

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

**Condensed interim consolidated financial statements
for the nine-month period ended 30 September 2018**

**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 2018 and the related condensed interim consolidated statements of comprehensive income for the three-month and nine-month period then ended and condensed interim consolidated statement of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standards No. 34, ‘Interim Financial Reporting’ (‘IAS 34’). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
31 October 2018

Jacques E. Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates

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Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of financial position

		Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
	Note		
Non-current assets			
Property, plant and equipment	4	7,668,885	8,520,866
Intangible assets and goodwill	5	1,114,316	1,130,332
Investments accounted for using the equity method	6	184,786	142,086
Financial asset at fair value through other comprehensive income	7	18,368	18,368
Derivative financial instruments	8	14,861	13,594
Contract assets	9	175,402	94,631
Total non-current assets		9,176,618	9,919,877
Current assets			
Inventories		119,990	99,383
Contract assets	9	609,978	438,739
Trade and other receivables	10	1,957,793	1,701,116
Due from a related party	11	105,501	186,196
Short term investments	12	3,225,000	5,025,000
Cash and bank balances	13	886,019	461,125
Total current assets		6,904,281	7,911,559
Current liabilities			
Trade and other payables	14	4,675,319	5,214,773
Contract liabilities	9	522,403	468,776
Due to related parties	11	12,829	20,294
Borrowings	15	1,440,012	1,461,318
Total current liabilities		6,650,563	7,165,161
Net current assets		253,718	746,398
Non-current liabilities			
Borrowings	15	720,005	2,156,344
Contract liabilities	9	215,306	124,997
Provision for employees' end of service benefits	16	247,600	236,072
Other provisions	17	115,996	110,924
Total non-current liabilities		1,298,907	2,628,337
Net assets		8,131,429	8,037,938
Represented by:			
Share capital and reserves			
Share capital	18	4,532,906	4,532,906
Share premium	19	232,332	232,332
Other reserves, net of treasury shares	20	1,571,201	2,426,559
Retained earnings		1,794,990	846,141
Total equity		8,131,429	8,037,938

The condensed interim consolidated financial statements were approved by the Board of Directors on 31 October 2018 and signed on its behalf by:

.....
Mohamed Al Hussaini
Chairman

.....
Osman Sultan
Chief Executive Officer

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	
		2018 AED 000	2017 AED 000	2018 AED 000	2017 AED 000
Revenue	27	10,013,162	9,552,597	3,331,034	3,130,859
Interconnect and related costs		(2,234,559)	(2,279,296)	(737,817)	(738,560)
Product costs		(929,107)	(601,056)	(317,776)	(187,840)
Staff costs		(753,082)	(735,293)	(267,944)	(239,377)
Network operation and maintenance		(553,198)	(530,550)	(159,079)	(159,532)
Outsourcing and contracting		(305,127)	(309,496)	(98,733)	(96,498)
Commission		(288,249)	(338,633)	(99,719)	(95,317)
Telecommunication license and related fees		(118,471)	(221,482)	(94,972)	(41,793)
Marketing		(208,282)	(207,196)	(62,558)	(89,797)
Provision for impairment of trade receivables and contract assets (net of recoveries)		(186,843)	(208,918)	(62,800)	(71,716)
Rent and utilities		(91,111)	(88,238)	(34,500)	(33,786)
Other expenses	21	(119,155)	(130,015)	(28,395)	(46,708)
Other income		4,936	3,526	2,162	1,626
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		4,230,914	3,905,950	1,368,903	1,331,561
Depreciation and impairment	4	(1,099,324)	(1,024,723)	(350,479)	(344,002)
Amortisation and impairment of intangible assets	5	(167,017)	(106,785)	(60,224)	(2,631)
Operating profit		2,964,573	2,774,442	958,200	984,928
Finance income	22	107,655	124,104	34,195	38,961
Finance costs	22	(75,514)	(90,164)	(23,936)	(35,850)
Share of profit of investments accounted for using equity method	6	8,656	7,517	3,472	2,832
Profit before royalty		3,005,370	2,815,899	971,931	990,871
Royalty	23	(1,599,230)	(1,528,726)	(531,110)	(515,215)
Profit for the period		1,406,140	1,287,173	440,821	475,656
Other comprehensive income/(loss)					
<i>Items that may be re- classified subsequently to profit or loss</i>					
Fair value changes on cash flow hedge		1,267	1,746	(2,870)	1,882
Total comprehensive income for the period attributable entirely to shareholders of the Company		1,407,407	1,288,919	437,951	477,538
Basic and diluted earnings per share (AED)	24	0.31	0.28	0.10	0.10

