Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated financial statements for the nine month period ended 30 September 2014

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Condensed interim consolidated financial statements

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Report on review of condensed interim consolidated financial information

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC and its subsidiaries (the 'Company') as at 30 September 2014 and the related condensed interim consolidated statements of comprehensive income for the three and nine month periods then ended and statement of changes in equity and cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standards No. 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 and condensed interim consolidated financial statements for the nine month period ended 30 September 2013 were audited and reviewed, respectively, by another auditor, whose reports dated 17 February 2014 and 30 October 2013, expressed an unqualified audit opinion and review conclusion, respectively.

PricewaterhouseCoopers

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates
27 October 2014

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Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

	Note	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Non-current assets			
Property, plant and equipment	*4*	7,840,392	7,872,918
Equity accounted investment	*5*	56,619	56,913
Goodwill	*6.1*	549,050	549,050
Other intangible assets	*6.2*	607,887	632,996
Total non-current assets		9,053,948	9,111,877
Current assets			
Inventories		73,589	56,251
Trade and other receivables	*7*	1,958,227	1,725,980
Due from related parties	*8*	452,882	408,098
Short term investments	*9*	4,640,000	4,485,000
Cash and cash equivalents	*10*	230,214	393,783
Total current assets		7,354,912	7,069,112
Current liabilities			
Trade and other payables	*11*	4,630,833	4,798,859
Due to related parties	*8*	3,546	21,317
Current portion of long term borrowings	*12*	207,114	1,031,651
Total current liabilities		4,841,493	5,851,827
Net current assets		2,513,419	1,217,285
Non-current liabilities			
Provision for employees' end of service benefits	*13*	149,744	143,697
Long term borrowings	*12*	3,985,093	2,943,799
Provisions	*14*	106,489	97,989
Total non-current liabilities		4,241,326	3,185,485
Net assets		7,326,041	7,143,677
Represented by:			
Share capital and reserves			
Share capital	*15*	4,571,429	4,571,429
Share premium	*16*	393,504	393,504
Share based payment reserve	*17*	96,395	93,581
Statutory reserve	*18*	823,890	664,221
Proposed dividend		-	868,571
Retained earnings		1,440,823	552,371
Total equity		7,326,041	7,143,677

The condensed interim consolidated financial statements were approved by the Board of Directors on 27 October 2014 and signed on its behalf by:

Ahmad bin Byat
Chairman

Osman Sultan
Chief Executive Officer

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

Condensed interim consolidated statement of comprehensive income

	Note	Reviewed nine month period ended 30 September 2014 AED 000	Reviewed nine month period ended 30 September 2013 AED 000	Reviewed three month period ended 30 September 2014 AED 000	Reviewed three month period ended 30 September 2013 AED 000
Revenue	*26*	9,013,401	7,929,898	3,034,445	2,643,344
Cost of sales		(3,050,062)	(2,602,578)	(997,759)	(861,063)
Gross profit		5,963,339	5,327,320	2,036,686	1,782,281
General and administrative expenses	*19*	(3,167,456)	(3,015,643)	(1,068,744)	(1,017,202)
Other income		7,257	15,721	1,954	7,776
Operating profit		2,803,140	2,327,398	969,896	772,855
Finance income	*20*	66,702	35,785	22,987	13,542
Finance expense	*20*	(83,597)	(66,006)	(20,540)	(18,834)
Share of loss of equity accounted investment	*5*	(294)	-	(619)	-
Profit before royalty		2,785,951	2,297,177	971,724	767,563
Royalty	*22*	(1,189,259)	(881,053)	(413,041)	(293,249)
Profit for the period		1,596,692	1,416,124	558,683	474,314
Total profit and comprehensive income attributable to shareholders of the Company		1,596,692	1,416,124	558,683	474,314
Basic and diluted earnings per share (AED)	*23*	0.35	0.31	0.12	0.10

There has been no other comprehensive income for the three and nine month periods ended 30 September 2014 and 2013.

