Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated financial statements for the nine-month period ended 30 September 2015

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

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 (the 'Company') and its subsidiaries (together 'the Group') as at 30 September 2015 and the related condensed interim consolidated statements of comprehensive income for the three and nine month periods then ended and condensed interim consolidated statements of changes in equity and cash flows for the nine month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standards No. 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates
2 November 2015

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Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

	Note	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Non-current assets			
Property, plant and equipment	4	8,112,937	8,202,372
Intangible assets	5	1,179,008	1,208,949
Investment	6	110,654	107,890
Total non-current assets		9,402,599	9,519,211
Current assets			
Inventories		38,259	150,183
Trade and other receivables	7	1,567,062	1,709,493
Due from related parties	8	442,325	466,475
Short term investments	9	5,215,000	5,840,000
Cash and bank balances	10	1,210,502	192,737
Total current assets		8,473,148	8,358,888
Current liabilities			
Trade and other payables	11	5,710,228	5,330,087
Due to related parties	8	6,950	-
Borrowings	12	147,751	574,462
Total current liabilities		5,864,929	5,904,549
Net current assets		2,608,219	2,454,339
Non-current liabilities			
Borrowings	12	4,357,788	3,856,136
Provision for employees' end of service benefits	13	179,292	165,396
Provisions	14	121,765	113,279
Total non-current liabilities		4,658,845	4,134,811
Net assets		7,351,973	7,838,739
Represented by:			
Share capital and reserves			
Share capital	15	4,571,429	4,571,429
Share premium	16	393,504	393,504
Other reserves	17	1,024,245	1,792,982
Retained earnings		1,362,795	1,080,824
Total equity		7,351,973	7,838,739

The condensed interim consolidated financial statements were approved by the Board of Directors on 2 November 2015 and signed on its behalf by:

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Ahmad bin Byat **Osman Sultan**
Chairman Chief Executive Officer

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

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of comprehensive income

	Note	Reviewed nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2015 AED 000	**2014 AED 000**	**2015 AED 000**	**2014 AED 000**
Revenue		9,188,910	9,013,401	3,046,982	3,034,445
Interconnect and related costs		(2,169,353)	(2,382,677)	(689,015)	(763,875)
Staff costs		(666,243)	(638,245)	(219,124)	(218,363)
Network operation and maintenance		(543,176)	(553,264)	(185,281)	(181,577)
Product costs		(404,647)	(394,364)	(123,509)	(110,796)
Outsourcing and contracting		(356,646)	(352,224)	(116,177)	(105,424)
Commission		(252,866)	(272,834)	(75,610)	(123,088)
Telecommunication license and related fees		(257,279)	(230,748)	(86,160)	(78,169)
Marketing		(252,085)	(188,528)	(82,903)	(59,552)
Rent and utilities		(79,626)	(59,577)	(28,211)	(23,576)
Other expenses	18	(196,813)	(187,169)	(68,628)	(86,610)
Other income		5,276	7,257	5,276	1,954
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		4,015,452	3,761,028	1,377,640	1,285,369
Depreciation		(1,000,469)	(850,712)	(342,571)	(278,840)
Amortisation of intangible assets		(116,765)	(107,176)	(43,187)	(36,633)
Operating profit		2,898,218	2,803,140	991,882	969,896
Finance income	19	80,532	66,702	26,986	22,987
Finance expense	19	(106,371)	(83,597)	(47,595)	(20,540)
Share of profit/(loss) of investment accounted for using equity method		2,764	(294)	417	(619)
Profit before royalty		2,875,143	2,785,951	971,690	971,724
Royalty	20	(1,396,194)	(1,189,259)	(481,853)	(413,041)
Profit for the period		1,478,949	1,596,692	489,837	558,683
Total profit and comprehensive income attributable to shareholders of the Company		1,478,949	1,596,692	489,837	558,683
Basic and diluted earnings per share (AED)	21	0.32	0.35	0.11	0.12