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of cash flows

	Note	Reviewed nine-month period ended 30 September	
		2018 AED 000	2017 AED 000
Cash flows from operating activities			
Profit before royalty		3,005,370	2,815,899
Adjustments for:			
Depreciation and impairment		1,099,324	1,024,723
Amortisation and impairment of intangible assets		167,017	106,785
Provision for employees' end of service benefits		23,947	25,653
Provision for impairment of trade receivables and contract assets		187,027	205,819
Finance income		(107,655)	(124,104)
Finance costs		75,514	90,164
Unwinding of discount on asset retirement obligations		2,861	3,059
Share of profit of investments accounted for using equity method		(8,656)	(7,517)
Changes in working capital	25	(741,528)	(587,256)
Cash generated from operations		<u>3,703,221</u>	<u>3,553,225</u>
Royalty paid		(2,027,785)	(2,087,574)
Payment of employees' end of service benefits	16	(18,476)	(24,694)
Net cash generated from operating activities		<u>1,656,960</u>	<u>1,440,957</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(463,209)	(1,100,051)
Purchase of intangible assets		(174,607)	(164,914)
Payment for additional investments accounted for using equity method		(34,044)	(1,835)
Interest received		164,533	180,910
Margin on guarantees released/(placed)		49,119	(8,393)
Short term investments released		1,800,000	2,100,000
Net cash from investing activities		<u>1,341,792</u>	<u>1,005,717</u>
Cash flows used in financing activities			
Proceeds from borrowings		-	21,306
Repayment of borrowings		(1,457,645)	(779,799)
Interest paid		(69,855)	(83,607)
Dividend paid		(997,239)	(951,910)
Net cash used in financing activities		<u>(2,524,739)</u>	<u>(1,794,010)</u>
Net increase in cash and cash equivalents		474,013	652,664
Cash and cash equivalents at 1 January		<u>398,079</u>	<u>228,705</u>
Cash and cash equivalents at 30 September		<u><u>872,092</u></u>	<u><u>881,369</u></u>

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed interim consolidated statement of changes in equity

	Share capital (Note 18) AED 000	Share premium (Note 19) AED 000	Other reserves, net of treasury shares (Note 20) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2017	4,571,429	393,504	2,003,042	884,965	7,852,940
Profit for the period	-	-	-	1,287,173	1,287,173
Other comprehensive income	-	-	1,746	-	1,746
Total comprehensive income	-	-	1,746	1,287,173	1,288,919
Cancellation of treasury shares	(38,523)	(161,172)	199,695	-	-
Transfer to statutory reserve	-	-	128,717	(128,717)	-
Cash dividend paid	-	-	(951,910)	-	(951,910)
Proposed interim cash dividend*	-	-	589,278	(589,278)	-
Transfer to cash dividend payable	-	-	(589,278)	-	(589,278)
Total transactions with shareholders recognised directly in equity	(38,523)	(161,172)	(623,498)	(717,995)	(1,541,188)
At 30 September 2017	4,532,906	232,332	1,381,290	1,454,143	7,600,671
At 1 January 2018	4,532,906	232,332	2,426,559	846,141	8,037,938
Adjustment on initial application of IFRS 15 (Note 3.1)	-	-	-	272,601	272,601
Adjustment on initial application of IFRS 9 (Note. 3.2)	-	-	-	-	-
Adjusted balance as at 1 January 2018	4,532,906	232,332	2,426,559	1,118,742	8,310,539
Profit for the period	-	-	-	1,406,140	1,406,140
Other comprehensive income	-	-	1,267	-	1,267
Total comprehensive income	-	-	1,267	1,406,140	1,407,407
Transfer to statutory reserve	-	-	140,614	(140,614)	-
Cash dividend paid	-	-	(997,239)	-	(997,239)
Proposed interim cash dividend*	-	-	589,278	(589,278)	-
Transfer to cash dividend payable	-	-	(589,278)	-	(589,278)
Total transactions with shareholders recognised directly in equity	-	-	(856,625)	(729,892)	(1,586,517)
At 30 September 2018	4,532,906	232,332	1,571,201	1,794,990	8,131,429

* An interim cash dividend of AED 0.13 per share (30 September 2017: AED 0.13 per share) amounting to AED 589,278 thousand (30 September 2017: AED 589,278 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 2018

1 General information

Emirates Integrated Telecommunications Company PJSC (the “Company”) is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These condensed interim consolidated financial statements for the period ended 30 September 2018 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 Company has either directly or indirectly the following subsidiaries:

Subsidiaries	Principal activities	Shareholding		Country of incorporation
		2018	2017	
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
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	100%	100%	Singapore

As required by Securities and Commodities Authority (SCA) through their letter dated 9 July 2018 (Exposure to Abraaj Group Companies), we disclose that the Group does not have any exposure to Abraaj Group of companies and any of the funds that it manages.

