Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Review report and condensed consolidated financial information for the nine-month period ended 30 September 2019

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated financial information

Deloitte.

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of
Emirates Integrated Telecommunications Company PJSC
Dubai, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 September 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Accounting Standards 34, 'Interim Financial Reporting' ('IAS 34') as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed 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 condensed consolidated 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 consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those statements on 20 February 2019. Furthermore, the condensed consolidated financial information for the nine month period ended 30 September 2018 were reviewed by another auditor, who expressed an unmodified conclusion on 31 October 2018.

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration No. 701
29 October 2019
Dubai
United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of financial position

	Notes	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,491,049	7,811,506
Right-of-use assets	5	1,712,689	-
Intangible assets and goodwill	6	1,048,136	1,102,875
Investments accounted for using the equity method	7	234,636	188,179
Financial asset at fair value through other comprehensive income		18,368	18,368
Derivative financial instruments		1,189	10,968
Contract assets	8	160,886	196,687
Total non-current assets		10,666,953	9,328,583
Current assets			
Inventories		64,546	129,311
Contract assets	8	494,704	508,257
Trade and other receivables	9	2,008,769	1,907,738
Due from a related party	10	95,177	129,078
Term deposits	11	1,989,130	4,000,000
Cash and bank balances	12	389,044	502,091
Total current assets		5,041,370	7,176,475
Total assets		15,708,323	16,505,058
EQUITY AND LIABILITIES			
Equity			
Share capital		4,532,906	4,532,906
Share premium		232,332	232,332
Other reserves	18	1,721,660	1,601,993
Retained earnings		1,723,008	2,144,507
Total equity		8,209,906	8,511,738
Non-current liabilities			
Lease liabilities	13	1,516,655	-
Borrowings	14	-	716,332
Contract liabilities	8	188,355	190,631
Provision for employees' end of service benefits	15	259,731	252,564
Other provisions	16	164,317	115,764
Total non-current liabilities		2,129,058	1,275,291
Current liabilities			
Trade and other payables	17	3,901,282	4,802,736
Lease liabilities	13	324,501	-
Contract liabilities	8	403,462	444,141
Due to related parties	10	9,455	9,834
Borrowings	14	730,659	1,461,318
Total current liabilities		5,369,359	6,718,029
Total liabilities		7,498,417	7,993,320
Total equity and liabilities		15,708,323	16,505,058

The condensed consolidated financial information was approved by the Board of Directors on 29 October 2019 and signed on its behalf by:

....	....
Ziad Galadari	**Osman Sultan**
Board Member	Chief Executive Officer

The notes on pages 6 to 28 form an integral part of these condensed consolidated financial information.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income

		Reviewed nine-month period ended 30 September		Reviewed three-month period ended 30 September	
		2019	**2018**	**2019**	**2018**
	Notes	**AED 000**	**AED 000**	**AED 000**	**AED 000**
Revenue	25	9,395,618	10,013,162	3,066,554	3,331,034
Operating expenses	19	(6,377,898)	(6,866,682)	(2,162,260)	(2,312,196)
Provision for impairment of trade receivables and contract assets (net of recoveries)		(218,123)	(186,843)	(50,967)	(62,800)
Other income		1,000	4,936	207	2,162
Operating profit before federal royalty		2,800,597	2,964,573	853,534	958,200
Federal royalty	20	(1,514,728)	(1,599,230)	(473,056)	(531,110)
Operating profit		1,285,869	1,365,343	380,478	427,090
Finance income	21	98,941	107,655	26,882	34,195
Finance costs	21	(99,883)	(75,514)	(28,984)	(23,936)
Share of profit of investments accounted for using equity method	7	9,537	8,656	2,810	3,472
Profit for the period		1,294,464	1,406,140	381,186	440,821
Other comprehensive (loss)/income					
Items that may be re-classified subsequently to profit or loss					
Fair value changes on cash flow hedge	18	(9,779)	1,267	(1,629)	(2,870)
Total comprehensive income for the period attributable to shareholders of the Company		1,284,685	1,407,407	379,557	437,951
Basic and diluted earnings per share (AED)	22	0.29	0.31	0.08	0.10