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

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of cash flows

	Note	Reviewed nine month period ended 30 September 2014 AED 000	2013 AED 000
Cash flows from operating activities			
Profit for the period		1,596,692	1,416,124
Adjustments for:			
Depreciation of property, plant and equipment		845,435	793,898
Amortisation of IT software		80,975	83,083
Amortisation of other intangible assets		26,201	22,586
Provision for employees' end of service benefits		21,894	34,835
Impairment of property, plant and equipment and inventories		16,122	(505)
Finance income and expense, net		16,046	30,221
Equity-settled share based payment transactions		2,814	5,206
Share of loss of equity accounted investment		294	-
Changes in working capital	*24*	(197,990)	(95,446)
Net cash generated from operating activities		2,408,483	2,290,002
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,064,113)	(919,147)
Purchase of IT software		(84,736)	(118,448)
Advance towards investment		-	(21,543)
Short term investments placed		(155,000)	(2,335,000)
Net cash used in investing activities		(1,303,849)	(3,394,138)
Cash flows from financing activities			
Long term borrowings acquired		3,099,341	1,695,454
Repayment of long term borrowings		(2,882,584)	(600,831)
Payment on behalf of founding shareholders		(51,772)	(150,991)
Finance income		66,702	35,785
Finance expense		(82,748)	(66,006)
Dividend paid		(1,417,142)	(2,377,143)
Net cash used in financing activities		(1,268,203)	(1,463,732)
Net decrease in cash and cash equivalents		(163,569)	(2,567,868)
Cash and cash equivalents at 1 January		393,783	2,688,644
Cash and cash equivalents at 30 September		230,214	120,776

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

Condensed interim consolidated statement of changes in equity

	Share capital (Note 15) AED 000	Share premium (Note 16) AED 000	Share based payment reserve (Note 17) AED 000	Statutory reserve (Note 18) AED 000	Proposed dividend AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2013	4,571,429	393,504	86,780	465,581	1,371,429	638,896	7,527,619
Total profit and comprehensive income for the period	-	-	-	-	-	1,416,124	1,416,124
Total	4,571,429	393,504	86,780	465,581	1,371,429	2,055,020	8,943,743
Transfer to share based payment reserve	-	-	5,206	-	-	-	5,206
Transfer to statutory reserve	-	-	-	141,612	-	(141,612)	-
Cash dividend paid	-	-	-	-	(2,377,143)	-	(2,377,143)
Interim cash dividend[1]	-	-	-	-	548,571	(548,571)	-
Special cash dividend	-	-	-	-	457,143	(457,143)	-
Total transaction with shareholders recognised directly in equity	-	-	5,206	141,612	(1,371,429)	(1,147,326)	(2,371,937)
At 30 September 2013	4,571,429	393,504	91,986	607,193	-	907,694	6,571,806
At 1 January 2014	4,571,429	393,504	93,581	664,221	868,571	552,371	7,143,677
Total profit and comprehensive income for the period	-	-	-	-	-	1,596,692	1,596,692
Total	4,571,429	393,504	93,581	664,221	868,571	2,149,063	8,740,369
Transfer to share based payment reserve	-	-	2,814	-	-	-	2,814
Transfer to statutory reserve	-	-		159,669	-	(159,669)	-
Cash dividend paid	-	-		-	(1,417,142)		(1,417,142)
Interim cash dividend[1]	-	-	-	-	548,571	(548,571)	-
Total transaction with shareholders recognised directly in equity	-	-	2,814	159,669	(868,571)	(708,240)	(1,414,328)
At 30 September 2014	4,571,429	393,504	96,395	823,890	-	1,440,823	7,326,041

(1) An interim cash dividend of AED 0.12 per share *(2013:AED 0.12 per share)* amounting to AED 548,571 was approved by the shareholders.

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

1 Legal status and principal activities

Emirates Integrated Telecommunications Company PJSC is a public joint stock company with limited liability. Emirates Integrated Telecommunications Company PJSC was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005 and was registered in the commercial register under No. 77967. The principal address of Emirates Integrated Telecommunications Company PJSC is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed interim consolidated financial statements include the financial statements of Emirates Integrated Telecommunications Company PJSC and its subsidiaries ("the Company") for the nine month period ended 30 September 2014.

