

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

**Condensed interim consolidated financial statements
for the three-month period ended 31 March 2016**

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 31 March 2016 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-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

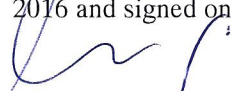
Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates
25 April 2016

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

		Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
	Note		
Non-current assets			
Property, plant and equipment	4	8,131,689	8,333,480
Intangible assets	5	1,181,901	1,200,961
Investment in an associate	6	112,048	110,867
Derivative financial instrument	7	-	3,033
Total non-current assets		9,425,638	9,648,341
Current assets			
Inventories		94,070	83,237
Trade and other receivables	8	1,727,544	1,448,359
Due from related parties	9	373,741	397,145
Short term investments	10	5,850,000	6,200,000
Cash and bank balances	11	1,312,425	163,288
Total current assets		9,357,780	8,292,029
Current liabilities			
Trade and other payables	12	6,682,362	5,326,980
Due to related parties	9	3,166	28,071
Borrowings	13	133,669	133,669
Total current liabilities		6,819,197	5,488,720
Net current assets		2,538,583	2,803,309
Non-current liabilities			
Borrowings	13	4,297,995	4,357,789
Provision for employees' end of service benefits	14	194,125	186,887
Provisions	15	90,678	88,318
Derivative financial instrument	7	23,410	-
Total non-current liabilities		4,606,208	4,632,994
Net assets		7,358,013	7,818,656
Represented by:			
Share capital and reserves			
Share capital	16	4,571,429	4,571,429
Share premium	17	393,504	393,504
Other reserves	18	1,095,084	1,987,804
Retained earnings		1,297,996	865,919
Total equity		7,358,013	7,818,656

The condensed interim consolidated financial statements were approved by the Board of Directors on 25 April 2016 and signed on its behalf by:


Ahmad bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes on pages 6 to 22 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 three-month period ended 31 March	
		2016 AED 000	2015 AED 000
Revenue	25	3,089,606	3,050,624
Interconnect and related costs		(724,322)	(728,632)
Staff costs		(223,099)	(220,467)
Network operation and maintenance		(156,616)	(178,404)
Product costs		(151,814)	(138,952)
Outsourcing and contracting		(116,187)	(123,171)
Commission		(86,029)	(91,507)
Telecommunication license and related fees		(85,670)	(81,470)
Marketing		(94,190)	(80,967)
Rent and utilities		(25,667)	(25,970)
Other expenses	19	(84,080)	(82,608)
Other income		47,119	552
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		1,389,051	1,299,028
Depreciation	4	(326,669)	(329,602)
Amortisation of intangible assets	5	(55,837)	(33,320)
Operating profit		1,006,545	936,106
Finance income	20	36,816	29,514
Finance expense	20	(23,287)	(41,792)
Share of profit of investment in an associate accounted for using equity method	6	1,181	1,164
Profit before royalty		1,021,255	924,992
Royalty	21	(541,169)	(437,893)
Profit for the period		480,086	487,099
Other comprehensive income/(loss)			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Fair value changes on cash flow hedge		(26,443)	-
Other comprehensive loss for the period		(26,443)	-
Total comprehensive income for the period attributable entirely to shareholders of the Company		453,643	487,099
Basic and diluted earnings per share (AED)	22	0.11	0.11

The notes on pages 6 to 22 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

		Reviewed three-month period ended 31 March	
	Note	2016 AED 000	2015 AED 000
Cash flows from operating activities			
Profit before royalty		1,021,255	924,992
Adjustments for:			
Depreciation		326,669	329,602
Amortisation of intangible assets		55,837	33,320
Provision for employees' end of service benefits		7,256	9,809
Provision for impairment of trade receivables		20,027	29,126
Release of provision for impairment of trade receivables		(37,441)	-
Finance income		(36,816)	(29,514)
Interest expense		24,413	41,792
Unwinding of discount on asset retirement obligations		(517)	(375)
Share of profit of investment in an associate		(1,181)	(1,164)
Changes in working capital	23	(143,973)	2,762
Cash generated from operations		1,235,529	1,340,350
Royalty paid		(12,261)	-
Net cash generated from operating activities		1,223,268	1,340,350
Cash flows used in investing activities			
Purchase of property, plant and equipment		(323,101)	(428,373)
Purchase of intangible assets		(39,514)	(41,259)
Interest received		13,047	4,009
Margin on guarantees (placed)/released		(1,618)	3,338
Short term investments released/(placed)		350,000	(175,000)
Net cash used in investing activities		(1,186)	(637,285)
Cash flows from financing activities			
Proceeds from borrowings		-	253,892
Repayment of borrowings		(59,794)	(110,627)
Decrease/(increase) in balance due from founding shareholders		8,682	(605)
Interest paid		(23,451)	(55,548)
Net cash (used in)/generated from financing activities		(74,563)	87,112
Net increase in cash and cash equivalents		1,147,519	790,177
Cash and cash equivalents at 1 January		155,136	180,700
Cash and cash equivalents at 31 March	11	1,302,655	970,877

Non-cash transaction 2015.

