

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

**Condensed interim consolidated financial statements
for the nine-month period ended 30 September 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 30 September 2016 and the related condensed interim consolidated statements of comprehensive income for the three and nine month periods then ended and 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
31 October 2016

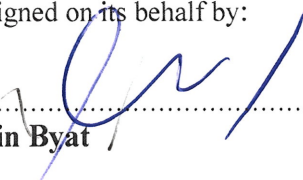
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Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

		Reviewed 30 September 2016 AED 000	Audited 31 December 2015 AED 000
	Note		
Non-current assets			
Property, plant and equipment	4	8,174,524	8,333,480
Intangible assets	5	1,183,815	1,200,961
Investment in an associate	6	112,745	110,867
Derivative financial instrument	7	-	3,033
Total non-current assets		9,471,084	9,648,341
Current assets			
Inventories		32,816	83,237
Trade and other receivables	8	1,827,002	1,448,359
Due from related parties	9	384,684	397,145
Short term investments	10	4,985,000	6,200,000
Cash and bank balances	11	808,403	163,288
Total current assets		8,037,905	8,292,029
Current liabilities			
Trade and other payables	12	5,132,874	5,326,980
Due to related parties	9	3,753	28,071
Borrowings	13	790,207	133,669
Total current liabilities		5,926,834	5,488,720
Net current assets		2,111,071	2,803,309
Non-current liabilities			
Borrowings	13	3,581,663	4,357,789
Provision for employees' end of service benefits	14	214,253	186,887
Provisions	15	96,422	88,318
Derivative financial instrument	7	16,812	-
Total non-current liabilities		3,909,150	4,632,994
Net assets		7,673,005	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	1,191,950	1,987,804
Retained earnings		1,516,122	865,919
Total equity		7,673,005	7,818,656

The condensed interim consolidated financial statements were approved by the Board of Directors on 31 October 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 nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2016	2015	2016	2015
		AED 000	AED 000	AED 000	AED 000
Revenue	25	9,292,650	9,188,910	3,136,812	3,046,982
Interconnect and related costs		(2,176,660)	(2,169,353)	(723,823)	(689,015)
Staff costs		(700,441)	(666,243)	(247,671)	(219,124)
Network operation and maintenance		(463,279)	(543,176)	(165,684)	(185,281)
Product costs		(481,332)	(404,647)	(172,590)	(123,509)
Outsourcing and contracting		(322,364)	(356,646)	(97,277)	(116,177)
Commission		(269,966)	(252,866)	(87,493)	(75,610)
Telecommunication license and related fees		(259,407)	(257,279)	(89,118)	(86,160)
Marketing		(214,712)	(252,085)	(53,482)	(82,903)
Rent and utilities		(88,309)	(79,626)	(33,139)	(28,211)
Other expenses	19	(246,823)	(196,813)	(89,606)	(68,628)
Other income		51,158	5,276	3,217	5,276
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		4,120,515	4,015,452	1,380,146	1,377,640
Depreciation	4	(984,426)	(1,000,469)	(327,591)	(342,571)
Amortisation/impairment of intangible assets	5	(171,128)	(116,765)	(63,833)	(43,187)
Operating profit		2,964,961	2,898,218	988,722	991,882
Finance income	20	102,309	80,532	34,239	26,986
Finance expense	20	(83,090)	(106,371)	(28,134)	(47,595)
Share of profit of investment in an associate accounted for using equity method	6	1,878	2,764	310	417
Profit before royalty		2,986,058	2,875,143	995,137	971,690
Royalty	21	(1,603,292)	(1,396,194)	(537,899)	(481,853)
Profit for the period		1,382,766	1,478,949	457,238	489,837
Other comprehensive (loss)/income					
<i>Items that may be re-classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge		(19,845)	-	12,699	-
Other comprehensive (loss)/income for the period		(19,845)	-	12,699	-
Total comprehensive income for the period attributable entirely to shareholders of the Company		1,362,921	1,478,949	469,937	489,837
Basic and diluted earnings per share (AED)	22	0.30	0.32	0.10	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 nine-month period ended 30 September	
	Note	2016 AED 000	2015 AED 000
Cash flows from operating activities			
Profit before royalty		2,986,058	2,875,143
Adjustments for:			
Depreciation		984,426	1,000,469
Amortisation/impairment of intangible assets		171,128	116,765
Provision for employees' end of service benefits	14	32,530	24,543
Provision for impairment of trade receivables	19	117,464	64,006
Release of provision for impairment of trade receivables	8	(37,441)	-
Finance income		(102,309)	(80,532)
Interest expense		83,090	106,371
Unwinding of discount on asset retirement obligations	15	1,476	2,406
Share of profit of investment in an associate	6	(1,878)	(2,764)
Changes in working capital	23	(738,075)	(47,182)
Cash generated from operations		3,496,469	4,059,225
Royalty paid	21	(1,947,456)	(1,562,257)
Net cash generated from operating activities		1,549,013	2,496,968
Cash flows used in investing activities			
Purchase of property, plant and equipment		(955,631)	(1,160,401)
Purchase of intangible assets		(126,568)	(97,184)
Interest received		71,623	74,072
Margin on guarantees (placed)/released		(1,300)	3,885
Short term investments released		1,215,000	625,000
Net cash generated from/(used in) investing activities		203,124	(554,628)
Cash flows from financing activities			
Proceeds from borrowings		28,164	282,056
Repayment of borrowings		(147,752)	(207,115)
Decrease in balance due from founding shareholders		4,063	38,900
Interest paid		(78,511)	(120,245)
Dividend paid	18	(914,286)	(914,286)
Net cash used in financing activities		(1,108,322)	(920,690)
Net increase in cash and cash equivalents		643,815	1,021,650
Cash and cash equivalents at 1 January		155,136	180,700
Cash and cash equivalents at 30 September	11	798,951	1,202,350