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

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

During the period ended 30 September 2014, the Company established a sub-subsidiary; Telco Operations FZ-LLC incorporated on 24 April 2014 which is wholly owned by EITC Investment Holdings Limited. The principle activity of this entity is telecommunications and network development. This entity started its operations during June 2014.

2 Basis of preparation

i Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting'. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended 31 December 2013. The condensed interim consolidated financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

ii New and amended standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual period beginning after 1 January 2014 but are not relevant in preparing these condensed interim consolidated financial statements as follows:

2 Basis of preparation (continued)

ii New and amended standards and interpretations (continued)

Standards/amendments/interpretation	Effective date
Amendments to IFRS 10, IFRS 12 and IAS 27 – Exception from consolidation for 'investment entities'	Annual periods beginning on or after 1 January 2014
Amendments to IAS 32 'Financial instruments: Presentation', offsetting financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014
Amendments to IAS 36, 'Impairment of assets', recoverable amount disclosures for non-financial assets	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39 'Financial instruments; Recognition and measurement' novation of derivatives and continuation of hedge accounting	Annual periods beginning on or after 1 January 2014
IFRIC 21, 'Levies'	Annual periods beginning on or after 1 January 2014

iii Key new or amended standards which have been issued but not yet effective are as follows:

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 IFRS is effective for annual periods beginning on or after 1 January 2017 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. The Company is yet to assess full impact of this new IFRS on its operations. It expects to apply this IFRS from 1 January 2017.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 'Financial Instruments; Recognition and Measurement' to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The Company does not plan to early adopt new or amended standards or interpretations already issued but not effective as of 1 January 2014.

iv Basis of consolidation

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

2 Basis of preparation (continued)

v Basis of measurement

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

vi Functional and presentation currency

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

vii Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares.

viii Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed interim consolidated financial statements as compared with the Company's recent annual audited consolidated financial statements as at and for the year ended 31 December 2013.

There are no changes in the accounting policies during the nine month period ended 30 September 2014.

4 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2014	47,208	10,867,711	230,112	1,482	1,152,512	12,299,025
Additions	-	453,145	6,986	87	356,591	816,809
Transfers	-	88,341	-	-	(88,341)	-
Disposal / write off	-	(6,538)	(2,148)	(33)	-	(8,719)
At 30 September 2014	47,208	11,402,659	234,950	1,536	1,420,762	13,107,115
Depreciation/ impairment / provision for obsolescence						
At 1 January 2014	17,507	4,205,491	189,777	1,482	11,850	4,426,107
Charge for the period	1,670	825,527	18,234	4	-	845,435
Disposal / write off	-	(6,538)	(1,866)	(33)	-	(8,437)
Impairment / provision for obsolescence (reversal)	-	4,345	-	-	(727)	3,618
At 30 September 2014	19,177	5,028,825	206,145	1,453	11,123	5,266,723
Net book value						
At 30 September 2014	28,031	6,373,834	28,805	83	1,409,639	7,840,392
Net book value						
At 31 December 2013	29,701	6,662,220	40,335	-	1,140,662	7,872,918

The carrying amount of the Company's buildings include a nominal amount of AED 1 *(2013:* AED 1*)* in relation to land granted to the Company by the UAE Government.

5 Equity accounted investment

In the year 2013, the Company acquired 10% shares in Khazna Data Center Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

The Company owns less than 20% of the voting rights in Khazna Data Center Limited but the Company has determined that it has significant influence as it has one third representation on the Board of the investee.

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Carrying amount of interest in the Associate	56,619	56,913
Share of loss from continuing operations	(294)	(313)

6 Goodwill and other intangible assets

6.1 Goodwill

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

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Goodwill	549,050	549,050

Goodwill is allocated to two Cash Generating Units, being the broadcasting operations and the fixed line business, and is tested for impairment annually. The key assumptions for the value-in-use calculations at 31 December 2013 included a discount rate of 8.09% and a terminal growth rate of 3%. The discount rate was a post-tax measure based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 16.5% at a market interest rate of 10.1%.

