprehensive income.

Asset retirement obligations

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.10 Employee benefits

Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme. Accordingly, the accrued cost of contribution is charged to the consolidated statement of comprehensive income as incurred.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with UAE Labour Law. The provision is calculated in accordance with the Projected Unit Cost method as per IAS 19 'Employee Benefits' taking into consideration the UAE Labour Laws.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate.

The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to high quality corporate bonds or other basis, if applicable.

Changes in the present value of the defined benefit obligation resulting from amendments or curtailments are recognised immediately in comprehensive income as past service costs.

Provision is also made for the estimated liability for employees' unused entitlements to annual leave and flights as a result of services rendered by eligible employees up to the reporting date. The provision relating to annual leave and air passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

The Group also provides mobile allowances and discounted mobile telephone charges to employees for official and personal purposes. This benefit is not separately accounted for as staff costs.

3.11 Impairment

3.11.1 Financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

A provision for impairment against doubtful trade receivables is created in the period in which management becomes aware of the uncertainty. The calculation for the provision for impairment takes into consideration factors like service type, customer segment, aging of customer's accounts, customer collection trends, payment made by the customers, disputes and specific or individually identified receivables.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.11 Impairment (continued)

3.11.1 Financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

3.11.2 Non-financial assets

Intangible assets that have an indefinite useful life or intangible assets (including capital work in progress) not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs'). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.12 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in AED which is the Company's and its subsidiaries functional and presentation currency. The figures have been rounded to the nearest thousand except when otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within finance income or expense.

3.13 Revenue recognition

Revenue comprises the invoiced or accrued amounts from the sale of goods and services (telecommunication and others) in the ordinary course of the Group's activities. Revenue is shown net of returns, discounts and rebates allowed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.13 Revenue recognition (continued)

Revenue from telecommunication services comprise amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting fixed line and mobile users to the Group's network.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Postpaid products with multiple deliverables that have value to a customer on standalone basis are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, subscriber identification module (SIM) card and a service package which mainly include voice, data and SMS/MMS. These arrangements (mainly the subsidy plans) are divided into separate performance obligations, and revenue is mainly recognised through application of the residual value method.

In applying the residual value method, consideration is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

The Group operates loyalty programmes where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as deferred revenue at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

Access charges, airtime and other services used by postpaid customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period, with unbilled revenue resulting from services already provided from the billing cycle date to the end of each period accrued.

Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit and is deferred as deferred revenue until such time as the customer uses the credit, or the credit expires.

Revenue from sale of SIM cards is recognised on the date of sale to the customer.

Contract revenue is recognised under the percentage of completion method. Profit on contracts is recognised only when the outcome of the contracts can be reliably estimated.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.13 Revenue recognition (continued)

Provision is made for foreseeable losses estimated to complete contracts. Contract revenue mainly comprises revenue from managed services provided by the Group.

Revenue from interconnection of voice and data traffic with other telecommunications operators is recognised at the time the services are performed based on the actual recorded traffic.

Incentives (promotions) are provided to customers in various forms and are usually offered on signing a new contract, sale of SIM card, sale of recharge or as part of a regular promotional offering. Incentives provided on the signing of contracts or sale of SIM cards to customers are recognised as an upfront discount against revenue. Incentives provided on the sale of recharge to prepaid customers are recognised as a deduction against revenue over the estimated period of usage of the respective recharge while incentives provided to postpaid customers are recorded over their billing period.

Incentives are also provided upon sale of SIM cards and vouchers to intermediaries. Where amounts paid upfront to intermediaries represent an amount contributed to enable the intermediaries to offer discounts to customers, they are recognised as a discount from revenue.

When the Group sells goods or services as a principal, revenue from customers and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported profits, assets, liabilities or cash flows.

3.14 Commission to intermediaries

Intermediaries are paid commissions by the Group mainly in return for acquiring new customers and selling recharge credits. Such commissions are recognised as an expense in the period when the respective services are provided.

3.15 Recognition of finance income and expenses

Finance income comprises interest income on short term investments and other bank deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense is mainly interest payable on borrowing facilities obtained from suppliers and financial institutions at normal commercial rates and is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3 Summary of significant accounting policies (continued)

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

3.17 Cash dividend distribution to equity holders of the parent

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Federal Law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.18 Segmental information

Information regarding the Group's operating segments is reported in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

3.19 Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the profit or loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated statement of comprehensive income on a systematic basis over the expected useful life of the related asset upon capitalisation.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the following methods.