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

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

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

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of cash flows

	Note	Reviewed nine-month period ended 30 September 2015 AED 000	2014 AED 000
Cash flows from operating activities			
Profit for the period before royalty		2,875,143	2,785,951
Adjustments for:			
Depreciation		1,000,469	850,712
Amortisation of intangible assets		116,765	107,176
Provision for employees' end of service benefits		24,543	21,894
Provision for impairment of trade receivables		64,006	63,976
Finance income	19	(80,532)	(66,702)
Finance expense	19	106,371	83,597
Equity-settled share based payment transactions		-	2,814
Fair value adjustment (asset retirement obligations)		2,406	3,432
Share of (profit)/loss of investment accounted for using equity method		(2,764)	294
Changes in working capital	22	(1,609,439)	(1,434,926)
Net cash generated from operating activities		2,496,968	2,418,218
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,160,401)	(1,056,700)
Purchase of intangible assets		(97,184)	(84,736)
Interest received		74,072	52,291
Margin on guarantees released		3,885	6,584
Short term investments released/(placed)		625,000	(155,000)
Net cash used in investing activities		(554,628)	(1,237,561)
Cash flows from financing activities			
Proceeds from borrowings		282,056	3,099,341
Repayment of borrowings		(207,115)	(2,882,584)
Decrease/(increase) in balance due from founding shareholders		38,900	(51,772)
Interest paid		(120,245)	(85,485)
Dividend paid		(914,286)	(1,417,142)
Net cash used in financing activities		(920,690)	(1,337,642)
Net increase/(decrease) in cash and cash equivalents		1,021,650	(156,985)
Cash and cash equivalents at 1 January		180,700	378,477
Cash and cash equivalents at 30 September		1,202,350	221,492

Non-cash transaction

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

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of changes in equity

	Share capital (Note 15) AED 000	Share premium (Note 16) AED 000	Other reserves (Note 17) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2014	4,571,429	393,504	1,626,373	552,371	7,143,677
Total profit and comprehensive income for the period	-	-	-	1,596,692	1,596,692
Total	4,571,429	393,504	1,626,373	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)
Proposed interim cash dividend[(1)]	-	-	548,571	(548,571)	-
Total transactions with shareholders recognised directly in equity	-	-	(706,088)	(708,240)	(1,414,328)
At 30 September 2014	4,571,429	393,504	920,285	1,440,823	7,326,041
At 1 January 2015	4,571,429	393,504	1,792,982	1,080,824	7,838,739
Total profit and comprehensive income for the period	-	-	-	1,478,949	1,478,949
Total	4,571,429	393,504	1,792,982	2,559,773	9,317,688
Transfer to statutory reserve	-	-	147,895	(147,895)	-
Transfer to retained earnings	-	-	(2,346)	2,346	-
Cash dividend paid	-	-	(914,286)	-	(914,286)
Proposed interim cash dividend[(1)]	-	-	594,286	(594,286)	-
Proposed special cash dividend[(2)]	-	-	457,143	(457,143)	-
Transfer to cash dividend payable	-	-	(1,051,429)	-	(1,051,429)
Total transactions with shareholders recognised directly in equity	-	-	(768,737)	(1,196,978)	(1,965,715)
At 30 September 2015	4,571,429	393,504	1,024,245	1,362,795	7,351,973

(1) An interim cash dividend of AED 0.13 per share *(2014: AED 0.12 per share*) amounting to AED 594,286 thousand *(2014: AED 548,571 thousand)* was approved by the shareholders.

(2) A special cash dividend of AED 0.10 per share (2014: Nil) amounting to AED 457,143 thousand was approved by shareholders.

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

1 General information

Emirates Integrated Telecommunications Company PJSC ("the Company") is a public joint stock company with limited liability. The Company was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed interim consolidated financial statements for the period ended 30 September 2015 include the financial statements of the Company and its subsidiaries (together "the Group").

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

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

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

2 Basis of preparation

i Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting'. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2014. The condensed interim consolidated financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

ii New standards, amendments and interpretations

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

2 Basis of preparation (continued)

ii New standards, amendments and interpretations (continued)

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

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

iii Basis of consolidation

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

iv Basis of measurement

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

v Functional and presentation currency

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

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

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

2 Basis of preparation (continued)

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

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

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

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

Reviewed nine-month period ended 30 September 2014			
Presentation of expenses by nature	**AED'000**	**Presentation of expenses by function**	**AED'000**
Interconnect and related costs	2,382,677	Cost of sales	3,050,062
Commission	272,834		
Product costs	394,364		
Other expenses	187		
	3,050,062		
Staff costs	638,245	General and administrative expenses	3,167,456
Outsourcing and contracting	352,224		
Marketing	188,528		
Network operation and maintenance	553,264		
Rent and utilities	59,577		
Telecommunication license and related fees	230,748		
Depreciation	850,712		
Amortisation of intangible assets	107,176		
Other expenses	186,982		
	3,167,456		