6 Goodwill and other intangible assets (continued)

6.2 Other intangible assets

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

	IT software	Telecommunication licence fee	Indefeasible right of use	Reviewed 30 September 2014 Total	Audited 31 December 2013 Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Opening balance	351,285	75,553	206,158	632,996	612,170
Additions during the period/year	59,853	-	22,216	82,069	174,294
Amortisation / impairment for the period/year	(80,975)	(4,573)	(21,628)	(107,176)	(154,027)
Write off/ disposals	(2)	-	-	(2)	559
Closing balance	330,161	70,980	206,746	607,887	632,996

IT software is split between 'software in use' (AED 215,131 thousands) and 'capital work in progress' (AED 115,030 thousands). During the period, AED 22,170 thousand was transferred from 'capital work in progress' to 'software in use'.

Telecommunication licence fees represent the fees charged by the Telecommunications Regulatory Authority to the Company to grant the licence 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 licence, from the date of granting the licence.

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.

7 Trade and other receivables

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Trade receivables	896,617	797,085
Less: provision for impairment of trade receivables	(410,850)	(417,670)
	485,767	379,415
Due from other telecommunications operators, net of provision for impairment	306,279	350,283
Unbilled revenue	566,663	473,406
Total trade receivables, net (note 7.1)	1,358,709	1,203,104
Advances to suppliers	242,377	262,542
Prepayments	267,849	203,837
Deferred fees (note 7.2)	42,723	84
Other receivables	46,569	56,413
	1,958,227	1,725,980

7.1 - The majority of the provision for impairment of trade receivables is against balances more than 180 days overdue. At 30 September 2014, AED 308,761 thousands of receivables are more than 180 days overdue against which impairment provision of AED 292,369 thousands is carried. (31 December 2013: AED 479,750 thousands and AED 331,254 thousands, respectively).

7.2 - An annual licence fee is charged in respect of the telecommunications licence awarded. Numbering fees are charged for the allocation of the right of use of mobile and fixed number ranges. Spectrum fees are charged for the authorisation of various frequencies used by the Company.

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

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Opening balance	417,670	352,913
Provision for impairment, net	63,568	78,509
Write-off during the period/year	(70,388)	(13,752)
Closing balance	410,850	417,670

8 Related party balances and transactions

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

Related party balances

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Due from related parties		
Axiom Telecom LLC	204,355	197,024
Founding shareholders	248,527	196,755
Others	-	14,319
	452,882	408,098
Due to related parties		
Tecom Investments FZ LLC	3,546	17,161
Others	-	4,156
	3,546	21,317

Related party transactions

All transactions with related parties are carried out at commercial rates. Telecom services to related parties are provided at normal market value and are excluded from reportable related party transactions. The following table reflects the gross value of transactions with related parties.

	Reviewed nine month period ended 30 September	
	2014 AED 000	2013 AED 000
Tecom Investments FZ LLC:		
Office rent and services	51,930	53,836
Infrastructure cost	16,082	14,418
Axiom Telecom LLC– Authorised distributor – net sales	2,373,206	1,737,688
Injazat Data Systems LLC – Data centre – rent and services	9,725	8,850

8 Related party balances and transactions (continued)

Key management compensation

	Reviewed nine month period ended 30 September	
	2014	2013
	AED 000	AED 000
Short term employee benefits	30,424	22,728
Employees' end of service benefits	616	992
Post-employment benefits	826	416
Long term incentives	4,377	1,459
Directors' remuneration	6,804	6,804
	43,047	32,399

9 Short term investments

	Reviewed 30 September 2014	Audited 31 December 2013
	AED 000	AED 000
Short term investments	4,640,000	4,485,000

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

10 Cash and cash equivalents

	Reviewed 30 September 2014	Audited 31 December 2013
	AED 000	AED 000
Cash at bank (on deposit and call accounts)	229,763	393,384
Cash on hand	451	399
	230,214	393,783

11 Trade and other payables

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Trade payables and accruals	1,867,762	2,048,381
Due to other telecommunications operators	772,905	892,609
Accrued royalty	1,191,333	1,075,047
Deferred revenue	528,934	469,375
Customer deposits	124,928	120,896
Payroll accruals	131,545	178,261
Retention payable	13,112	13,976
Others	314	314
	4,630,833	4,798,859