4.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

4.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4 Determination of fair values (continued)

4.3 Derivative financial instruments

Derivative financial instruments are initially measured at fair value at trade date, and are subsequently remeasured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components from mark to market values provided by the bankers.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. The Group purchases derivatives only for hedging purposes.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base has less of an influence on credit risk.

The management has established a credit policy under which each new customer is analysed for creditworthiness before the Group's terms and conditions are offered. The Group's review can include external ratings, when available, customer segmentation, and in some cases bank references. Credit limits are established for each customer in accordance with this policy, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed periodically.

In monitoring customer credit risk, customers are classified according to their credit characteristics, including whether they are an individual or legal entity, projected business volumes, new or established businesses and existence of previous financial relationships with the Group.

The Group may require deposit or collateral in respect of granting credit for trade and other receivables, subject to results of risk assessment and the nature and volumes contemplated by the customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. All individually significant assets (such as receivables from broadcast customers and distributors etc.) are assessed for specific impairment. Receivables related to postpaid and broadband customers are assessed for impairment based on portfolio of similar assets while considering the aging of balances and portfolio collection history.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and bank balances

Cash is placed with reputable banks and the risk of default is considered remote.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(b) Liquidity risk (continued)

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's business and reputation. A major portion of the Group's funds are invested in short term investments which are readily available to meet expected operational expenses, including servicing of financial obligations. The table in Note 28.2 analyses the Group's non-derivative financial liabilities and derivative financial liabilities, if any, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities, if any, are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

- Foreign exchange risk
- Cash flow and fair value interest rate risks

(i) Foreign exchange risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency, primarily the Euro, other than the functional currency of the Company and its subsidiaries. In respect of the Group's transactions denominated in US Dollars (USD), the Group is not exposed to material currency risk as the AED is currently pegged to the USD at a fixed rate of exchange.

The Group's exposure and sensitivity analysis in respect to the foreign exchange risk is detailed in Note 28.3.

(ii) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2015 and 2014, the Group's borrowings at variable rate were denominated in the USD.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and interest rate swaps. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

5 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risks (continued)

The sensitivity analysis performed by the Group in respect to the interest rate risk is detailed in Note 28.4. The sensitivity analysis is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position, less cash and bank balances and short term investments. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2015 AED 000	2014 AED 000
Total borrowings (Note 15)	4,491,458	4,430,598
Less: Cash and bank balances/short term investments (Notes 12 & 13)	(6,363,288)	(6,032,737)
Net debt	(1,871,830)	(1,602,139)
Total equity	7,818,656	7,838,739
Total capital	5,946,826	6,236,600
Gearing ratio	(31%)	(26%)

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

5 Financial risk management (continued)

5.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximated their book amounts as reflected in these consolidated financial statements.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	In AED'000			Total
	Level 1	Level 2	Level 3	
<i>At 31 December 2015</i>				
Derivative financial instrument [Note 9]	-	3,033	-	3,033
<i>At 31 December 2014</i>				
Derivative financial instrument	-	-	786	786

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of interest rate swaps classified as derivative financial instruments in the table above is provided by the bank.

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include cash and bank balances, trade receivables and other receivables, due from related parties and short term investments. Financial liabilities of the Group include borrowings, trade and accruals, due to other telecommunication operators, customer deposits, retention payable, accrued royalty, due to other related parties and other payables. The fair values of these financial assets and liabilities are not materially different from their carrying values unless stated otherwise (Note 28).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6 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 2014	47,208	10,867,711	230,112	1,482	1,152,512	12,299,025
Additions	-	654,066	8,242	87	812,606	1,475,001
Addition: asset retirement obligations	-	11,593	-	-	-	11,593
Transfers	-	338,354	1,815	-	(340,169)	-
Disposals	-	(6,538)	(2,148)	(33)	-	(8,719)
At 31 December 2014	47,208	11,865,186	238,021	1,536	1,624,949	13,776,900
Additions	-	326,680	10,509	-	1,205,515	1,542,704
Addition: asset retirement obligations	-	1,906	-	-	-	1,906
Transfers	-	1,887,038	9,105	-	(1,896,143)	-
Disposals	-	(221,409)	(2,879)	-	-	(224,288)
At 31 December 2015	47,208	13,859,401	254,756	1,536	934,321	15,097,222
Depreciation / impairment						
At 1 January 2014	17,507	4,205,491	189,777	1,482	11,850	4,426,107
Charge for the year	2,233	1,120,567	23,175	10	-	1,145,985
Disposals/write-off	-	(5,478)	(1,866)	(33)	(6,605)	(13,982)
Impairment charge	-	15,167	-	-	1,251	16,418
At 31 December 2014	19,740	5,335,747	211,086	1,459	6,496	5,574,528
Charge for the year	2,234	1,286,041	18,407	21	-	1,306,703
Disposals/write-off	-	(189,338)	(2,813)	-	(2,796)	(194,947)
Impairment charge	-	76,570	-	-	888	77,458
At 31 December 2015	21,974	6,509,020	226,680	1,480	4,588	6,763,742
Net book value						
At 31 December 2015	25,234	7,350,381	28,076	56	929,733	8,333,480
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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7 Intangible assets