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 2017. 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).

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

2 Basis of preparation (continued)

(ii) New standards, amendments and interpretations

(a) *Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2018*

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018);

The impact of the above amendments on the consolidated financial statements of the Group, which has been disclosed in Notes 3.1 and 3.2.

(b) *New standards and amendments issued but not effective until financial years beginning after 1 January 2018 and not early adopted by the Group*

- IFRS 16, 'Leases' (effective from 1 January 2019).

IFRS 16 - Leases was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in a discount rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group is assessing the impact of the accounting changes that will arise as a result of IFRS 16.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

2 Basis of preparation (continued)

(ii) New standards, amendments and interpretations (continued)

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements 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 except for a financial asset at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value.

(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 attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

(vii) Use of estimates and judgements

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.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

2 Basis of preparation (continued)

(vii) Use of estimates and judgements (continued)

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 2017, except for the adoption of new and amended standards as set out below:

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Notes 3.1 and 3.2. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.1 IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how and when revenue is recognised. It replaced IAS 18 Revenues, IAS 11 Construction contracts and related interpretations.

The Group has adopted IFRS 15 using the modified retrospective transition approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives for 2017 will not be restated. IFRS 15 has only been applied to contracts not completed as at 1 January 2018.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

3 Significant accounting policies (continued)

3.1 IFRS 15 Revenue from contracts with customers (continued)

The impact of IFRS 15 on the condensed interim consolidated financial statements of the Group is as follows:

- Accounting for bundled products – IFRS 15 requires that the total consideration received must be allocated to the equipment and services based on relative stand-alone selling prices rather than based on the residual value method. For equipment, the revenue is recognised when the control of the asset is transferred to the customer. After adoption of IFRS 15, revenue related to the equipment under bundled products is being recognised at the time of transfer to the customer. Prior to the adoption of IFRS 15, equipment revenue was recognised over the period of the contract. For services, revenue is recognised over the period of the contract.
- Incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer are required to be capitalised under IFRS 15, if those costs are expected to be recovered. These costs are to be amortised and tested for impairment regularly. Upon adoption of IFRS 15 the Group has started capitalising such costs, mainly new customer activation based commission, and started amortising over the average customer life with the Group. Prior to the adoption such costs were expensed as incurred.

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018.

	Impact of adopting IFRS 15 at 1 January 2018 AED 000
Retained earnings	
Bundled products- Equipment revenue recognised when the control of the asset is transferred to the customer	44,355
Incremental contract costs incurred to obtain and fulfil contracts	228,246
	<u>272,601</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 2018 (continued)

3 Significant accounting policies (continued)

3.1 IFRS 15 Revenue from contracts with customers (continued)

The following tables summarise the impacts of adopting IFRS 15 on the Group's condensed interim consolidated statement of financial position and condensed interim consolidated statement of comprehensive income for the nine-month period ended 30 September 2018:

(a) Impact on condensed interim consolidated statement of financial position

	As reported 30 September 2018 AED 000	Adjustments AED 000	Amounts without adoption of IFRS 15 AED 000
Non-current assets			
Trade and other receivables	-	96,216	96,216
Contract assets	175,402	(175,402)	-
Other non-current assets	9,001,216	-	9,001,216
Total non-current assets	9,176,618	(79,186)	9,097,432
Current assets			
Contract assets	609,978	(609,978)	-
Trade and other receivables	1,957,793	428,002	2,385,795
Other current assets	4,336,510	-	4,336,510
Total current assets	6,904,281	(181,976)	6,722,305
Current liabilities			
Trade and other payables	4,675,319	726,013	5,401,332
Contract liabilities	522,403	(522,403)	-
Other current liabilities	1,452,841	-	1,452,841
Total current liabilities	6,650,563	203,610	6,854,173
Net current assets	253,718	(385,586)	(131,868)
Non-current liabilities			
Contract liabilities	215,306	(215,306)	-
Other non-current liabilities	1,083,601	-	1,083,601
Total non-current liabilities	1,298,907	(215,306)	1,083,601
Net assets	8,131,429	(249,466)	7,881,963
Represented by:			
Share capital and reserves			
Share capital and share premium	4,765,238	-	4,765,238
Other reserves, net of treasury shares	1,571,201	-	1,571,201
Retained earnings	1,794,990	(249,466)	1,545,524
Total equity	8,131,429	(249,466)	7,881,963