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of changes in equity
For the nine-month period ended 30 September 2019

	Share capital AED 000	Share premium AED 000	Other reserves (Note 18) AED 000	Retained earnings AED 000	Total AED 000
Adjusted balance at 1 January 2018 (Post impact of adoption of IFRS 15)	4,532,906	232,332	2,426,559	1,150,779	8,342,576
Profit for the period	-	-	-	1,406,140	1,406,140
Other comprehensive income	-	-	1,267	-	1,267
Total comprehensive income for the period	-	-	1,267	1,406,140	1,407,407
Transfer to statutory reserve	-	-	140,614	(140,614)	-
Final 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	4,532,906	232,332	1,571,201	1,827,027	8,163,466
At 1 January 2019	4,532,906	232,332	1,601,993	2,144,507	8,511,738
Profit for the period	-	-	-	1,294,464	1,294,464
Other comprehensive loss	-	-	(9,779)	-	(9,779)
Total comprehensive income for the period	-	-	(9,779)	1,294,464	1,284,685
Transfer to statutory reserve	-	-	129,446	(129,446)	-
Final cash dividend proposed	-	-	997,239	(997,239)	-
Proposed interim cash dividend	-	-	589,278	(589,278)	-
Cash dividend paid	-	-	(1,586,517)	-	(1,586,517)
At 30 September 2019	4,532,906	232,332	1,721,660	1,723,008	8,209,906

*A final cash dividend of AED 0.22 per share (30 September 2018: AED 0.22 per share) amounting to AED 997,239 (30 September 2018: AED 997,239) thousand was approved by the shareholders at Annual General Meeting and paid.

**An interim cash dividend of AED 0.13 per share (30 September 2018: AED 0.13 per share) amounting to AED 589,278 thousand (30 September 2018: AED 589,278 thousand) was proposed and paid.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Condensed consolidated statement of cash flows

	Note	Reviewed nine-month period ended 30 September 2019 AED 000	2018 AED 000
Cash flows from operating activities			
Profit for the period		1,294,464	1,406,140
Adjustments for:			
Depreciation and impairment of property, plant and equipment		1,026,264	1,099,324
Depreciation of right-of-use assets		236,308	-
Amortisation and impairment of intangible assets		160,726	167,017
Provision for employees' end of service benefits		25,416	23,947
Provision for impairment of trade receivables and contract assets		222,792	187,027
Finance income		(98,941)	(107,655)
Finance costs		99,883	75,514
Unwinding of discount on asset retirement obligations		4,702	2,861
Share of profit of investments accounted for using equity method		(9,537)	(8,656)
Changes in working capital	23	1,033,367	857,702
Cash generated from operations		3,995,444	3,703,221
Royalty paid		(2,057,635)	(2,027,785)
Payment of employees' end of service benefits		(25,445)	(18,476)
Net cash generated from operating activities		1,912,364	1,656,960
Cash flows from investing activities			
Purchase of property, plant and equipment		(761,575)	(463,209)
Purchase of intangible assets		(125,830)	(174,607)
Payment for additional investments accounted for using equity method		(36,920)	(34,044)
Interest received		130,163	164,533
Margin on guarantees released		1,350	49,119
Term deposits released		2,010,870	1,800,000
Net cash from investing activities		1,218,058	1,341,792
Cash flows from financing activities			
Repayment of lease liabilities		(115,924)	-
Repayment of borrowings		(1,446,991)	(1,457,645)
Dividend paid		(1,586,517)	(997,239)
Interest paid on borrowings and lease liabilities		(92,687)	(69,855)
Net cash used in financing activities		(3,242,119)	(2,524,739)
Net (decrease)/increase in cash and cash equivalents		(111,697)	474,013
Cash and cash equivalents at 1 January		496,698	398,079
Cash and cash equivalents at 30 September		385,001	872,092

The notes on pages 6 to 28 form an integral part of these condensed consolidated financial information.