	2015 AED 000	2014 AED 000
Goodwill	549,050	549,050
Other intangible assets	651,911	659,899
	<u>1,200,961</u>	<u>1,208,949</u>

Goodwill

The Group acquired the business and assets of three wholly owned subsidiaries/divisions of Tecom Investments FZ LLC with effect from 31 December 2005. Goodwill represents the excess of purchase consideration paid over the fair value of net assets acquired.

Carrying amount of goodwill allocated to each of Cash Generating Units ("CGU") is as follows:

	2015 AED 000	2014 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	<u>549,050</u>	<u>549,050</u>

The Group tests goodwill for impairment annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the five year business plan approved by the Board of Directors.

The estimated recoverable amount of the broadcasting CGU exceeded its carrying amount by AED 105 million and that of the fixed line business exceeded its carrying amount by AED 14,057 million. The management has identified that a reasonably possible change in its key assumptions would not cause the carrying amount to exceed its recoverable amount.

The key assumptions for the value-in-use calculations at 31 December 2015 include a discount rate of 9.42% and a terminal growth rate of 3%. The discount rate was a pre-tax measure based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 14%. 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7 Intangible assets (continued)

Other intangible assets

Net book value of the other intangible assets is as follows:

	Software in use AED 000	Capital work in progress AED 000	Telecomm- unications license fees AED 000	Indefeasible right of use AED 000	Total AED 000
Cost					
At 1 January 2014	1,073,327	111,866	124,500	320,604	1,630,297
Additions	37,807	113,260	-	27,887	178,954
Transfers	69,690	(69,690)	-	-	-
Write off	(18)	-	-	-	(18)
At 31 December 2014	1,180,806	155,436	124,500	348,491	1,809,233
At 1 January 2015	1,180,806	155,436	124,500	348,491	1,809,233
Additions	15,284	133,059	-	16,863	165,206
Transfers	150,620	(150,620)	-	-	-
Write off	(748)	-	-	-	(748)
At 31 December 2015	1,345,962	137,875	124,500	365,354	1,973,691
Amortisation					
At 1 January 2014	833,908	-	48,947	114,446	997,301
Charge for the year	116,568	-	6,225	29,256	152,049
Write off	(16)	-	-	-	(16)
At 31 December 2014	950,460	-	55,172	143,702	1,149,334
At 1 January 2015	950,460	-	55,172	143,702	1,149,334
Charge for the year	127,248	-	6,225	31,379	164,852
Impairment charge	7,843	-	-	-	7,843
Write off	(249)	-	-	-	(249)
At 31 December 2015	1,085,302	-	61,397	175,081	1,321,780
Net book value					
At 31 December 2015	260,660	137,875	63,103	190,273	651,911
At 31 December 2014	230,346	155,436	69,328	204,789	659,899

The Software in use represents all applications such as Oracle and Billing systems which are currently in use while the Capital in work in progress relates to the development of these systems. Software is being amortised on a straight-line basis over a period of 5 years.

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7 Intangible assets (continued)

Other intangible assets

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.

8 Investment in an associate

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. 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 resulting in a total ownership of 26%. The business of the Associate is providing wholesale data centre services.

	2015 AED 000	2014 AED 000
At 1 January	107,890	56,913
Increase in investment	-	73,631
Repayment of contributed capital	-	(21,686)
Share of profit/(loss) for the year	2,977	(968)
At 31 December	110,867	107,890

Summarised financial information for the Associate is as follows:

Statement of financial position as of 31 December:

Non-current assets	555,807	507,090
Current assets	65,167	95,317
Current liabilities	(40,055)	(97,788)
Non-current liabilities	(222,342)	(166,451)
Net assets	358,577	338,168

Income statement for the year ended 31 December:

Revenue	69,133	14,876
Profit /(loss) for the year	11,450	(9,678)

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

9 Derivative financial instrument

During the year the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. The terms of the loans include quarterly interest payments, at a rate of LIBOR + 0.95% on the outstanding principal amount (Note 15).