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 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	-	-	-	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
At 1 January 2016	4,571,429	393,504	1,987,804	865,919	7,818,656
Profit for the period	-	-	-	1,382,766	1,382,766
Other comprehensive loss	-	-	(19,845)	-	(19,845)
Total	4,571,429	393,504	1,967,959	2,248,685	9,181,577
Transfer to statutory reserve	-	-	138,277	(138,277)	-
Cash dividend paid	-	-	(914,286)	-	(914,286)
Proposed interim cash dividend ⁽¹⁾	-	-	594,286	(594,286)	-
Transfer to cash dividend payable	-	-	(594,286)	-	(594,286)
Total transactions with shareholders recognised directly in equity	-	-	(776,009)	(732,563)	(1,508,572)
At 30 September 2016	4,571,429	393,504	1,191,950	1,516,122	7,673,005

(1) An interim cash dividend of AED 0.13 per share (2015: AED 0.13 per share) amounting to AED 594,286 thousand (2015: AED 594,286 thousand) is proposed.

(2) A special cash dividend of AED Nil per share (2015: AED 0.10 per share) amounting to AED Nil (2015: AED 457,143 thousand) is proposed.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 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 30 September 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 has assessed and evaluated the provisions of the Companies Law and is in the process of ensuring compliance within the transitional period of this Law which has been extended till 30 June 2017.

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 nine-month period ended 30 September 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 1 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.

Management is in the process of performing a detailed analysis of the impact of the application of IFRS 15, 'Revenue from contracts with customers' on revenue arrangements with multiple deliverables and up-front connection fees, in order to quantify the extent of impact. The new standard is expected to impact the timing of the recognition of certain revenues and the accounting treatment of direct acquisition costs such as commission.