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

3 Significant accounting policies (continued)

3.1 IFRS 15 Revenue from contracts with customers (continued)

(b) *Impact on condensed interim consolidated statement of comprehensive income for the nine-month period ended 30 September 2018*

	As reported 30 September 2018 AED 000	Adjustments AED 000	Amounts without adoption of IFRS 15 AED 000
Revenue	10,013,162	19,154	10,032,316
Commission	(288,249)	3,981	(284,268)
Other expenses	(5,498,935)	-	(5,498,935)
Other income	4,936	-	4,936
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,230,914	23,135	4,254,049
Depreciation/amortisation and impairment	(1,266,341)	-	(1,266,341)
Operating profit	2,964,573	23,135	2,987,708
Finance income/costs	32,141	-	32,141
Share of profit of investments accounted for using equity method	8,656	-	8,656
Profit before royalty	3,005,370	23,135	3,028,505
Royalty	(1,599,230)	-	(1,599,230)
Profit for the period	1,406,140	23,135	1,429,275
Other comprehensive income	1,267	-	1,267
Total comprehensive income for the period attributable entirely to shareholders of the Company	1,407,407	23,135	1,430,542
Basic and diluted earnings per share (AED)	0.31		0.32

3.2 IFRS 9 Financial instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The Group has adopted IFRS 9 retrospectively, with a date of initial application as of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

3 Significant accounting policies (continued)

3.2 IFRS 9 Financial instruments (continued)

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below. Changes in accounting policies resulting from the adoption of IFRS 9 has not resulted any impact on opening balance of retained earnings/equity.

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). For financial receivables, IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. For equity instruments, IFRS 9 now requires measurement of all assets at fair value and provides an irrevocable option to measure certain securities at FVOCI rather than through profit or loss. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see details in the note below.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table is reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 AED 000	Impact of IFRS 9 AED 000	New carrying amount under IFRS 9 AED 000
Investments in unlisted shares	Available-for-sale financial asset	FVOCI	18,368	-	18,368
Interest rate swap contracts – cash flow hedges	Derivative financial instruments	Derivative financial instruments-FVOCI	13,594	-	13,594

All other assets that were previously classified as loans and receivables will now be classified as assets measured at amortised cost under IFRS 9.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

3 Significant accounting policies (continued)

3.2 IFRS 9 Financial instruments (continued)

(b) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and assets at FVOCI.

As a result of adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires presentation of impairment of financial assets to be presented in a separate line item in the condensed consolidated statement comprehensive income. Previously, the Group’s approach was to include impairment of trade receivables and contract assets in “other expenses”. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosure about 2018 but generally have not been applied to comparative information.

Provision for impairment of trade receivables and contract assets:

The Group reassessed its impairment loss on its contract assets and trade receivables portfolio using an expected loss measurement basis using the simplified approach and did not observe a material change in the current levels of impairment allowances carried on such assets.

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**Notes to the condensed interim consolidated financial statements
for the nine-month period ended 30 September 2018 (continued)**

4 Property, plant and equipment

	Land and 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 2018	47,569	16,596,727	300,797	1,384	1,007,117	17,953,594
Reclassifications (Note 4.1)	416	(294,779)	(10,426)	2,052	(11,545)	(314,282)
Additions	13	176,074	11,388	155	180,863	368,493
Addition: asset retirement obligations	-	2,211	-	-	-	2,211
Transfers	(206)	421,324	134	-	(421,252)	-
Disposals/write-offs	-	(357,711)	(1,202)	-	(4,562)	(363,475)
At 30 September 2018	47,792	16,543,846	300,691	3,591	750,621	17,646,541
Depreciation/impairment						
At 1 January 2018	26,451	9,138,328	256,854	1,372	9,723	9,432,728
Reclassifications (Note 4.1)	189	(238,392)	(9,858)	2,023	-	(246,038)
Depreciation/impairment charge for the period	1,690	1,053,196	12,637	12	31,789	1,099,324
Disposals/write-off	-	(307,084)	(1,202)	-	(72)	(308,358)
At 30 September 2018	28,330	9,646,048	258,431	3,407	41,440	9,977,656
Net book value						
At 30 September 2018	19,462	6,897,798	42,260	184	709,181	7,668,885
At 31 December 2017	21,118	7,458,399	43,943	12	997,394	8,520,866

The carrying amount of the Group's land and buildings include a nominal amount of AED 1 (31 December 2017: AED 1) in relation to a land granted to the Group by the UAE Government.