The hedge covers the risk in variability of LIBOR over the entire term of the loans. The hedging instruments match the actual terms of the related interest payments on the loans in all respects, including LIBOR rate used, reset dates and notional amounts outstanding.

As of 31 December, the Group has the following derivative financial instruments:

	2015 AED 000	2014 AED 000
Interest rate swap contracts – cash flow hedges	3,033	-
Total non-current derivative financial instrument assets	3,033	-

10 Trade and other receivables

Trade receivables	1,018,863	955,109
Less: provision for impairment of trade receivables	(480,238)	(423,389)
	538,625	531,720
Due from other telecommunications operators, net of provision for impairment	478,904	405,171
Less: payable balances set off where right to set off exists	(434,797)	(247,026)
Unbilled revenue	423,585	536,772
Total trade receivables, net (Note 10.1)	1,006,317	1,226,637
Advances to suppliers	119,692	183,518
Prepayments	242,440	232,084
Other receivables	79,910	67,254
	1,448,359	1,709,493

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Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

10 Trade and other receivables (continued)

10.1 The majority of the provision for impairment of trade receivables is against balances more than 180 days overdue. At 31 December 2015, AED 452,861 thousand of receivables are more than 180 days overdue against which impairment provision of AED 378,249 thousand is carried. (2014: AED 454,403 thousand and AED 332,925 thousand, respectively).

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

	2015 AED 000	2014 AED 000
At 1 January	423,389	417,670
Provision for impairment	88,067	75,478
Write-off during the year	(31,218)	(69,759)
At 31 December	<u>480,238</u>	<u>423,389</u>

The movement in the provision for impairment of telecommunication operators is as follows:

	2015 AED 000	2014 AED 000
At 1 January	2,343	2,732
Provision/(reversal) for impairment	<u>216</u>	<u>(389)</u>
At 31 December	<u>2,559</u>	<u>2,343</u>
Total provision for impairment of receivables	<u>482,797</u>	<u>425,732</u>

Trade receivables are considered for impairment based on collection trends resulting in provisions against current and older balances. Ageing analysis of trade receivables is provided in Note 28.1. The Group had no significant concentration of credit risk. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

11 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 mentioned in the note are Emirates Investment Authority, Mubadala Development Company and Emirates Communications & Technology Company LLC. Transactions with related parties are on terms and conditions approved by the Group's management or by the Board of Directors.

Related party balances

	2015 AED 000	2014 AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	190,892	234,650
Founding shareholders	206,253	230,994
Tecom Investments FZ LLC (Entity under common shareholding)	-	831
	<u>397,145</u>	<u>466,475</u>
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	19,054	-
Khazna Data Centre Limited (Associate)	9,017	-
	<u>28,071</u>	<u>-</u>

Related party transactions

All transactions with related parties referred to below are carried out at normal commercial terms and conditions and at market rates. The following table reflects the gross value of transactions with related parties.

	2015 AED 000	2014 AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and services	60,703	55,046
- Infrastructure cost	60,626	16,082
Axiom Telecom LLC – Authorised distributor – net sales	2,687,872	3,163,197
Injazat Data Systems LLC – Data Centre - rent and services	8,055	12,735
Associate		
Khazna Data Centre Limited – rent and services	43,309	-
Investment (Note 8)	-	73,631

Key management compensation

Short term employee benefits	37,028	43,125
Employees' end of service benefits	697	1,235
Post-employment benefits	2,923	1,101
Long term incentives	10,757	7,459
	<u>51,405</u>	<u>52,920</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

11 Related party balances and transactions (continued)

The fee paid to Board of Directors during the year was AED 9,158 thousand (2014: AED 9,401 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.

The Group also provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. In accordance with IAS 24 (revised 2009): Related Party Disclosures, the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence.

12 Short term investments

	2015 AED 000	2014 AED 000
Short term investments	<u>6,200,000</u>	<u>5,840,000</u>

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.