12 Long term borrowings

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Long term bank borrowings (i), (ii) and (iii)	3,805,712	3,379,454
Buyer credit arrangements (iv)	386,495	595,996
	4,192,207	3,975,450
Less: Current portion of long term bank borrowings	-	(808,170)
Current portion of buyer credit arrangement	(207,114)	(223,481)
	3,985,093	2,943,799

(i) Total facility of AED 2,644.9 million (USD 720.0 million). During the period ended 30 September 2014, the Company settled in full term loans of AED 808.2 million (USD 220 million) and AED 1,836.7 million (USD 500 million), respectively. The facilities carried an interest rate of LIBOR+ 1.45% and LIBOR+1.75% per annum, respectively and were unsecured. However, during the same period, the Company secured another facility of AED 2,644.6 million (USD 720.0 million). This facility is to be repaid in six bi-annual instalments commencing 14 October 2016 and carries an interest rate of LIBOR+1.20% per annum. The facility is unsecured.

(ii) Total facility of AED 550.95 million (USD 150 million).Total facility of AED 367.3 million (USD 100 million) is to be repaid in full on the final maturity date (12 December 2015) and carried an interest rate of LIBOR+1.6-% per annum until it was revised to LIBOR+1.15% per annum during the period ended 30 September 2014. An additional facility of AED 183.65 million (USD 50 million) was obtained during the period ended 30 September 2014. This is to be repaid in full on the final maturity date (13 April 2017) and carries an interest rate of LIBOR+1.25% per annum. AED 544.1 million (USD 148.1 million) has been utilised as of the period end. The facilities are unsecured

12 Long term borrowings (continued)

(iii) Total facility of AED 1.10 billion (USD 300 million). The Company initially had a facility of AED 367.3 million (USD 100 million) from a lender which carried interest of LIBOR+ 1.82% per annum. During the period ended 30 September 2014, the Company secured another facility of AED 1.10 billion (USD 300 million). This facility is to be repaid in 6 bi-annual payments commencing 30 September 2016. It carries an interest rate of LIBOR+1.15% per annum and is unsecured. A portion (USD 100 million) of this facility was utilised to refinance the initial facility of AED 367.3 million (USD 100 million) from the same lender. AED 616.7 million (USD 167.9 million) has been utilised as at the period end.

(iv) The Company has utilised the following buyer credit arrangements obtained from three suppliers:

(a) An original facility of AED 987.1 million (USD 268.7 million), of which AED 73.4 million (USD 20.0 million) remains as at 30 September 2014. The facility is being repaid in ten equal bi-annual instalments commencing January 2011. The facility carries an average interest rate of LIBOR + 1.5% per annum. AED 73.6 million (USD 20.0 million) was repaid during the period ended 30 September 2014.

(b) An original facility of AED 760.4 million (USD 207.0 million), of which is AED 299.0 million (USD 81.4 million) remains as at 30 September 2014. The facility is being repaid in ten equal bi-annual instalments commencing September 2012. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 119.6 million (USD 32.6 million) has been repaid during the period ended 30 September 2014.

(c) An original facility AED 112.2 million (USD 30.54 million), of which AED 14.1 million (USD 3.8 million) remains as at 30 September 2014. The facility is being repaid in five bi-annual instalments commencing September 2012. The facility carries no interest. AED 28.2 million (USD 7.7 million) was drawn and AED 44.4 million (USD 12.1 million) has been repaid during the period ended 30 September 2014.

13 Provision for employees' end of service benefits

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Opening balance	143,697	122,682
Charge for the period/year	21,894	42,030
Payments made during period/year	(15,847)	(21,015)
Closing balance	149,744	143,697

14 Provisions

In the course of the Company'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.

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Asset retirement obligations		
Opening balance	97,989	95,638
Additions during period/year	5,068	3,415
Unwinding/(adjustment of discount)	3,432	(1,064)
Closing balance	106,489	97,989

15 Share capital

	Reviewed 30 September 2014	Audited 31 December 2013
Authorised, issued and fully paid up shares (par value AED 1 each)	4,571,428,571	4,571,428,571

16 Share premium

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Premium on issue of common share capital	393,504	393,504

17 Share based payment reserve

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Share based payment reserve	96,395	93,581

The Company has in place an Executive Share Option Plan ("ESOP") for selected senior managers to receive equity settled share options of the Company. The ESOP consisted of annual grant schemes, with the last grants in 2011.