Notes to the condensed consolidated financial information for the nine-month period ended 30 September 2019

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 consolidated financial information for the nine-month period ended 30 September 2019 include the financial information 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**
		2019	**2018**	
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

During the period, the Group signed a Shareholder Agreement (SHA) with Bahrain Telecommunications Company (B.S.C.) to form a limited liability private company ("investee company") with an estimated capital commitment of AED 31 million. The principal activity of the investee company will be provision of connectivity and data centre. The formation of the investee company is under execution as at the reporting date.

2 Basis of preparation

i. Statement of compliance

These condensed consolidated financial information have been prepared in accordance with the requirements of IAS 34. 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 for the year ended 31 December 2018. The condensed consolidated financial information do not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In addition, results for the nine-month period ended 30 September 2019 may not necessarily be indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2019

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

The impact of the above amendments on the condensed consolidated financial information of the Group has been disclosed in Notes 3.1.

(b) New standards and amendments issued but not yet effective

Effective for annual periods beginning after 1 January 2020

- Amendments to IAS 1 and IAS 8 regarding the definition of material;
- Amendments to IFRS 3 to clarify the definition of a business;
- IFRS 17: *Insurance Contracts*;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture; and
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the *Conceptual Framework.*

The above stated new standards and amendments are not expected to have any significant impact on condensed consolidated financial information of the Group.

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 condensed consolidated 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 consolidated financial information from the date that control commences until the date that control ceases.

iv Basis of measurement

These condensed consolidated financial information 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 consolidated financial information 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.

2 Basis of preparation (continued)

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. 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 consolidated financial information, 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.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018, except as mentioned in Note 3.1.

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed consolidated financial information as compared with the Group's recent annual audited consolidated financial statements as at and for the year ended 31 December 2018, except for the adoption of new and amended standard as set out below:

New standard became applicable for the current reporting period and the Group had to change its accounting policies and make relevant adjustments as a result of adopting the following standard:

- IFRS 16 Leases

The impact of the adoption of this standard and the new accounting policies are disclosed in Note 3.1.

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases

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 is effective for annual periods commencing on or after 1 January 2019. It stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group’s financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for future lease obligations. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Policy applicable from 1 January 2019

The Group has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized lease liabilities as of 1 January 2019.

	AED 000
Operating lease commitments disclosed as at 31 December 2018	**1,571,439**
Less: contract assessed as service agreements	(343,028)
Add: Adjustments as a result of changes in contracts, lease terms and payments (net)	908,663
Lease liability recognised as at 1 January 2019	**2,137,074**
Of which are:	
Current lease liabilities	287,475
Non-current lease liabilities	1,849,599
	2,137,074

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases (continued)

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the balance sheet as at December 31 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by AED 2,109 million
- Lease liabilities – increase by AED 2,137 million

Based on the approach adopted by the Group on adoption of IFRS 16 Leases, it did not result in any impact on retained earnings on 1 January 2019.

Below given policy is applied to all active contracts as of 1 January 2019, contracts entered into, or changed, after 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the Group for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, where the contract is not separable into lease and non-lease component then the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

<u>Practical expedient</u>

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Details for right-of-use assets and the related lease liabilities is shown under Notes 5 and 13.

3 Significant accounting policies (continued)

3.1 IFRS 16 Leases (continued)

The related changes in judgments and estimation uncertainties pertaining to IFRS 16 are given below:

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

During the period, the Group revised the lease term of a certain lease property. The impact of this change on the condensed consolidated statement of comprehensive income is not material.

Discounting of lease payments
The lease payments are discounted using the Group’s incremental borrowing rate (“IBR”). For calculation of IBR, the Group has taken the 12 months LIBOR as on the transition date and the rate is adjusted for Group’s specific risk, term risk and underlying asset risk.