2 Basis of preparation (continued)

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

Reviewed three-month period ended 30 September 2014			
Presentation of expenses by nature	**AED'000**	**Presentation of expenses by function**	**AED'000**
Interconnect and related costs	763,875	Cost of sales	997,759
Commission	123,088		
Product costs	110,796		
	997,759		
Staff costs	218,363	General and administrative expenses	1,068,744
Outsourcing and contracting	105,424		
Marketing	59,552		
Network operation and maintenance	181,577		
Rent and utilities	23,576		
Telecommunication license and related fees	78,169		
Depreciation	278,840		
Amortisation of intangible assets	36,633		
Other expenses	86,610		
	1,068,744		

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

vii Earnings per share

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

2 Basis of preparation (continued)

viii Use of estimates and judgments

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

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

3 Significant accounting policies

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

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

4 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2015	47,208	11,865,186	238,021	1,536	1,624,949	13,776,900
Additions	-	99,516	9,272	-	796,549	905,337
Addition: asset retirement obligations	-	6,080	-	-	-	6,080
Transfers	-	1,171,818	6,666	-	(1,178,484)	-
Disposals / write-off	-	(165,543)	(1,080)	-	-	(166,623)
At 30 September 2015	47,208	12,977,057	252,879	1,536	1,243,014	14,521,694
Depreciation/impairment						
At 1 January 2015	19,740	5,335,747	211,086	1,459	6,496	5,574,528
Charge for the period	1,671	919,270	14,490	16	-	935,447
Disposals / write-off	-	(163,783)	(1,074)	-	(1,383)	(166,240)
Impairment	-	64,029	-	-	993	65,022
At 30 September 2015	21,411	6,155,263	224,502	1,475	6,106	6,408,757
Net book value						
At 30 September 2015	25,797	6,821,794	28,377	61	1,236,908	8,112,937
At 31 December 2014	27,468	6,529,439	26,935	77	1,618,453	8,202,372

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

5 Intangible assets

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Goodwill	549,050	549,050
Other intangible assets	629,958	659,899
	1,179,008	1,208,949

Goodwill

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

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

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

5 Intangible assets (continued)

Other intangible assets

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

	IT software AED 000	Telecomm-unications license fees AED 000	Indefeasible right of use AED 000	Reviewed 30 September 2015 Total AED 000	Audited 31 December 2014 Total AED 000
Opening balance	385,782	69,328	204,789	659,899	632,996
Additions during the period/year	78,994	-	8,329	87,323	178,954
Amortisation for the period/year	(88,708)	(4,656)	(23,401)	(116,765)	(152,049)
Write off	(499)	-	-	(499)	(2)
Closing balance	375,569	64,672	189,717	629,958	659,899

IT software is split between 'software in use' of AED 253,501 thousands (31 December 2014: AED 230,346 thousands) and 'capital work in progress' of AED 122,068 thousands (31 December 2014: AED 155,436 thousands). During the period, AED 99,501 thousand was transferred from 'capital work in progress' to 'software in use'.

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

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

6 Investment

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

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

6 Investment (continued)

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Carrying amount of interest in the Associate	110,654	107,890
Share of profit/(loss) from continuing operations	2,764	(968)

7 Trade and other receivables

Trade receivables	984,730	955,109
Less: provision for impairment of trade receivables	(451,965)	(423,389)
	532,765	531,720
Due from other telecommunications operators, net of provision for impairment	543,496	405,171
Less: payable balances set off where right to set off exists	(513,255)	(247,026)
Unbilled revenue	420,109	536,772
Total trade receivables, net (Note 7.1)	983,115	1,226,637
Advances to suppliers	195,286	183,518
Prepayments	274,632	230,834
Deferred fees	51,947	1,250
Other receivables	62,082	67,254
	1,567,062	1,709,493

7.1 The majority of the provision for impairment of trade receivables is against balances more than 180 days overdue. At 30 September 2015, AED 424,333 thousand of receivables are more than 180 days overdue against which impairment provisions of AED 382,030 thousand are carried. (31 December 2014: AED 454,403 thousand and AED 332,925 thousand).