Settlement of old facilities (term loans) and the acquisition of new facilities is a non-cash transaction. Details are provided in Note 13.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of changes in equity

	Share capital (Note 16) AED 000	Share premium (Note 17) AED 000	Other reserves (Note 18) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2015	4,571,429	393,504	1,792,982	1,080,824	7,838,739
Profit for the period	-	-	-	487,099	487,099
Other comprehensive income	-	-	-	-	-
Total	4,571,429	393,504	1,792,982	1,567,923	8,325,838
Transfer to statutory reserve	-	-	48,710	(48,710)	-
Transfer to retained earnings	-	-	(229)	229	-
Transfer to dividend payable	-	-	(914,286)	-	(914,286)
Total transactions with shareholders recognised directly in equity	-	-	(865,805)	(48,481)	(914,286)
At 31 March 2015	4,571,429	393,504	927,177	1,519,442	7,411,552
At 1 January 2016	4,571,429	393,504	1,987,804	865,919	7,818,656
Profit for the period	-	-	-	480,086	480,086
Other comprehensive loss	-	-	(26,443)	-	(26,443)
Total	4,571,429	393,504	1,961,361	1,346,005	8,272,299
Transfer to statutory reserve	-	-	48,009	(48,009)	-
Transfer to dividend payable*	-	-	(914,286)	-	(914,286)
Total transactions with shareholders recognised directly in equity	-	-	(866,277)	(48,009)	(914,286)
At 31 March 2016	4,571,429	393,504	1,095,084	1,297,996	7,358,013

*A final cash dividend of AED 0.20 per share amounting to AED 914,286 thousand was approved by the shareholders at the Annual General Meeting held on 29 March 2016.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016

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 31 March 2016 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
		2016	2015	
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

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 2015. 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

(a) Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2016

- IAS 16 (amendment) 'Property, plant and equipment' (effective 1 January 2016);
- IAS 38 (amendment) 'Intangible assets' (effective 1 January 2016);
- IAS 1 (amendment) 'Presentation of financial statements' on the disclosure initiative (effective from 1 January 2016);

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

2 Basis of preparation (continued)

ii New standards, amendments and interpretations (continued)

(a) Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2016 (continued)

- 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); and
- IAS 34 (amendment) 'Interim financial reporting' regarding disclosure (effective from 1 January 2016).

There is no material impact of the above amendments on the condensed consolidated interim financial information of the Group.

There are no other IFRSs or International Financial Reporting Interpretations Committee (IFRIC) interpretations that were effective for the first time for the financial year beginning on 01 January 2016 that have had a material impact on the Group's condensed consolidated interim financial information.

(b) Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018);
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018);
- IAS 7, 'Statement of cash flows on disclosure initiative' (effective from 1 January 2017);
- IFRS 16, 'Leases' (effective from 1 January 2019);
- IFRS 10, 'Consolidated financial statements' (date to be determined); and
- IAS 28, 'Investments in associates and joint ventures' (date to be determined).

The Group has plans in place for adhering to the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2016.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2016 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

iii Basis of consolidation

A subsidiary is an entity controlled by the Company. The financial statements of a subsidiary are included in the condensed 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

2 Basis of preparation (continued)

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 and presentation currency.

vi Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit 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.

vii 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 trade receivables, 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 2015.

There are no changes in the accounting policies during the three-month period ended 31 March 2016.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