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 2019	47,903	17,051,017	306,505	3,591	737,772	18,146,788
Additions	-	451,147	9,333	190	185,196	645,866
Addition: asset retirement obligations	-	67,611	-	-	-	67,611
Transfers	-	322,827	922	-	(323,749)	-
Disposals/write-offs	-	(35,015)	(408)	(48)	(14)	(35,485)
At 30 September 2019	47,903	17,857,587	316,352	3,733	599,205	18,824,780
Depreciation / impairment						
At 1 January 2019	28,903	9,971,739	260,551	3,440	70,649	10,335,282
Depreciation/impairment charge for the period	1,700	1,011,503	12,334	55	672	1,026,264
Disposals/write-off	-	(25,359)	(408)	(48)	(2,000)	(27,815)
At 30 September 2019	30,603	10,957,883	272,477	3,447	69,321	11,333,731
Net book value						
At 30 September 2019	17,300	6,899,704	43,875	286	529,884	7,491,049
At 31 December 2018	19,000	7,079,278	45,954	151	667,123	7,811,506

The carrying amount of the Group's buildings include a nominal amount of AED 2 (31 December 2018: AED 2) in relation to land granted to the Group by the UAE Government.

5 Right-of-use assets

	Land and buildings AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Total AED 000
Cost				
At 1 January 2019 upon adoption of IFRS 16	2,105,347	825	2,805	2,108,977
Additions during the period	160,385	-	-	160,385
Remeasurement	(330,567)	-	-	(330,567)
At 30 September 2019	1,935,165	825	2,805	1,938,795
Depreciation				
Charge for the period	235,228	65	1,015	236,308
Disposals	(10,202)	-	-	(10,202)
At 30 September 2019	225,026	65	1,015	226,106
Net book value				
At 30 September 2019	1,710,139	760	1,790	1,712,689

6 Intangible assets and goodwill

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Goodwill	549,050	549,050
Intangible assets	499,086	553,825
	1,048,136	1,102,875

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 2019 AED 000	Audited 31 December 2018 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	549,050	549,050

6 Intangible assets and goodwill (continued)

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2018. During the period, the Group's management has not noted any indicators of impairment and accordingly, no separate impairment assessment was carried out as of 30 September 2019.

Intangible assets

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

	Software in use AED 000	Capital work in progress AED 000	Telecommunications license fees AED 000	Rights of use AED 000	Total AED 000
Cost					
At 1 January 2019	2,205,237	132,591	124,500	185,451	2,647,779
Additions	66,683	26,103	-	13,853	106,639
Transfers	33,139	(33,139)	-	-	-
Write-offs	(705)	-	-	-	(705)
At 30 September 2019	2,304,354	125,555	124,500	199,304	2,753,713
Amortisation/impairment					
At 1 January 2019	1,857,944	-	80,070	155,940	2,093,954
Reclassification	(65,125)	65,125	-	-	-
Charge for the period	130,801	-	4,654	25,271	160,726
Write-offs	(53)	-	-	-	(53)
At 30 September 2019	1,923,567	65,125	84,724	181,211	2,254,627
Net book value					
At 30 September 2019	380,787	60,430	39,776	18,093	499,086
At 31 December 2018	347,293	132,591	44,430	29,511	553,825

7 Investments accounted for using the equity method

Dubai Smart City Accelerator FZCO

During the year 2017, the Group acquired 23.53% 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.

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 2019	Audited 31 December 2018
	AED 000	AED 000
At 1 January	188,179	142,086
Investments during the period/year	36,920	35,879
Share of profit for the period/year	9,537	10,214
At 31 December	234,636	188,179

8 Contract assets and contract liabilities

	Current		**Non-current**	
	Reviewed 30 September 2019	Audited 31 December 2018	**Reviewed 30 September 2019**	Audited 31 December 2018
	AED 000	AED 000	**AED 000**	AED 000
Contract assets*	527,624	539,616	169,751	208,243
Less: provision for impairment of contract assets	(32,920)	(31,359)	(8,865)	(11,556)
	494,704	508,257	160,886	196,687

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 287,629 thousands (31 December 2018: AED 273,080 thousands).