Options in the ESOP vest upon completion of a defined service period, generally 3 years from the grant date, and expire on the earlier of their expiry date, generally 3 years from vesting or termination of the executives' employment. There are no voting or dividend rights attached to the options. The exercise price is determined by taking the average of the daily closing share price of the 30 calendar days preceding the share scheme service period commencement date.

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

30 September 2014
Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 30 September 2014 are shown in the table below:

Share scheme	**Options granted (000)**	**Options forfeited (000)** [(1)]	**Options exercised (000)**	**Options outstanding (000)**	**Commencement date**	**Vesting Date**	**Expiry Date**[(3)]
Annual grant scheme 2008	25,275	5,385	19,681	209	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2010	27,554	5,798	19,650	2,106	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	5,902	17,025	4,559	01 Jul 2011	30 Jun 2014	30 Jun 2017
Annual grant scheme 2011[(2)]	1,482	680	-	802	16 Jan 2012	16 Jan 2015	15 Jan 2018

1. Forfeited due to executives leaving the Company.
2. Issuance of pro-rated options to new executive positions for the 2011 grant scheme.
3. For options issued to new executives after the scheme commencement date, the expiry date is 3 years from the date of issue of the options.

17 Share based payment reserve (continued)

The fair value and assumptions used to calculate the fair value of the options are:

Share scheme	Fair value per option (AED)	Stock price at measure ment date (AED)	Expected volatility	Risk-free interest rate	Employee retention rate
Launch grant scheme	1.55	2.51	50%	1.00%	100%
Annual grant scheme 2007	0.28	2.51	47%	1.75%	100%
Annual grant scheme 2008	0.28	2.51	42%	2.50%	100%
Annual grant scheme 2009	0.93	2.51	42%	2.50%	100%
Annual grant scheme 2010	0.63	1.91	42%	1.25%	100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	100%
Annual grant scheme 2011*(1)*	0.60	2.85	28%	1.00%	100%

1. issuance of pro-rated options to new executive positions for the 2011 grant scheme.

31 December 2013

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 31 December 2013 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) (1)	Options exercised (000)	Options outstanding (000)	Commencement date	Vesting Date	Expiry Date(3)
Launch grant scheme	16,269	250	16,019	-	22 Apr 2006	21 Apr 2009	21 Apr 2012
Annual grant scheme 2007	17,066	3,287	13,683	96	01 Jul 2007	30 Jun 2010	30 Jun 2013
Annual grant scheme 2008	25,275	5,385	17,683	2,207	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2009	27,587	2,447	24,257	883	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	5,798	19,036	2,720	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	5,480	-	22,006	01 Jul 2011	30 Jun 2014	30 Jun 2017
Annual grant scheme 2011(2)	1,482	680	-	802	16 Jan 2012	16 Jan 2015	15 Jan 2018

1. Forfeited due to executives leaving the Company.
2. Issuance of pro-rated options to new executive positions for the 2011 grant scheme.
3. For options issued to new executives after the scheme commencement date, the expiry date is 3 years from the date of issue of the options

The fair value and assumptions used to calculate the fair value of the options is the same as the previous period.

18 Statutory reserve

In accordance with the UAE Federal Law No. 8 of 1984 (as amended) and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

	Reviewed 30 September 2014 AED 000	Audited 31 December 2013 AED 000
Opening balance	664,221	465,581
Transfer to statutory reserve during the period/year	159,669	198,640
Closing balance	823,890	664,221

19 General and administrative expenses

	Reviewed nine month period ended 30 September	
	2014 AED 000	2013 AED 000
Payroll and employee related expenses	633,211	607,556
Outsourcing and contracting	352,224	343,555
Consulting	29,165	15,436
Telecommunications license and related fees	230,748	200,455
Sales and marketing	188,528	181,478
Depreciation and amortisation	952,611	899,567
Network operation and maintenance	562,035	579,970
Rent and utilities	59,577	80,461
Provision for impairment of receivables	63,976	44,658
Impairment of property, plant and equipment and inventories	16,122	(505)
Miscellaneous expenses	79,259	63,012
	3,167,456	3,015,643