4.1 During the period, management of the Group undertook a review of the individual asset wise categorisation of its property, plant and equipment (PPE) and intangible assets to reflect changes in technology and information technology architecture. As a result of the review, certain assets were reclassified into different PPE categories and certain PPE assets with net book value of AED 127,520 thousands were reclassified to intangible assets and certain intangible assets with net book value of AED 59,276 thousands were reclassified to PPE. Accordingly, the related costs and accumulated depreciation were also reclassified from PPE to intangible assets and vice versa.

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

5 Intangible assets and goodwill

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Goodwill	549,050	549,050
Intangible assets	565,266	581,282
	<u>1,114,316</u>	<u>1,130,332</u>

Goodwill

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

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

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	<u>549,050</u>	<u>549,050</u>

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

The latest impairment testing was performed as at 31 December 2017. As at 31 December 2017, the estimated recoverable amount of the broadcasting CGU exceeded the carrying amount of its net assets including goodwill, by approximately 53% and that of the fixed line business exceeded its carrying amount by approximately 150%.

The key assumptions for the value-in-use calculations at 31 December 2017 include:

- 5 year revenue growth projections for the fixed line business and broadcasting operations;
- a pre-tax discount rate of 9.81% based on the historical industry average weighted-average cost of capital;
- maintenance capital expenditure projections allowing for replacement of existing infrastructure at the end of its useful life; and
- terminal growth rate of 3% for the fixed line and 1% for broadcasting businesses, determined based on management’s estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

5 Intangible assets and goodwill (continued)

Intangible assets

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

		Telecomm- unications license fees	Indefeasible right of use	Reviewed 30 September 2018 Total	Audited 31 December 2017 Total
	IT software AED 000	AED 000	AED 000	AED 000	AED 000
Opening balance	478,314	50,653	52,315	581,282	624,419
Reclassifications cost*	314,282	-	-	314,282	-
Reclassifications amortisation*	(246,038)	-	-	(246,038)	-
Adjustment	-	-	(8,539)	(8,539)	-
Additions during the period/year	91,296	-	-	91,296	95,010
Amortisation/impairment for the period/year	(151,608)	(4,740)	(10,669)	(167,017)	(138,147)
Closing balance	486,246	45,913	33,107	565,266	581,282

* These reclassifications represent certain assets reclassified from property, plant and equipment to intangibles assets and from intangible assets to property, plant and equipment (Note 4.1).

IT software is split between ‘software in use’ of AED 301,171 thousands (31 December 2017: AED 197,834 thousands) and ‘capital work in progress’ of AED 185,075 thousands (31 December 2017: AED 280,480 thousands). During the period, AED 110,630 thousands was transferred from ‘capital works in progress to ‘software in use’.

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

Telecommunication license fees represent charge 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.

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.

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

6 Investments accounted for using the equity method

Dubai Smart City Accelerator FZCO

During the year 2017, the Group acquired 23.5% shares in Dubai Smart City Accelerator FZCO (the “Associate”), a Free Zone Company with limited liability established in Dubai Silicon Oasis Free Zone, in the Emirate of Dubai. The business of the Associate is to run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry. The Associate has not yet commenced commercial operations and has not produced financial statements.

Khazna Data Center Limited

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.

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Opening balance	142,086	113,935
Investments during the period/year	34,044	18,666
Share of profit for the period/year	8,656	9,485
Closing balance	<u>184,786</u>	<u>142,086</u>

7 Financial asset at fair value through other comprehensive income

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Unlisted shares		
Anghami	<u>18,368</u>	<u>18,368</u>

In 2016, the Group acquired 4.8% shares in Anghami, a Cayman Islands exempted company registered in the Cayman Islands (unlisted company). The company is involved in the provision of media related content. The Group classified the investment as financial asset at fair value through other comprehensive income (FVOCI).

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

8 Derivative financial instruments

The Group has following derivative financial instruments:

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Interest rate swap contracts – cash flow hedges (Note 20.2)	14,861	13,594

The Group classified these interest rate swap contracts as derivative financial instruments at fair value through other comprehensive income (FVOCI).