8 Contract assets and contract liabilities (continued)

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

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	42,915	29,355
Impairment (release)/charge during the period/year	(1,130)	13,560
Closing balance	41,785	42,915

	Current		**Non-current**	
	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 September 2019 AED 000**	Audited 31 December 2018 AED 000
Contract liabilities	403,462	444,141	188,355	190,631

9 Trade and other receivables

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Trade receivables	2,101,111	2,046,585
Due from other telecommunications operators*	175,662	179,730
Less: provision for impairment of trade receivables and due from other telecommunications operators	(712,504)	(759,281)
Trade receivables, net	1,564,269	1,467,034
Prepayments	207,320	176,739
Advances to suppliers	155,733	134,166
Other receivables	81,447	129,799
Total trade and other receivables	2,008,769	1,907,738

*Due from other telecommunications operators are presented after netting of payable balances (where right to set off exists) amounting to AED 717,486 thousand (31 December 2018: AED 677,410 thousand).

9 Trade and other receivables (continued)

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

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	759,281	661,758
Provision for impairment during the period/year	223,922	232,237
Write-off during the period/year	(270,699)	(134,714)
Closing balance	712,504	759,281

10 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 are Emirates Investment Authority, Mubadala Development Company and Emirates Communications & Technology Company LLC. Transactions with related parties are in the ordinary course of business and are approved by the Group's management or by the Board of Directors.

Related party balances

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Due from a related party		
Axiom Telecom LLC (Entity under common shareholding)	95,177	129,078
	95,177	129,078
Due to related parties		
Khazna Data Center Limited (Associate)	4,987	6,585
Tecom Investments FZ LLC (Entity under common shareholding)	4,468	3,249
	9,455	9,834

10 Related party balances and transactions (continued)

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 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	
	2019	2018
	AED 000	AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and broadcasting services	27,689	31,592
- Infrastructure cost	1,000	1,000
Axiom Telecom LLC – Authorised distributor – net sales	1,005,592	1,072,914
Injazat Data Systems LLC – Data Centre - rent and telecom services	7,215	569
Associates		
Khazna Data Center Limited – rent and telecom services	60,077	69,358
Khazna Data Center Limited- additional funding	39,520	34,044
Key management compensation		
Short term employee benefits	30,215	30,745
Employees' end of service benefits	706	656
Post-employment benefits	999	1,066
Long term incentives	7,227	15,077
	39,147	47,544

Board of Directors fee recorded during the period was AED 7,500 thousand (30 September 2018: AED 9,074 thousand).

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.

11 Term deposits

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Term deposits	1,990,000	4,000,000
Less: loss allowance	(870)	-
	1,989,130	4,000,000

Term deposits represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. These term deposits denominated primarily in UAE Dirham, with banks. Interest is earned on these term deposits at prevailing market rates. The carrying amount of these term deposits approximates to their fair value.

12 Cash and bank balances

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

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Cash at bank (on deposit and call accounts), net off loss allowance	388,307	501,431
Cash on hand	737	660
	389,044	502,091
Less: margin on guarantees (Note 24)	(4,043)	(5,393)
Cash and cash equivalents	385,001	496,698

13 Lease liabilities

At 1 January 2019 upon adoption of IFRS 16	2,137,074	-
Lease liabilities for the period	142,281	-
Payments made during the period	(115,924)	-
Remeasurement during the period	(322,275)	-
Closing balance	1,841,156	-

	Current		**Non-current**	
	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 September 2019 AED 000**	Audited 31 December 2018 AED 000
Lease liabilities	324,501	-	1,516,655	-

14 Borrowings

	Current		Non-current	
	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000	**Reviewed 30 September 2019 AED 000**	Audited 31 December 2018 AED 000
Bank borrowings	716,332	1,432,665	-	716,332
Buyer credit arrangement	14,327	28,653	-	-
	730,659	1,461,318	-	716,332