13 Cash and bank balances

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

	2015 AED 000	2014 AED 000
Cash at bank (on deposit and call accounts)	162,851	192,353
Cash on hand	<u>437</u>	<u>384</u>
	163,288	192,737
Less: margin on guarantees	<u>(8,152)</u>	<u>(12,037)</u>
Cash and cash equivalents	<u>155,136</u>	<u>180,700</u>

14 Trade and other payables

Trade payables and accruals	1,823,253	2,075,729
Due to other telecommunications operators	1,114,067	919,978
Less: receivable balances set off where right to set off exists	(434,797)	(247,026)
Accrued royalty (Note 24)	1,952,569	1,594,268
Deferred revenue	545,779	573,237
Customer deposits	133,584	129,030
Employee benefit accruals	179,099	197,051
Retention payable	13,004	13,876
Others	<u>422</u>	<u>73,944</u>
	<u>5,326,980</u>	<u>5,330,087</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15 Borrowings

	2015 AED 000	2014 AED 000
Bank borrowings	4,297,995	4,044,103
Buyer credit arrangements	193,463	386,495
	<u>4,491,458</u>	<u>4,430,598</u>
Less: current portion of borrowings	<u>(133,669)</u>	<u>(574,462)</u>
	<u>4,357,789</u>	<u>3,856,136</u>

During the year 2015, the Group settled its previous term loan facilities and entered into new term loan facilities with reduced interest rates. The unamortised arrangement fee of AED 23,135 thousand on the previous term loan facilities was fully amortised during this year on settlement of the related facilities and recorded in finance expense.

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
Old facilities settled							
Unsecured term loan	USD	LIBOR+1.20%	2019	2,644,920	-	(2,644,920)	-
Unsecured term loan	USD	LIBOR+1.15%	2019	848,158	253,892	(1,102,050)	-
Unsecured term loan	USD	LIBOR+1.17%	2017	551,025	-	(551,025)	-
				<u>4,044,103</u>	<u>253,892</u>	<u>(4,297,995)</u>	<u>-</u>
Existing facilities							
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
				<u>-</u>	<u>4,297,995</u>	<u>-</u>	<u>4,297,995</u>
Buyer credit arrangements							
Buyer credit arrangement 1	USD	LIBOR+1.50%	2015	73,445	-	(73,445)	-
Buyer credit arrangement 2	USD	LIBOR+1.20%	2017	298,969	-	(119,588)	179,381
Buyer credit arrangement 3	USD	Nil	2016	14,081	28,164	(28,163)	14,082
				<u>386,495</u>	<u>28,164</u>	<u>(221,196)</u>	<u>193,463</u>

*The carrying value of borrowings of the Group approximates their face value.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

16 Provision for employees' end of service benefits

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2015 by a registered actuary in the UAE. The present value of defined benefit obligations and the related current and past service cost, were measured using the Projected Unit Credit Method. Changes in the present value of defined benefit obligations is as follows:

	2015 AED 000	2014 AED 000
At 1 January	165,396	143,697
Current service cost	30,058	42,943
Interest cost	6,709	-
Benefits paid during the year	(14,030)	(21,244)
Actuarial gain recognised in other comprehensive income	(1,246)	-
At 31 December	<u>186,887</u>	<u>165,396</u>

The provision is recognised based on the following significant actuarial assumptions:

	2015	2014
Average period of employment (years)	7.37	3 to 5
Average annual rate of salary increase	2.50%	4.30%
Discount rate	<u>3.85%</u>	<u>4.23%</u>

17 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.

	2015 AED 000	2014 AED 000
At 1 January	113,279	97,989
Additions during the year	1,906	11,593
Release of provision	(31,074)	-
Unwinding of discount	<u>4,207</u>	<u>3,697</u>
At 31 December	<u>88,318</u>	<u>113,279</u>

During the year the Group reassessed the estimated asset retirement obligation based on current experience and probability of the expected cash out flow relating to this liability resulting in release of provision. This has had no material impact on the profit and loss for the year.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

17 Provisions (continued)

The provision is recognised based on the following significant assumptions:

	2015	2014
Average period of restoration (years)	10-15	10-15
Inflation rate	3%	3%
Discount rate	<u>3.85%</u>	<u>8.3%</u>

18 Share capital

	2015	2014
Authorised, issued and fully paid up share capital (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

19 Share premium

	2015 AED 000	2014 AED 000
Premium on issue of common share capital	<u>393,504</u>	<u>393,504</u>

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Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20 Other reserves