7 Trade and other receivables (continued)

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

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	423,389	417,670
Provision for impairment during the period/year	62,465	75,478
Write-off during the period/year	(33,889)	(69,759)
Closing balance	451,965	423,389

8 Related party balances and transactions

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

Related party balances

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Due from related parties		
Axiom Telecom LLC	236,072	234,650
Founding shareholders	206,253	230,994
Tecom Investments FZ LLC	-	831
	442,325	466,475
Due to related parties		
Tecom Investments FZ LLC	4,367	-
Khazna Data Centre Limited	2,583	-
	6,950	-

8 Related party balances and transactions (continued)

Related party transactions

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

	Reviewed nine-month period ended 30 September	
	2015	2014
	AED 000	AED 000
Tecom Investments FZ LLC:		
- Office rent and services	57,798	51,930
- Infrastructure cost	46,379	16,082
Axiom Telecom LLC– Authorised distributor – net sales	2,003,310	2,373,206
Injazat Data Systems LLC – Data centre – rent and services	7,156	9,725
Khazna Data Centre Limited – rent and services	34,410	-

Key management compensation

Short term employee benefits	28,828	30,424
Employees' end of service benefits	520	616
Post-employment benefits	1,121	826
Long term incentives	8,187	4,377
Directors' remuneration	7,050	6,804
	45,706	43,047

9 Short term investments

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Short term investments	5,215,000	5,840,000

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

10 Cash and bank balances

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

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Cash at bank (on deposit and call accounts)	1,210,051	192,353
Cash on hand	451	384
	1,210,502	192,737
Less: margin on guarantees	(8,152)	(12,037)
Cash and cash equivalents	1,202,350	180,700

11 Trade and other payables

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Trade payables and accruals	1,585,740	2,075,729
Due to other telecommunications operators	1,173,447	919,978
Less: receivable balances set off where right to set off exists	(513,255)	(247,026)
Accrued royalty	1,428,205	1,594,268
Cash dividend payable	1,051,429	-
Deferred revenue	619,441	573,237
Customer deposits	132,341	129,030
Employee benefit accruals	127,708	197,051
Retention payable	11,200	13,876
Others	93,972	73,944
	5,710,228	5,330,087

11.1 Others include AED 19,810 thousand (31 December 2014: AED 786 thousand receivable) being the fair value of the interest rate swap, a derivative financial instrument designated as fair value through profit and loss account by the Group.

12 Borrowings

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Bank borrowings	4,297,995	4,044,103
Buyer credit arrangements	207,544	386,495
	4,505,539	4,430,598
Less: current portion of borrowings	(147,751)	(574,462)
	4,357,788	3,856,136

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

The details of borrowings are as follows:

	Currency	**Nominal interest rate**	**Year of maturity**	**Opening balance AED 000**	**Drawn AED 000**	**Settled AED 000**	**Closing balance AED 000**
Facilities settled							
Unsecured bank loan	USD	LIBOR+1.20%	2019	2,644,920	-	(2,644,920)	-
Unsecured bank loan	USD	LIBOR+1.15%	2019	848,158	253,892	(1,102,050)	-
Unsecured bank loan	USD	LIBOR+1.17%	2017	551,025	-	(551,025)	-
				4,044,103	253,892	(4,297,995)	-
Existing facilities							
Term loan							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	-	2,644,920	-	2,644,920
Unsecured term loan 2	USD	LIBOR+0.95%	2020	-	1,102,050	-	1,102,050
Unsecured term loan 3	USD	LIBOR+0.95%	2020	-	551,025	-	551,025
				-	4,297,995	-	4,297,995
Buyer credit arrangements							
Buyer credit arrangement 1	USD	LIBOR+1.50%	2015	73,445	-	(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	(14,082)	28,163
				386,495	28,164	(207,115)	207,544

13 Provision for employees' end of service benefits

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	165,396	143,697
Charge for the period/year	24,543	42,943
Payments made during period/year	(10,647)	(21,244)
Closing balance	179,292	165,396

14 Provisions

Asset retirement obligations

In the course of Group's activities a number of sites and other commercial premises are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	113,279	97,989
Additions during period/year	6,080	11,593
Fair value adjustment during the period/year	2,406	3,697
Closing balance	121,765	113,279