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

2 Basis of preparation (continued)

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 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 nine-month period ended 30 September 2016.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

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 2016	47,208	13,859,401	254,756	1,536	934,321	15,097,222
Additions	-	174,629	10,027	-	634,409	819,065
Addition: asset retirement obligations	-	6,628	-	-	-	6,628
Transfers	-	414,945	4,905	-	(419,850)	-
Disposals / write-off	-	(28,609)	(2,131)	(117)	-	(30,857)
At 30 September 2016	<u>47,208</u>	<u>14,426,994</u>	<u>267,557</u>	<u>1,419</u>	<u>1,148,880</u>	<u>15,892,058</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	1,672	965,283	14,291	17	-	981,263
Disposals / write-off	-	(28,407)	(2,110)	(117)	-	(30,634)
Impairment charge	-	1,185	-	-	1,978	3,163
At 30 September 2016	<u>23,646</u>	<u>7,447,081</u>	<u>238,861</u>	<u>1,380</u>	<u>6,566</u>	<u>7,717,534</u>
Net book value						
At 30 September 2016	<u>23,562</u>	<u>6,979,913</u>	<u>28,696</u>	<u>39</u>	<u>1,142,314</u>	<u>8,174,524</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 nine-month period ended 30 September 2016 (continued)

5 Intangible assets

	Reviewed 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Goodwill	549,050	549,050
Other intangible assets	634,765	651,911
	<u>1,183,815</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 30 September 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. No adverse developments have arisen during the current period to significantly alter our assessment performed as at 31 December 2015.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 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 30 September 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	139,247	-	14,735	153,982	165,206
Amortisation for the period/year	(99,481)	(4,660)	(24,617)	(128,758)	(164,852)
Impairment during the period/year	(42,370)	-	-	(42,370)	(7,843)
Write off	-	-	-	-	(499)
Closing balance	<u>395,931</u>	<u>58,443</u>	<u>180,391</u>	<u>634,765</u>	<u>651,911</u>

IT software is split between ‘software in use’ of AED 193,698 thousand (31 December 2015: AED 260,660 thousand) and ‘capital work in progress’ of AED 202,233 thousand (31 December 2015: AED 137,875 thousand). During the period, AED 61,938 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 nine-month period ended 30 September 2016 (continued)

6 Investment in an associate (continued)

	Reviewed 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	110,867	107,890
Share of profit for the period/year	1,878	2,977
Closing balance	<u>112,745</u>	<u>110,867</u>

7 Derivative financial instrument

The Group has the following derivative financial instruments:

	Reviewed 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Interest rate swap contracts – cash flow hedges	-	3,033
Total non-current derivative financial instrument asset	<u>-</u>	<u>3,033</u>
Interest rate swap contracts – cash flow hedges	16,812	-
Total non-current derivative financial instrument liability	<u>16,812</u>	<u>-</u>

8 Trade and other receivables

Trade receivables	1,177,525	1,018,863
Less: provision for impairment of trade receivables (Note 8.1)	(444,453)	(480,238)
	<u>733,072</u>	<u>538,625</u>
Due from other telecommunications operators, net of provision for impairment	717,077	478,904
Less: payable balances set off where right to set off exists	(648,581)	(434,797)
Unbilled revenue	358,293	423,585
Total trade receivables, net	<u>1,159,861</u>	<u>1,006,317</u>
Advances to suppliers	181,004	119,692
Prepayments	347,193	242,440
Other receivables	138,944	79,910
	<u>1,827,002</u>	<u>1,448,359</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