20 Finance income and expense

	Reviewed nine month period ended 30 September	
	2014	2013
	AED 000	AED 000
Finance income		
Interest income	66,702	35,785
Finance expense		
Interest expense	82,748	66,030
Exchange loss / (gain), net	849	(24)
	83,597	66,006

21 Other income, net

Other income in the current period includes AED 5.2 million (*2013: 4.2 million)* relating to sublease of capacity to certain operators.

22 Royalty

The Company received confirmation via a letter dated 10 December 2012 from the UAE Ministry of Finance for the Royalty payable for the years ended 31 December 2012 through to 31 December 2016.

The applicable rates are as follows:-

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

	Reviewed nine month period ended 30 September	
	2014	2013
	AED 000	AED 000
Total revenue for the period (note 26)	9,013,401	7,929,898
Broadcasting revenue for the period (note 26)	(121,666)	(137,238)
Other allowable deductions	(2,350,269)	(830,072)
Total adjusted revenue	6,541,466	6,962,588

22 Royalty (continued)

	Reviewed nine month period ended 30 September	
	2014	2013
	AED 000	AED 000
Profit before royalty	2,785,951	2,297,177
Provision for royalty: 10% *(2013: 7.5%)* of the total adjusted revenue plus 25% *(2013: 20%)* of the net profit for the period before distribution after deducting 10% of the total licenced revenue.	1,187,098	877,190
Additional provision for the year 2013 / 2012	2,161	3,863
	1,189,259	881,053

The movement in the accrual for royalty is as follows:

	Reviewed 30 September 2014	Audited 31 December 2013
	AED 000	AED 000
Opening balance	1,075,047	843,961
Transfer to trade and other payables	(1,072,973)	(796,363)
Adjustment for refund relating to the year 2012	-	(47,598)
Provision for the period/year	1,189,259	1,075,047
Closing balance	1,191,333	1,075,047

23 Earnings per share

	Reviewed nine month period ended 30 September	
	2014	2013
Profit for the period (AED 000)	1,596,692	1,416,124
Weighted average number of shares ('000)	4,571,429	4,571,429
Basic and diluted earnings per share (AED)	0.35	0.31

24 Changes in working capital

	Reviewed nine month period ended 30 September	
	2014	2013
	AED 000	AED 000
Change in inventories	(17,338)	(8,935)
Change in trade and other receivables	(232,247)	(183,057)
Change in amounts due from related parties	6,988	42,256
Change in trade and other payables	78,225	97,691
Change in amounts due to related parties	(17,771)	(25,203)
Payment of employee benefits	(15,847)	(18,198)
Net changes in working capital	(197,990)	(95,446)

25 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,086,768 thousand and AED 11,123 thousand, respectively *(2013: AED 928,697 thousand and AED 15,306 thousand respectively).*

26 Segment analysis

30 September 2014

	Mobile	**Fixed**	**Wholesale**	**Broadcasting**	**Total**
	AED 000	**AED 000**	**AED 000**	**AED 000**	**AED 000**
Segment revenue	6,735,563	1,650,291	505,881	121,666	9,013,401
Segment gross profit	4,490,411	1,313,641	113,757	45,530	5,963,339
Unallocated costs					(3,167,456)
Finance income and expense, other income, net and share of loss of equity accounted investment.					(9,932)
Profit before royalty					2,785,951
Royalty					(1,189,259)
Profit for the period					1,596,692

26 Segment analysis (continued)

30 September 2013

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	6,170,514	1,252,481	369,665	137,238	7,929,898
Segment gross profit	4,176,448	1,009,113	83,127	58,632	5,327,320
Unallocated costs					(3,015,643)
Finance income and expense & other income, net					(14,500)
Profit before royalty					2,297,177
Royalty					(881,053)
Profit for the period					1,416,124

The Company'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 Company 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.