	Share based payment reserve AED 000	Statutory reserve (Note 20.1) AED 000	Hedge reserve (Note 20.2) 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	2,855	-	-	-	2,855
Transfer to retained earnings	(92,896)	-	-	-	(92,896)
Transfer to statutory reserve	-	210,935	-	-	210,935
Interim cash dividend	-	-	-	548,571	548,571
Final cash dividend proposed	-	-	-	914,286	914,286
Cash dividends paid	-	-	-	(1,417,142)	(1,417,142)
At 31 December 2014	3,540	875,156	-	914,286	1,792,982
At 1 January 2015	3,540	875,156	-	914,286	1,792,982
Transfer to statutory reserve	-	194,135	-	-	194,135
Transfer to retained earnings	(2,346)	-	-	-	(2,346)
Interim cash dividend	-	-	-	594,286	594,286
Special cash dividend	-	-	-	457,143	457,143
Final cash dividend proposed	-	-	-	914,286	914,286
Cash dividends paid	-	-	-	(1,965,715)	(1,965,715)
Fair value changes on cash flow hedge	-	-	3,033	-	3,033
At 31 December 2015	1,194	1,069,291	3,033	914,286	1,987,804

20.1 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.

20.2 Hedge reserve is related to derivative financial instrument (Note 9).

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Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

21 Other expenses

	2015 AED 000	2014 AED 000
Provision for impairment of receivables (Note 10)	88,283	75,089
Office expenses	75,274	64,937
Consulting	65,134	46,445
Legal and license fees	20,742	26,067
Others	24,703	58,402
	<u>274,136</u>	<u>270,940</u>

During the year ended 31 December 2015, the Group has paid AED 8,276 thousand (2014: AED 11,497 thousand) for various social contribution purposes.

22 Operating leases

Leases

Non-cancellable operating lease rentals are payable as follows:

	2015 AED 000	2014 AED 000
Less than one year	246,476	220,717
Between one and five years	539,477	459,390
More than five years	352,465	265,844
	<u>1,138,418</u>	<u>945,951</u>

The Group leases a number of warehouses, premises and sites to operate its network. The leases typically run for a period of 5 to 20 years with an option to renew the lease upon expiry. Lease contracts contain terms to allow for annual increase to reflect market rentals.

23 Finance income and expenses

	2015 AED 000	2014 AED 000
Finance income		
Interest income	<u>112,821</u>	<u>93,095</u>
Finance expenses		
Interest expense*	115,019	105,089
Exchange loss, net	<u>1,183</u>	<u>1,450</u>
	<u>116,202</u>	<u>106,539</u>

*Interest expense includes early settlement fees amounted to AED 23,135 thousand (2014: AED 17,092 thousand) (Note 15) and interest cost on defined benefit obligations amounted to AED 6,709 thousand (2014: Nil) (Note 16).

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Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

24 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 n licensed revenue	17.5%	20%	25%	30%	30%
			2015 AED 000	2014 AED 000	
Total revenue for the year			12,337,048	12,238,365	
Broadcasting revenue for the year (Note 30)			(160,551)	(162,224)	
Other allowable deductions			(2,966,229)	(3,157,711)	
Total adjusted revenue			9,210,268	8,918,430	
Profit before royalty			3,861,911	3,701,543	
Allowable deductions			(80,546)	-	
Total regulated profit			3,781,365	3,701,543	
Charge for royalty: 12.5% (2014:10%) of the total adjusted revenue plus 30% (2014: 25%) of net regulated profit for the year before distribution after deducting 12.5% (2014: 10%) of the total adjusted revenue.			1,940,308	1,594,268	
Adjustments to charge			(19,750)	(2,074)	
			1,920,558	1,592,194	

During the current year, the Group adjusted the royalty accruals 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. Accruals for royalty for the current year has also been based on these new Guidelines.

Movement in the royalty accruals is as follows:

	2015 AED 000	2014 AED 000
At 1 January	1,594,268	1,075,047
Payment made during the year	(1,562,257)	(1,072,973)
Charge for the year	1,920,558	1,592,194
At 31 December	1,952,569	1,594,268

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

25 Earnings per share

Profit for the year (AED 000)	1,941,353	2,109,349
Weighted average number of shares	4,571,428,571	4,571,428,571
Basic and diluted earnings per share (AED)	<u>0.42</u>	<u>0.46</u>

26 Changes in working capital

	2015 AED 000	2014 AED 000
Change in:		
Inventories	66,946	(93,933)
Trade and other receivables	205,843	(269,179)
Trade and other payables	(214,110)	195,773
Due from related parties	30,430	(494)
Due to related parties	28,071	(21,317)
Payment of employees' end of service benefits	(14,030)	(21,244)
Net changes in working capital	<u>103,150</u>	<u>(210,394)</u>

27 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 856,353 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 13).