15 Share capital

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

16 Share premium

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

17 Other reserves

	Share based payment reserve AED 000	**Statutory reserve (see below) AED 000**	**Proposed dividend AED 000**	**Total AED 000**
At 1 January 2014	93,581	664,221	868,571	1,626,373
Transfer to share based payment reserve	2,814	-	-	2,814
Transfer to statutory reserve	-	159,669	-	159,669
Cash dividend paid	-	-	(1,417,142)	(1,417,142)
Proposed interim cash dividend	-	-	548,571	548,571
At 30 September 2014	96,395	823,890	-	920,285
At 1 January 2015	3,540	875,156	914,286	1,792,982
Transfer to statutory reserve	-	147,895	-	147,895
Transfer to retained earnings	(2,346)	-	-	(2,346)
Cash dividend paid	-	-	(914,286)	(914,286)
Proposed interim cash dividend	-	-	594,286	594,286
Proposed special cash dividend	-	-	457,143	457,143
Transfer to cash dividend payable	-	-	(1,051,429)	(1,051,429)
At 30 September 2015	1,194	1,023,051	-	1,024,245

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

18 Other expenses

	Reviewed nine-month period ended 30 September	
	2015	2014
	AED 000	AED 000
Provision for impairment of trade receivables	64,006	63,976
Office expenses	54,012	46,903
Consulting	49,482	29,165
Legal and license fees	14,368	17,303
Others	14,945	29,822
	196,813	187,169

19 Finance income and expenses

Finance income		
Interest income	80,532	66,702
Finance expense		
Interest expense	107,212	82,748
Exchange (gain)/loss	(841)	849
	106,371	83,597

20 Royalty

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

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

	Reviewed nine-month period ended 30 September	
	2015	2014
	AED 000	AED 000
Total revenue for the period (Note 24)	9,188,910	9,013,401
Broadcasting revenue for the period (Note 24)	(119,802)	(121,666)
Other allowable deductions	(2,259,910)	(2,350,269)
Total adjusted revenue	6,809,198	6,541,466

20 Royalty (continued)

	Reviewed nine-month period ended 30 September	
	2015	2014
	AED 000	AED 000
Profit before royalty	2,875,143	2,785,951
Allowable deductions	(100,476)	-
Total regulated profit	2,774,667	2,785,951
Accruals for royalty: 12.5% *(2014: 10%)* of the total adjusted revenue plus 30% *(2014: 25%)* of the net regulated profit for the period before distribution after deducting 12.5% *(2014: 10%)* of the total adjusted revenue.	1,428,205	1,187,098
Adjustment to accruals	(32,011)	2,161
	1,396,194	1,189,259

During the current period, 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 period has also been based on these new Guidelines.

Movement in the royalty accruals is as follows:

	Reviewed 30 September 2015 AED 000	Audited 31 December 2014 AED 000
Opening balance	1,594,268	1,075,047
Payment made during the period/year	(1,562,257)	(1,072,973)
Provision for the period/year	1,396,194	1,592,194
Closing balance	1,428,205	1,594,268

21 Earnings per share

	Reviewed nine-month period ended 30 September	
	2015	2014
Profit for the period (AED ‘000)	1,478,949	1,596,692
Weighted average number of shares (‘000)	4,571,429	4,571,429
Basic and diluted earnings per share (AED)	0.32	0.35

22 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2015	2014
	AED 000	AED 000
Inventories	111,924	(17,338)
Trade and other receivables	84,885	(306,242)
Trade and other payables	(225,544)	(11,743)
Due from related parties	(14,750)	6,988
Due to related parties	6,950	(17,771)
Payment of royalty	(1,562,257)	(1,072,973)
Payment of employees' end of service benefits	(10,647)	(15,847)
Net change in working capital	(1,609,439)	(1,434,926)

23 Contingent liabilities and commitments

The Group has outstanding capital commitments and outstanding bank guarantees amounted to AED 967,033 thousand and AED 8,152 thousand, respectively (2014: AED 757,417 thousand and AED 12,037 thousand, respectively). Bank guarantees are secured against margin of AED 8,152 thousand (2014: AED 12,037 thousand) (Note 10).

24 Segment analysis

30 September 2015

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	6,659,551	1,922,719	486,838	119,802	9,188,910
Segment contribution	4,659,307	1,550,314	103,615	44,924	6,358,160
Unallocated costs					(3,465,218)
Finance income and expenses, other income, share of profit of investment					(17,799)
Profit before royalty					2,875,143
Royalty					(1,396,194)
Profit for the period					1,478,949

24 Segment Analysis (continued)

30 September 2014

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

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.