8 Trade and other receivables (continued)

8.1 At 30 September 2016, AED 599,233 thousand (31 December 2015: AED 452,861 thousand) of receivables are more than 180 days overdue against which impairment provisions of AED 353,290 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 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	480,238	423,389
Provision for impairment during the period/year	116,417	88,067
*Release of provision for impairment during the period/year	(37,441)	-
Write-off during the period/year	(114,761)	(31,218)
Closing balance	<u>444,453</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 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Due from related parties		
Axiom Telecom LLC (Entity under common shareholding)	169,618	190,892
Founding shareholders	211,675	206,253
Tecom Investments FZ LLC (Entity under common shareholding)	3,391	-
	<u>384,684</u>	<u>397,145</u>
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	-	19,054
Khazna Data Center Limited (Associate)	3,753	9,017
	<u>3,753</u>	<u>28,071</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 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 nine-month period ended 30 September	
	2016	2015
	AED 000	AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and services	36,765	57,798
- Infrastructure cost	14,703	46,379
Axiom Telecom LLC– Authorised distributor – net sales	1,487,825	2,003,310
Injazat Data Systems LLC – Data centre – rent and services	7,021	7,156
Associate		
Khazna Data Center - Rent	49,480	34,410
Key management compensation		
Short term employee benefits	23,961	28,828
Employees' end of service benefits	745	520
Post-employment benefits	1,067	1,121
Long term incentives	7,774	8,187
	<u>33,547</u>	<u>38,656</u>

The fee paid to Board of Directors during the period was AED 7,497 thousand (30 September 2015: AED 7,050 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 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Short term investments	<u>4,985,000</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 nine-month period ended 30 September 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 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Cash at bank (on deposit and call accounts)	807,842	162,851
Cash on hand	561	437
	<hr/> 808,403	<hr/> 163,288
Less: margin on guarantees	(9,452)	(8,152)
Cash and cash equivalents	<hr/> 798,951	<hr/> 155,136

12 Trade and other payables

Trade payables and accruals	1,698,615	1,823,253
Due to other telecommunications operators	1,122,451	1,114,067
Less: receivable balances set off where right to set off exists	(648,581)	(434,797)
Accrued royalty (Note 21)	1,608,405	1,952,569
Cash dividend payable	594,286	-
Deferred revenue	476,108	545,779
Customer deposits	141,103	133,584
Employee benefit accruals	127,884	179,099
Retention payable	12,181	13,004
Others	422	422
	<hr/> 5,132,874	<hr/> 5,326,980

13 Borrowings

Bank borrowings	4,297,995	4,297,995
Buyer credit arrangements	73,875	193,463
	<hr/> 4,371,870	<hr/> 4,491,458
Less: Current portion of borrowings*	(790,207)	(133,669)
	<hr/> 3,581,663	<hr/> 4,357,789

*Current portion of borrowings comprised of term loans of AED 716,332 thousand (31 December 2015: AED Nil) and buyer credit arrangements of AED 73,875 thousand (31 December 2015: AED 133,669 thousand).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

13 Borrowings (continued)

The details of borrowings are as follows:

				1 January 2016			30 September 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 1	USD	LIBOR+1.20%	2017	179,381	-	(119,588)	59,793
Buyer credit arrangement 2	USD	Nil	2016	14,082	28,164	(28,164)	14,082
				193,463	28,164	(147,752)	73,875

14 Provision for employees' end of service benefits

	Reviewed 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	186,887	165,396
Current service cost for the period/year	32,530	30,058
Interest cost for the period/year	5,337	6,709
Benefits paid during the period/year	(10,501)	(14,030)
Actuarial gain for the period/year recognised in other comprehensive income	-	(1,246)
Closing balance	214,253	186,887

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 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 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	88,318	113,279
Additions during period/year	6,628	1,906
Release of provision during the period/year	-	(31,074)
Unwinding of discount during the period/year	1,476	4,207
Closing balance	<u>96,422</u>	<u>88,318</u>

16 Share capital

	Reviewed 30 September 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 30 September 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 nine-month period ended 30 September 2016 (continued)

18 Other reserves

	Share based payment reserve AED 000	Statutory reserve (Note 18.1) 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	-	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
At 1 January 2016	1,194	1,069,291	3,033	914,286	1,987,804
Transfer to statutory reserve	-	138,277	-	-	138,277
Cash dividend paid	-	-	-	(914,286)	(914,286)
Proposed interim cash dividend	-	-	-	594,286	594,286
Transfer to cash dividend payable	-	-	-	(594,286)	(594,286)
Fair value changes on cash flow hedge	-	-	(19,845)	-	(19,845)
At 30 September 2016	1,194	1,207,568	(16,812)	-	1,191,950