28 Financial instruments

28.1 Credit risk

Exposure to credit risk

The carrying amount and the fair values of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount		Fair values	
		2015 AED 000	2014 AED 000	2015 AED 000	2014 AED 000
Trade and other receivables	10	1,086,227	1,293,891	1,086,227	1,293,891
Due from related parties	11	397,145	466,475	397,145	466,475
Short term investments	12	6,200,000	5,840,000	6,200,000	5,840,000
Cash and bank balances	13	163,288	192,737	163,288	192,737
		<u>7,846,660</u>	<u>7,793,103</u>	<u>7,846,660</u>	<u>7,793,103</u>

For the purpose of the exposure to credit risk on financial assets disclosure, non-financial assets amounting to AED 362,132 thousand (2014: AED 415,602 thousand) have been excluded from trade and other receivables.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28 Financial instruments (continued)

28.1 Credit risk (continued)

Impairment of trade receivables

The ageing of trade receivables is as follows:

	Gross 2015 AED 000	Impaired 2015 AED 000	Gross 2014 AED 000	Impaired 2014 AED 000
Not past due	765,696	(2,875)	735,556	(12,084)
Past due 0-30 days	309,334	(6,625)	390,709	(11,622)
Past due 31-180 days	396,020	(95,048)	318,727	(69,101)
More than 181 days	452,861	(378,249)	454,403	(332,925)
	<u>1,923,911</u>	<u>(482,797)</u>	<u>1,899,395</u>	<u>(425,732)</u>

The impairment provision in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off against the financial asset directly.

28.2 Liquidity risk

The following are the contractual maturities of financial liabilities along with fair values:

31 December 2015

	Fair values AED 000	Carrying amount AED 000	Total AED 000	Contractual cash flows			
				6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	4,491,458	4,491,458	4,694,236	108,583	93,980	840,415	3,651,258
Trade payables and accruals	1,823,253	1,823,253	1,823,253	1,823,253	-	-	-
Due to other telecommunication operators	679,270	679,270	679,270	679,270	-	-	-
Customer deposits	133,584	133,584	133,584	133,584	-	-	-
Employee benefit accruals	179,099	179,099	179,099	179,099	-	-	-
Retention payable	13,004	13,004	13,004	13,004	-	-	-
Accrued royalty	1,952,569	1,952,569	1,952,569	1,952,569	-	-	-
Due to related parties	28,071	28,071	28,071	28,071	-	-	-
Others	422	422	422	422	-	-	-
	<u>9,300,730</u>	<u>9,300,730</u>	<u>9,503,508</u>	<u>4,917,855</u>	<u>93,980</u>	<u>840,415</u>	<u>3,651,258</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28 Financial instruments (continued)

28.2 Liquidity risk (continued)

31 December 2014

	Fair values AED 000	Carrying amount AED 000	Total AED 000	Contractual cash flows			
				6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	4,430,598	4,430,598	4,635,220	147,447	499,902	765,377	3,222,494
Trade payables and accruals	2,075,729	2,075,729	2,075,729	2,075,729	-	-	-
Due to other telecommunication operators	672,952	672,952	672,952	672,952	-	-	-
Customer deposits	129,030	129,030	129,030	129,030	-	-	-
Employee benefit accruals	197,051	197,051	197,051	197,051	-	-	-
Retention payable	13,876	13,876	13,876	13,876	-	-	-
Accrued royalty	1,594,268	1,594,268	1,594,268	1,594,268	-	-	-
Others	73,944	73,944	73,944	73,944	-	-	-
	<u>9,187,448</u>	<u>9,187,448</u>	<u>9,392,070</u>	<u>4,904,297</u>	<u>499,902</u>	<u>765,377</u>	<u>3,222,494</u>

28.3 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

	31 December 2015			31 December 2014		
	Thousand			Thousand		
	USD	EUR	GBP	USD	EUR	GBP
Trade receivables	76,441	12,400	361	122,181	8,984	5,530
Trade payables	<u>(109,224)</u>	<u>(595)</u>	<u>(1,199)</u>	<u>(260,152)</u>	<u>(10,221)</u>	<u>(967)</u>
Net balance sheet exposure	<u>(32,783)</u>	<u>11,805</u>	<u>(838)</u>	<u>(137,971)</u>	<u>(1,237)</u>	<u>4,563</u>