9 Contract assets and contract liabilities

	Current		Non-current	
	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Contract assets	640,517	468,094	175,402	94,631
Less: provision for impairment of contract assets	(30,539)	(29,355)	-	-
	<u>609,978</u>	<u>438,739</u>	<u>175,402</u>	<u>94,631</u>

The movement in the provision for impairment of contract assets is as follows:

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Opening balance	29,355	16,162
Provision for impairment during the period/year	1,184	13,193
Closing balance	<u>30,539</u>	<u>29,355</u>

	Current		Non-current	
	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Contract liabilities	522,403	468,776	215,306	124,997

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

10 Trade and other receivables

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Trade receivables	2,050,750	1,774,659
Due from other telecommunications operators	944,725	648,489
<i>Less:</i> payable balances set off where right to set off exists	(786,853)	(533,238)
<i>Less:</i> provision for impairment of trade receivables and due from other telecommunications operators	(809,650)	(661,758)
Trade and other receivables, net	1,398,972	1,228,152
Prepayments	290,870	245,054
Advances to suppliers	141,780	125,911
Other receivables	126,171	101,999
Total trade and other receivables	1,957,793	1,701,116

At 30 September 2018, AED1,581,587 thousands (31 December 2017: AED 1,091,611 thousands) of trade and other receivables are more than 180 days overdue against which impairment provisions of AED 712,199 thousands (31 December 2017: AED 524,552 thousands) have been recorded.

The movement in the provision for impairment of trade receivables and due from other telecommunications operators is as follows:

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Opening balance	661,758	423,631
Provision for impairment during the period/year	185,843	294,063
Write-off during the period/year	(37,951)	(55,936)
Closing balance	809,650	661,758

11 Related party balances and transactions

Related parties comprise the shareholders of the Company, entities under common shareholding, its directors, key management personnel and entities over which they exercise control, joint control or significant influence. The founding shareholders mentioned in the note are Emirates Investment Authority, Mubadala Development Company and Emirates Communications & Technology Company LLC. Transactions with related parties are done on an arm's length basis in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

11 Related party balances and transactions (continued)

Related party balances

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Due from a related party		
Axiom Telecom LLC (Entity under common shareholding)	105,501	186,196
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	5,628	6,951
Khazna Data Center Limited (Associate)	7,201	13,343
	<u>12,829</u>	<u>20,294</u>

Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions with related parties referred to below are done on an arm's length basis in the ordinary course of business. The following table reflects the gross value of transactions with related parties.

	Reviewed nine-month period ended 30 September	
	2018 AED 000	2017 AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and broadcasting services	31,592	34,127
- Infrastructure cost	1,000	1,202
Axiom Telecom LLC – Authorised distributor – net sales	1,072,914	1,420,785
Injazat Data Systems LLC – Data Centre - rent and telecom services	569	1,832
Associates		
Khazna Data Center Limited – rent and telecom services	69,358	65,752
Khazna Data Center Limited- additional funding	34,044	-
Dubai Smart City Accelerator FZCO- acquisition of shares	-	1,835

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

11 Related party balances and transactions (continued)

Key management compensation

	Reviewed nine-month period ended 30 September	
	2018	2017
	AED 000	AED 000
Short term employee benefits	30,745	25,096
Employees' end of service benefits	656	664
Post-employment benefits	1,066	1,650
Long term incentives	15,077	10,598
	<u>47,544</u>	<u>38,008</u>

Board of Directors fee during the period was AED 9,074 thousands (30 September 2017: AED 9,150 thousands).

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.

12 Short term investments

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Short term investments	<u>3,225,000</u>	<u>5,025,000</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. These short term investments denominated primarily in UAE Dirham, with banks. Interest is earned on these short term investments at prevailing market rates. The carrying amount of these short term investments approximates to their fair value.

13 Cash and bank balances

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

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Cash at bank (on deposit and call accounts)	885,375	460,494
Cash on hand	644	631
	<u>886,019</u>	<u>461,125</u>
Less: margin on guarantees (Note 26)	(13,927)	(63,046)
Cash and cash equivalents	<u>872,092</u>	<u>398,079</u>

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

14 Trade and other payables

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Trade payables and accruals	1,443,641	2,075,235
Due to other telecommunications operators	1,448,206	1,323,279
Less: receivable balances set off where right to set off exists	(786,853)	(533,238)
Accrued royalty (Note 23)	1,624,105	2,054,019
Dividend payable	589,278	-
Value Added Tax (VAT) payable	34,083	-
Other payables and accruals	322,859	295,478
	<u>4,675,319</u>	<u>5,214,773</u>