4 Property, plant and equipment

	Buildings	Plant and	Furniture	Motor	Capital	Total
	AED 000	equipment	and	vehicles	work in	AED 000
		AED 000	fixtures	AED 000	progress	
			AED 000		AED 000	
Cost						
At 1 January 2016	47,208	13,859,401	254,756	1,536	934,321	15,097,222
Additions	-	343	4,514	-	117,415	122,272
Addition: asset retirement obligations	-	2,877	-	-	-	2,877
Transfers	-	185,596	-	-	(185,596)	-
Disposals / write-off	-	(22,842)	-	(43)	-	(22,885)
At 31 March 2016	<u>47,208</u>	<u>14,025,375</u>	<u>259,270</u>	<u>1,493</u>	<u>866,140</u>	<u>15,199,486</u>
Depreciation/impairment						
At 1 January 2016	21,974	6,509,020	226,680	1,480	4,588	6,763,742
Charge for the period	555	322,172	3,937	5	-	326,669
Disposals / write-off	-	(22,571)	-	(43)	-	(22,614)
At 31 March 2016	<u>22,529</u>	<u>6,808,621</u>	<u>230,617</u>	<u>1,442</u>	<u>4,588</u>	<u>7,067,797</u>
Net book value						
At 31 March 2016	<u>24,679</u>	<u>7,216,754</u>	<u>28,653</u>	<u>51</u>	<u>861,552</u>	<u>8,131,689</u>
At 31 December 2015	<u>25,234</u>	<u>7,350,381</u>	<u>28,076</u>	<u>56</u>	<u>929,733</u>	<u>8,333,480</u>

The carrying amount of the Group's buildings include a nominal amount of AED 1 (2015: 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 condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

5 Intangible assets

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Goodwill	549,050	549,050
Other intangible assets	632,851	651,911
	<u>1,181,901</u>	<u>1,200,961</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 the Cash Generating Units (“CGU”) is as follows:

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 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 key assumptions for the value-in-use calculations at 31 December 2015 included 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 condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

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 31 March 2016 Total AED 000	Audited 31 December 2015 Total AED 000
Opening balance	398,535	63,103	190,273	651,911	659,899
Additions during the period/year	33,975	-	2,802	36,777	165,206
Amortisation for the period/year	(31,850)	(1,547)	(8,070)	(41,467)	(164,852)
Impairment during the period/year	(14,370)	-	-	(14,370)	(7,843)
Write off	-	-	-	-	(499)
Closing balance	<u>386,290</u>	<u>61,556</u>	<u>185,005</u>	<u>632,851</u>	<u>651,911</u>

IT software is split between ‘software in use’ of AED 235,341 thousands (31 December 2015: AED 260,660 thousands) and ‘capital work in progress’ of AED 150,949 thousands (31 December 2015: AED 137,875 thousands). During the period, AED 18,381 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 an associate

The Group has 26% ownership 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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

6 Investment in an associate (continued)

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	110,867	107,890
Share of profit for the period/year	1,181	2,977
Closing balance	<u>112,048</u>	<u>110,867</u>

7 Derivative financial instrument

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

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Interest rate swap contracts – cash flow hedges	-	3,033
Total non-current derivative financial instrument assets	<u>-</u>	<u>3,033</u>
Interest rate swap contracts – cash flow hedges	23,410	-
Total non-current derivative financial instrument liability	<u>23,410</u>	<u>-</u>

8 Trade and other receivables

Trade receivables	1,056,633	1,018,863
<i>Less: provision for impairment of trade receivables (Note 8.1)</i>	(431,825)	(480,238)
	<u>624,808</u>	<u>538,625</u>
Due from other telecommunications operators, net of provision for impairment	592,353	478,904
<i>Less: payable balances set off where right to set off exists</i>	(508,145)	(434,797)
Unbilled revenue	341,388	423,585
Total trade receivables, net	<u>1,050,404</u>	<u>1,006,317</u>
Advances to suppliers	184,328	119,692
Prepayments	387,271	242,440
Other receivables	105,541	79,910
	<u>1,727,544</u>	<u>1,448,359</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

8 Trade and other receivables (continued)

8.1 At 31 March 2016, AED 471,762 thousands (2015: AED 452,861 thousand) of receivables are more than 180 days overdue against which impairment provisions of AED 346,401 thousand (31 December 2015: AED 378,249 thousand) has been recorded.

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

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	480,238	423,389
Provision for impairment during the period/year	20,379	88,067
*Release of provision for impairment during the period/year	(37,441)	-
Write-off during the period/year	(31,351)	(31,218)
Closing balance	<u>431,825</u>	<u>480,238</u>

*This release of provision for impairment is included under "other income".

9 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

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	159,306	190,892
Founding shareholders	207,056	206,253
Tecom Investments FZ LLC (Entity under common shareholding)	7,379	-
	<u>373,741</u>	<u>397,145</u>
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	-	19,054
Khazna Data Center Limited (Associate)	3,166	9,017
	<u>3,166</u>	<u>28,071</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

9 Related party balances and transactions (continued)

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.