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 nine-month period ended 30 September	
	2016	2015
	AED 000	AED 000
Provision for impairment of trade receivables	117,464	64,006
Office expenses	54,056	54,012
Consulting	36,692	49,482
Legal and license fees	5,644	14,368
Others	32,967	14,945
	246,823	196,813

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

20 Finance income and expenses

	Reviewed nine-month period ended 30 September	
	2016	2015
	AED 000	AED 000
Finance income		
Interest income	102,309	80,532
Finance expense		
Interest expense*	82,761	107,212
Exchange loss/(gain)	329	(841)
	<u>83,090</u>	<u>106,371</u>

*Interest expense of 2015 included early settlement fees amounting to AED 23,135 thousand.

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 nine-month period ended 30 September	
	2016	2015
	AED 000	AED 000
Total revenue for the period (Note 25)	9,292,650	9,188,910
Broadcasting revenue for the period (Note 25)	(128,615)	(119,802)
Other allowable deductions	(2,271,526)	(2,259,910)
Total adjusted revenue	<u>6,892,509</u>	<u>6,809,198</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

21 Royalty (continued)

	Reviewed nine-month period ended 30 September	
	2016	2015
	AED 000	AED 000
Profit before royalty	2,986,058	2,875,143
Allowable deductions	(54,130)	(100,476)
Total regulated profit	<u>2,931,928</u>	<u>2,774,667</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.	1,603,292	1,428,205
Adjustments to charge	-	(32,011)
	<u>1,603,292</u>	<u>1,396,194</u>

Movement in the royalty accruals is as follows:

	Reviewed 30 September 2016 AED 000	Audited 31 December 2015 AED 000
Opening balance	1,952,569	1,594,268
Payment made during the period/year	(1,947,456)	(1,562,257)
Charge for the period/year	<u>1,603,292</u>	<u>1,920,558</u>
Closing balance	<u>1,608,405</u>	<u>1,952,569</u>

22 Earnings per share

	Reviewed nine-month period ended 30 September	
	2016	2015
Profit for the period (AED 000)	1,382,766	1,478,949
Weighted average number of shares ('000)	4,571,429	4,571,429
Basic and diluted earnings per share (AED)	<u>0.30</u>	<u>0.32</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

23 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2016 AED 000	2015 AED 000
Change in:		
Inventories	50,421	111,924
Trade and other receivables	(427,980)	84,885
Trade and other payables	(334,095)	(225,544)
Due from related parties	8,398	(14,750)
Due to related parties	(24,318)	6,950
Payment of employees' end of service benefits	(10,501)	(10,647)
Net changes in working capital	<u>(738,075)</u>	<u>(47,182)</u>

24 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 1,006,029 thousand and AED 9,452 thousand, respectively (31 December 2015: AED 856,353 thousand and AED 8,152 thousand, respectively). Bank guarantees are secured against margin of AED 9,452 thousand (31 December 2015: AED 8,152 thousand) (Note 11).

25 Segment analysis

30 September 2016

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	<u>6,663,987</u>	<u>1,958,216</u>	<u>541,832</u>	<u>128,615</u>	<u>9,292,650</u>
Segment contribution	<u>4,639,513</u>	<u>1,585,335</u>	<u>88,448</u>	<u>50,647</u>	<u>6,363,943</u>
Unallocated costs					(3,450,140)
Finance income and expenses, other income, share of profit of investment in an associate					<u>72,255</u>
Profit before royalty					2,986,058
Royalty					<u>(1,603,292)</u>
Profit for the period					<u>1,382,766</u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2016 (continued)

25 Segment Analysis (continued)

30 September 2015

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