15 Borrowings

	Current		Non-current	
	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Bank borrowings	1,432,665	1,432,665	716,332	2,148,997
Buyer credit arrangements	7,347	28,653	3,673	7,347
	<u>1,440,012</u>	<u>1,461,318</u>	<u>720,005</u>	<u>2,156,344</u>

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
<u>Bank borrowings</u>							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	2,204,100	-	(881,640)	1,322,460
Unsecured term loan 2	USD	LIBOR+0.95%	2020	918,375	-	(367,350)	551,025
Unsecured term loan 3	USD	LIBOR+0.95%	2020	459,187	-	(183,675)	275,512
				<u>3,581,662</u>	<u>-</u>	<u>(1,432,665)</u>	<u>2,148,997</u>
<u>Buyer credit arrangement</u>							
Buyer credit arrangement	USD	Nil	2019	36,000	-	(24,980)	11,020
				<u>36,000</u>	<u>-</u>	<u>(24,980)</u>	<u>11,020</u>

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

16 Provision for employees' end of service benefits

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Opening balance	236,072	225,627
Current service cost during the period/year	23,947	38,013
Interest cost during the period/year	6,057	8,447
Benefits paid during the period/year	(18,476)	(28,929)
Actuarial gain for the period/year recognised in other comprehensive income	-	(7,086)
Closing balance	<u>247,600</u>	<u>236,072</u>

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The Group carries out actuarial valuation of the present value of the defined benefit obligations annually.

17 Other 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 expected to occur at the dates of exit of the assets to which they relate. These assets are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Opening balance	110,924	102,021
Additions during the period/year	2,211	7,923
Adjustment for change in discount rate	-	(3,157)
Unwinding of discount	2,861	4,137
Closing balance	<u>115,996</u>	<u>110,924</u>

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**Notes to the condensed interim consolidated financial statements
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18 Share capital

	Reviewed 30 September 2018 No of shares	Audited 31 December 2017 No of shares
Authorised, issued and fully paid up share capital (par value AED 1 each)	<u>4,532,905,989</u>	<u>4,532,905,989</u>

19 Share premium

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Premium on issue of common share capital	<u>232,332</u>	<u>232,332</u>

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

20 Other reserves, net of treasury shares

	Statutory reserve (Note 20.1) AED 000	Hedge reserve (Note 20.2) AED 000	Proposed dividend AED 000	Treasury shares (Note 20.3) AED 000	Total AED 000
At 1 January 2017	1,244,547	6,280	951,910	(199,695)	2,003,042
Transfer to statutory reserve	128,717	-	-	-	128,717
Fair value changes on cash flow hedge	-	1,746	-	-	1,746
Cash dividend paid	-	-	(951,910)	-	(951,910)
Proposed interim cash dividend	-	-	589,278	-	589,278
Transfer to cash dividend payable	-	-	(589,278)	-	(589,278)
Cancellation of treasury shares	-	-	-	199,695	199,695
At 30 September 2017	1,373,264	8,026	-	-	1,381,290
At 1 January 2018	1,415,726	13,594	997,239	-	2,426,559
Transfer to statutory reserve	140,614	-	-	-	140,614
Fair value changes on cash flow hedge	-	1,267	-	-	1,267
Cash dividend paid	-	-	(997,239)	-	(997,239)
Proposed interim cash dividend	-	-	589,278	-	589,278
Transfer to cash dividend payable	-	-	(589,278)	-	(589,278)
At 30 September 2018	1,556,340	14,861	-	-	1,571,201

20.1 In accordance with the UAE Federal Law No. 2 of 2015 ("Companies Law") and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

20.2 Hedge reserve is related to derivative financial instrument (Note 8).

20.3. Treasury shares as at 31 March 2017 represent ordinary shares bought back from founding shareholders under Executive Share Option Plan ("ESOP") and the cancellation of these treasury shares were approved by the shareholders on 11 January 2017. Related amendments to Articles of Association have been approved and notarized as of 27 December 2017.

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

21 Other expenses

	Reviewed nine-month period ended 30 September	
	2018	2017
	AED 000	AED 000
Office expenses	55,983	50,469
Consulting and legal expenses	14,553	55,289
Others	48,619	24,257
	<u>119,155</u>	<u>130,015</u>

22 Finance income and costs

	Reviewed nine-month period ended 30 September	
	2018	2017
	AED 000	AED 000
Finance income		
Interest income	<u>107,655</u>	<u>124,104</u>
Finance costs		
Interest expense	74,644	94,752
Exchange loss/(gain)	870	(4,588)
	<u>75,514</u>	<u>90,164</u>

23 Royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2017 to 2021 are 15% on regulated revenue and 30% on regulated profit after deducting royalty on regulated revenue.