The following significant exchange rates against AED have been applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD 1	3.6735	3.6735	3.6735	3.6735
EUR 1	4.1068	4.9147	3.9888	4.4444
GBP 1	5.6471	6.0701	5.4134	5.7215

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28 Financial instruments (continued)

28.3 Currency risk (continued)

Sensitivity analysis

A 10 percent strengthening of the AED against the following currencies at 31 December would have increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2015 AED 000	2014 AED 000
Increase/(decrease) in profit		
USD	12,043	50,678
EURO	(4,848)	550
GBP	473	(2,611)

Conversely a 10 percent weakening of the AED against the above currencies at 31 December will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

28.4 Interest rate risk

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments was:

	Carrying Amount	
	2015 AED 000	2014 AED 000
Variable interest rate instruments		
Bank borrowings	4,297,995	4,044,103
Buyer credit arrangements	193,463	386,495
	<u>4,491,458</u>	<u>4,430,598</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2015 AED 000	2014 AED 000
Decrease in profit		
Variable interest rate instruments	28,389	43,495

Conversely a decrease in interest rates by 100 basis points will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

During the year the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. Hedged portion of the bank term loans is not included in the sensitivity analysis (Note 9).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28 Financial instruments (continued)

28.5 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2015 AED 000	2014 AED 000
Loans and receivables		
Trade and other receivables	1,086,227	1,293,891
Due from related parties	397,145	466,475
Short term investments	6,200,000	5,840,000
Cash and bank balances	163,288	192,737
	<u>7,846,660</u>	<u>7,793,103</u>
 Borrowings		
Trade and other payables	4,491,458	4,430,598
Due to related parties	4,781,201	4,756,850
	28,071	-
	<u>9,300,730</u>	<u>9,187,448</u>

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to AED 362,132 thousand and AED 545,779 thousand, respectively (2014: AED 415,602 thousand and AED 573,237 thousand, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

29 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The following table presents the recognised financial instruments that are offset, as at 31 December 2015 and 31 December 2014.

	31 December 2015			31 December 2014		
	Gross amounts set off in the balance sheet AED 000	Gross amounts set off in the balance sheet AED 000	Net amount presented in the balance sheet AED 000	Gross amounts set off in the balance sheet AED 000	Gross amounts set off in the balance sheet AED 000	Net amount presented in the balance sheet AED 000
Financial assets						
Trade and other receivables	1,883,156	(434,797)	1,448,359	1,956,519	(247,026)	1,709,493
Total	<u>1,883,156</u>	<u>(434,797)</u>	<u>1,448,359</u>	<u>1,956,519</u>	<u>(247,026)</u>	<u>1,709,493</u>
Financial liabilities						
Trade and other payables	5,761,777	(434,797)	5,326,980	5,577,113	(247,026)	5,330,087
Total	<u>5,761,777</u>	<u>(434,797)</u>	<u>5,326,980</u>	<u>5,577,113</u>	<u>(247,026)</u>	<u>5,330,087</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

30 Segment analysis

The Group has operations only 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 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 data services to national and international carriers and operators. Services include termination of inbound international voice traffic, international roaming agreements and point-to-point leased line connectivity.
- Broadcasting segment delivers integrated satellite and broadcasting services to broadcasters and media companies.

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.

31 December 2015

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	8,989,984	2,554,834	631,679	160,551	12,337,048
Segment contribution	6,396,075	2,058,633	135,849	59,734	8,650,291
Unallocated costs					(4,791,305)
Finance income and expenses, other income, share of profit of investment in associate					2,925
Profit before royalty					3,861,911
Royalty					(1,920,558)
Profit for the year					1,941,353

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Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

30 Segment analysis (continued)

31 December 2014

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>9,175,190</u>	<u>2,245,788</u>	<u>655,163</u>	<u>162,224</u>	<u>12,238,365</u>
Segment contribution	<u>6,110,453</u>	<u>1,786,618</u>	<u>153,274</u>	<u>57,796</u>	<u>8,108,141</u>
Unallocated costs					(4,398,346)
Finance income and expenses, other income, share of loss of investment in associate					<u>(8,252)</u>
Profit before royalty					3,701,543
Royalty					<u>(1,592,194)</u>
Profit for the year					<u>2,109,349</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.