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
Bank borrowings							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	1,322,460	-	(881,640)	440,820
Unsecured term loan 2	USD	LIBOR+0.95%	2020	551,025	-	(367,350)	183,675
Unsecured term loan 3	USD	LIBOR+0.95%	2020	275,512	-	(183,675)	91,837
				2,148,997	-	(1,432,665)	716,332
Buyer credit arrangement							
Buyer credit arrangement	USD	Nil	2019	28,653	-	(14,326)	14,327
				28,653	-	(14,326)	14,327

15 Provision for employees' end of service benefits

	Reviewed 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	252,564	236,072
Current service cost during the period/year	25,416	35,309
Interest cost during the period/year	7,196	8,331
Benefits paid during the period/year	(25,445)	(21,835)
Actuarial gain for the period/year recognised in other comprehensive income	-	(5,313)
Closing balance	259,731	252,564

15 Provision for employees' end of service benefits (continued)

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.

16 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 2019 AED 000	Audited 31 December 2018 AED 000
Opening balance	115,764	110,924
Additions during the period/year	43,851	3,375
Adjustment for change in discount rate	-	(1,795)
Unwinding of discount	4,702	3,260
Closing balance	164,317	115,764

17 Trade and other payables

Trade payables and accruals	1,463,937	1,707,932
Due to other telecommunications operators*	525,984	603,129
Accrued federal royalty (Note 20)	1,560,267	2,103,174
Value Added Tax (VAT) payable	29,298	26,427
Other payables and accruals	321,796	362,074
	3,901,282	4,802,736

*Due to other telecommunications operators are presented after netting of receivable balances (where right to set off exists) amounting to AED 717,486 thousand (31 December 2018: AED 677,410 thousand).

18 Other reserves

	Statutory reserve (Note 18.1) AED 000	Hedge reserve (Note 18.2) AED 000	Proposed dividend AED 000	Total AED 000
At 1 January 2018	1,415,726	13,594	997,239	2,426,559
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)
Fair value changes on cash flow hedge	-	1,267	-	1,267
At 30 September 2018	1,556,340	14,861	-	1,571,201
At 1 January 2019	1,591,025	10,968	-	1,601,993
Transfer to statutory reserve	129,446	-	-	129,446
Final cash dividend proposed	-	-	997,239	997,239
Proposed interim cash dividend	-	-	589,278	589,278
Cash dividend paid	-	-	(1,586,517)	(1,586,517)
Fair value changes on cash flow hedge	-	(9,779)	-	(9,779)
At 30 September 2019	1,720,471	1,189	-	1,721,660

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.

19 Operating expenses

	Reviewed nine-month period ended 30 September	
	2019	2018
	AED 000	AED 000
Interconnect costs	2,116,380	2,234,559
Product costs	614,276	929,107
Depreciation and impairment on property, plant and equipment (Note 4)	1,026,264	1,099,324
Depreciation on right-of-use assets (Note 5)	236,308	-
Amortisation and impairment on intangible assets (Note 6)	160,726	167,017
Staff costs	686,824	753,082
Network operation and maintenance	408,564	553,198
Outsourcing and contracting	267,456	305,127
Commission	293,990	288,249
Telecommunication license and related fees	284,514	118,471
Marketing	204,032	208,282
Others	78,564	210,266
	6,377,898	6,866,682

20 Federal 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.

Movement in the federal royalty accruals is as follows:

	Reviewed 30 September 2019	Audited 31 December 2018
	AED 000	AED 000
Opening balance	2,103,174	2,054,019
Payment made during the period/year	(2,057,635)	(2,027,785)
Charge for the period/year	1,514,728	2,076,940
Closing balance	1,560,267	2,103,174

In addition to above charge for the period/year, there is royalty reimbursement (net) during the period/year amounting to AED Nil (31 December 2018: AED 1,872 thousand).