	Reviewed nine-month period ended 30 September	
	2018	2017
	AED 000	AED 000
Total revenue for the period (Note 27)	10,013,162	9,552,597
Broadcasting revenue for the period	(115,878)	(118,541)
Other allowable deductions	(3,019,729)	(2,708,042)
Total regulated revenue	<u>6,877,555</u>	<u>6,726,014</u>
Profit before royalty	3,005,370	2,815,899
Allowable deductions	(73,795)	(78,657)
Total regulated profit	<u>2,931,575</u>	<u>2,737,242</u>

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**Notes to the condensed interim consolidated financial statements
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23 Royalty (continued)

	Reviewed nine-month period ended 30 September	
	2018	2017
	AED 000	AED 000
Charge for royalty: 15% (2017:15%) of the total adjusted revenue plus 30% (2017: 30%) of net regulated profit for the period before distribution after deducting 15% (2017: 15%) of the total adjusted revenue.	1,601,616	1,527,404
Adjustments to charge	(3,745)	(5,113)
Charge for the period	1,597,871	1,522,291
Royalty reimbursement (net)	1,359	6,435
Total royalty charge for the period	1,599,230	1,528,726

Movement in the royalty accruals is as follows:

	Reviewed 30 September 2018 AED 000	Audited 31 December 2017 AED 000
Opening balance	2,054,019	2,110,809
Payment made during the period/year	(2,027,785)	(2,087,574)
Charge for the period/year	1,597,871	2,030,784
Closing balance	1,624,105	2,054,019

24 Earnings per share

	Reviewed nine-month period ended 30 September	
	2018	2017
Profit for the period (AED 000)	1,406,140	1,287,173
Weighted average number of shares ('000')	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.31	0.28

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

25 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2018	2017
	AED 000	AED 000
Change in:		
Inventories	(20,607)	(1,042)
Contract assets	19,407	57,064
Trade and other receivables	(499,398)	(465,176)
Trade and other payables	(458,096)	(108,806)
Contract liabilities	143,936	(132,923)
Due from related parties	80,695	52,388
Due to related parties	(7,465)	11,239
Net changes in working capital	<u>(741,528)</u>	<u>(587,256)</u>

26 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 1,109,904 thousand and AED 40,343 thousand, respectively (31 December 2017: AED 908,656 thousand and AED 75,204 thousand, respectively). Bank guarantees are secured against margin of AED 13,927 thousand (31 December 2017: AED 63,046 thousand) (Note 13).

27 Segment analysis

The Group has operations only in the UAE. The Group is organised into four major business segments as follows:

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI. Mobile handset sales, including instalment sales, are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and sms to national and international carriers and operators. Services include termination of inbound international voice traffic and international hubbing.
- Others. Others include broadcasting services, international roaming, site sharing etc

Segment contribution, referred to by the Group as Gross Margin, represents revenue less direct costs of sales. It is calculated before charging network operating costs, sales and general and administration expenses. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

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Notes to the condensed interim consolidated financial statements for the nine-month period ended 30 September 2018 (continued)

27 Segment analysis (continued)

30 September 2018

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue	<u>6,019,009</u>	<u>1,722,566</u>	<u>1,603,772</u>	<u>667,815</u>	<u>10,013,162</u>
Segment contribution	<u>3,649,416</u>	<u>1,504,435</u>	<u>1,052,264</u>	<u>336,833</u>	<u>6,542,948</u>
Unallocated costs					(3,583,311)
Finance income and costs, other income and share of profit of investments accounted for using equity method					<u>45,733</u>
Profit before royalty					3,005,370
Royalty					<u>(1,599,230)</u>
Profit for the period					<u><u>1,406,140</u></u>

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Segment revenue	<u>5,777,490</u>	<u>1,597,712</u>	<u>1,609,503</u>	<u>567,892</u>	<u>9,552,597</u>
Segment contribution	<u>3,549,121</u>	<u>1,391,970</u>	<u>1,045,654</u>	<u>346,105</u>	<u>6,332,850</u>
Unallocated costs					(3,561,934)
Finance income and costs, other income and share of profit of investments accounted for using equity method					<u>44,983</u>
Profit before royalty					2,815,899
Royalty					<u>(1,528,726)</u>
Profit for the period					<u><u>1,287,173</u></u>

28 Comparatives

In order to conform with current period presentation, the comparative figures for the previous year/period has been regrouped where necessary. Such regrouping did not affect the previously reported profit, comprehensive income or equity.