	Reviewed three-month period ended 31 March	
	2016	2015
	AED 000	AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and services	14,373	33,189
- Infrastructure cost	14,554	60,409
Axiom Telecom LLC– Authorised distributor – net sales	506,883	738,767
Injazat Data Systems LLC – Data centre – rent and services	4,684	4,548
Associate		
Khazna Data Center - Rent	25,408	9,344
Key management compensation		
Short term employee benefits	6,834	7,085
Employees’ end of service benefits	175	171
Post-employment benefits	421	275
Long term incentives	2,397	2,537
	<u>9,827</u>	<u>10,068</u>

The fee paid to Board of Directors during the period was AED 2,669 thousand (31 March 2015: AED 2,350 thousand).

During the period 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.

10 Short term investments

	Reviewed	Audited
	31 March	31
	2016	December
	AED 000	2015
		AED 000
Short term investments	<u>5,850,000</u>	<u>6,200,000</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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

11 Cash and bank balances

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

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Cash at bank (on deposit and call accounts)	1,311,994	162,851
Cash on hand	431	437
	<u>1,312,425</u>	<u>163,288</u>
Less: margin on guarantees	<u>(9,770)</u>	<u>(8,152)</u>
Cash and cash equivalents	<u>1,302,655</u>	<u>155,136</u>

12 Trade and other payables

Trade payables and accruals	1,998,512	1,823,253
Due to other telecommunications operators	993,886	1,114,067
Less: receivable balances set off where right to set off exists	(508,145)	(434,797)
Accrued royalty (Note 21)	2,481,477	1,952,569
Dividend payable	914,286	-
Deferred revenue	569,587	545,779
Customer deposits	137,514	133,584
Employee benefit accruals	81,347	179,099
Retention payable	13,476	13,004
Others	422	422
	<u>6,682,362</u>	<u>5,326,980</u>

13 Borrowings

Bank borrowings	4,297,995	4,297,995
Buyer credit arrangements	133,669	193,463
	<u>4,431,664</u>	<u>4,491,458</u>
Less: Current portion of borrowings	<u>(133,669)</u>	<u>(133,669)</u>
	<u>4,297,995</u>	<u>4,357,789</u>

During the period 31 March 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 the period ended 31 March 2015 and recorded in finance expense.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

13 Borrowings (continued)

The details of borrowings are as follows:

				1 January 2016			31 March 2016
	Currency	Nominal interest rate	Year of maturity	Opening balance	Drawn	Settled	Closing balance
				AED 000	AED 000	AED 000	AED 000
<u>Term loans</u>							
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
<u>Buyer credit arrangements</u>							
Buyer credit arrangement 2	USD	LIBOR+1.20%	2017	179,381	-	(59,794)	119,587
Buyer credit arrangement 3	USD	Nil	2016	14,082	-	-	14,082
				193,463	-	(59,794)	133,669

14 Provision for employees' end of service benefits

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	186,887	165,396
Current service cost for the period/year	7,256	30,058
Interest cost for the period/year	1,779	6,709
Benefits paid during the period/year	(1,797)	(14,030)
Actuarial gain for the period/year recognised in other comprehensive income	-	(1,246)
Closing balance	<u>194,125</u>	<u>186,887</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

15 Provisions

Asset retirement obligations

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

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	88,318	113,279
Additions during period/year	2,877	1,906
Release of provision during the period/year	-	(31,074)
Unwinding of discount during the period/year	(517)	4,207
Closing balance	<u>90,678</u>	<u>88,318</u>

16 Share capital

	Reviewed 31 March 2016	Audited 31 December 2015
Authorised, issued and fully paid up shares (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

17 Share premium

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Premium on issue of common share capital	<u>393,504</u>	<u>393,504</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

18 Other reserves

	Share based payment reserve AED 000	Statutory reserve (see below) AED 000	Hedge reserve (Note 18.2) AED 000	Proposed dividend AED 000	Total AED 000
At 1 January 2015	3,540	875,156	-	914,286	1,792,982
Transfer to statutory reserve	-	48,710	-	-	48,710
Transfer to retained earnings	(229)	-	-	-	(229)
Transfer to dividend payable	-	-	-	(914,286)	(914,286)
At 31 March 2015	3,311	923,866	-	-	927,177
At 1 January 2016	1,194	1,069,291	3,033	914,286	1,987,804
Transfer to statutory reserve	-	48,009	-	-	48,009
Transfer to dividend payable	-	-	-	(914,286)	(914,286)
Fair value changes on cash flow hedge	-	-	(26,443)	-	(26,443)
At 31 March 2016	1,194	1,117,300	(23,410)	-	1,095,084

18.1 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.

18.2 Hedge reserve is related to derivative financial instrument (Note 7).

19 Other expenses

	Reviewed three-month period ended 31 March	
	2016	2015
	AED 000	AED 000
Provision for impairment of trade receivables	20,027	29,126
Consulting	8,454	9,282
Legal and license fees	4,605	6,314
Office expenses	18,436	18,357
Others	32,558	19,529
	84,080	82,608

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Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

20 Finance income and expenses

	Reviewed three-month period ended 31 March	
	2016 AED 000	2015 AED 000
Finance income		
Interest income	36,816	29,514
Finance expense		
Interest expense	24,413	41,354
Exchange (gain)/loss	(1,126)	438
	<u>23,287</u>	<u>41,792</u>

*Interest expense of 2015 includes early settlement fees amounted to AED 23,135 thousand (Note 13).

21 Royalty

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

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

	Reviewed three-month period ended 31 March	
	2016 AED 000	2015 AED000
Total revenue for the period (Note 25)	3,089,606	3,050,624
Broadcasting revenue for the period (Note 25)	(45,568)	(41,166)
Other allowable deductions	(750,811)	(732,988)
Total adjusted revenue	<u>2,293,227</u>	<u>2,276,470</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

21 Royalty (continued)

	Reviewed three-month period ended 31 March	
	2016	2015
	AED 000	AED 000
Profit before royalty	1,021,255	924,992
Allowable deductions	(19,989)	(22,618)
Total regulated profit	<u>1,001,266</u>	<u>902,374</u>
Charge for royalty: 15% (2015: 12.5%) of the total adjusted revenue plus 30% (2015: 30%) of the net regulated profit for the period before distribution after deducting 15% (2015: 12.5%) of the total adjusted revenue.	541,169	469,904
Adjustments to charge	<u>-</u>	<u>(32,011)</u>
	<u>541,169</u>	<u>437,893</u>

Movement in the royalty accruals is as follows:

	Reviewed 31 March 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	1,952,569	1,594,268
Payment made during the period/year	(12,261)	(1,562,257)
Charge for the period/year	<u>541,169</u>	<u>1,920,558</u>
Closing balance	<u>2,481,477</u>	<u>1,952,569</u>

22 Earnings per share

	Reviewed three-month period ended 31 March	
	2016	2015
Profit for the period (AED 000)	480,086	487,099
Weighted average number of shares ('000)	4,571,429	4,571,429
Basic and diluted earnings per share (AED)	<u>0.11</u>	<u>0.11</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

23 Changes in working capital

	Reviewed three-month period ended 31 March	
	2016 AED 000	2015 AED 000
Change in:		
Inventories	(10,833)	38,854
Trade and other receivables	(238,002)	115,791
Trade and other payables	116,842	(217,535)
Due from related parties	14,722	37,077
Due to related parties	(24,905)	32,722
Payment of employees' end of service benefits	(1,797)	(4,147)
Net changes in working capital	<u>(143,973)</u>	<u>2,762</u>

24 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 885,330 thousand and AED 9,770 thousand, respectively (31 December 2015: AED 856,353 thousand and AED 8,152 thousand, respectively). Bank guarantees are secured against margin of AED 9,770 thousand (31 December 2015: AED 8,152 thousand) (Note 11).

25 Segment analysis

31 March 2016

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>2,234,269</u>	<u>630,331</u>	<u>179,438</u>	<u>45,568</u>	<u>3,089,606</u>
Segment contribution	<u>1,574,792</u>	<u>498,643</u>	<u>28,712</u>	<u>20,211</u>	<u>2,122,358</u>
Unallocated costs					(1,162,932)
Finance income and expenses, other income, share of profit of investment in an associate					<u>61,829</u>
Profit before royalty					1,021,255
Royalty					<u>(541,169)</u>
Profit for the period					<u>480,086</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the three-month period ended 31 March 2016 (continued)

25 Segment Analysis (continued)

31 March 2015

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>2,242,096</u>	<u>616,083</u>	<u>151,279</u>	<u>41,166</u>	<u>3,050,624</u>
Segment contribution	<u>1,522,814</u>	<u>512,788</u>	<u>38,201</u>	<u>14,924</u>	<u>2,088,727</u>
Unallocated costs					(1,153,173)
Finance income and expenses, other income, share of profit of investment in as associate					<u>(10,562)</u>
Profit before royalty					924,992
Royalty					(437,893)
Profit for the period					<u>487,099</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.