21 Finance income and costs

	Reviewed nine-month period ended 30 September	
	2019	2018
	AED 000	AED 000
Finance income		
Interest income	98,941	107,655
Finance costs		
Interest expense on borrowings	38,824	74,644
Interest expense on lease liabilities	61,136	-
Exchange differences	(77)	870
	99,883	75,514

22 Earnings per share

	Reviewed nine-month period ended 30 September	
	2019	2018
Profit for the period (AED 000)	1,294,464	1,406,140
Weighted average number of shares (‘000’)	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.29	0.31

Diluted earnings per share have not been presented separately as the Group has no commitments that would dilute earnings per share.

23 Changes in working capital

	Reviewed nine-month period ended 30 September	
	2019	2018
	AED 000	AED 000
Change in:		
Inventories	64,765	(20,607)
Contract assets	50,484	19,407
Trade and other receivables	(440,193)	(499,398)
Trade and other payables	1,367,744	1,141,134
Contract liabilities	(42,955)	143,936
Due from a related party	33,901	80,695
Due to related parties	(379)	(7,465)
Net changes in working capital	1,033,367	857,702

24 Contingent liabilities and commitments

The Group has outstanding capital commitments and bank guarantees amounting to AED 1,140,826 thousand and AED 78,770 thousand, respectively (31 December 2018: AED 1,139,214 thousand and AED 36,677 thousand, respectively). Bank guarantees are secured against margin of AED 4,043 thousand (31 December 2018: AED 5,393 thousand) (Note 12). The Group is subject to litigation in the normal course of its business and of the view that the outcome of these court cases will not have a material impact on the Group’s income or financial position.

25 Segment analysis

The Group has operations mainly 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.

30 September 2019

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	4,956,414	1,844,299	1,554,196	666,719	9,021,628
At a point in time	318,328	7,186	-	48,476	373,990
	5,274,742	1,851,485	1,554,196	715,195	9,395,618
Segment contribution	3,338,778	1,591,056	988,735	470,344	6,388,913
Unallocated costs					(3,589,316)
Other income					1,000
Operating profit before federal royalty					2,800,597
Federal royalty					(1,514,728)
Operating profit					1,285,869
Finance income/costs and share of profit of investments accounted for using equity method					8,595
Profit for the period					1,294,464

25 Segment analysis (continued)

30 September 2018

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	5,398,316	1,714,576	1,603,772	644,801	9,361,465
At a point in time	620,693	7,990	-	23,014	651,697
	6,019,009	1,722,566	1,603,772	667,815	10,013,162
Segment contribution	3,649,416	1,504,435	1,052,264	336,833	6,542,948
Unallocated costs					(3,583,311)
Other income					4,936
Operating profit before federal royalty					2,964,573
Federal royalty					(1,599,230)
Operating profit					1,365,343
Finance income/costs and share of profit of investments accounted for using equity method					40,797
Profit for the period					1,406,140

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.

There are no items of highly seasonal or cyclical nature in the interim operations during the periods ended 30 September 2019 and 30 September 2018.

26 Comparatives

Change in the presentation of condensed consolidated statement of comprehensive income

During 2019, the Group has changed the categorisation and presentation of its expenses in the 'consolidated statement of comprehensive income' from 'by nature' to 'by function', both of which are allowed as per International Financial Reporting Standards. Accordingly, the presentation of comparative information for the nine-month period ended 30 September 2018 has been amended to be consistent with the current period presentation. There is no impact of the change on revenues, finance costs, provision for impairment of trade receivables and contract assets, total amount of expenses or on profit for the period.

26 Comparatives (continued)

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

The table below shows the impact of the change in classification of various expenses for the nine month period ended 30 September 2018:

Presentation of expenses by nature	AED'000	Presentation of expenses by function	AED'000
Interconnect costs	2,234,559	Operating expenses	6,866,682
Product costs	929,107		
Depreciation and impairment on property, plant and equipment	1,099,324		
Amortisation and impairment of intangible assets	167,017		
Staff costs	753,082		
Network operation and maintenance	553,198		
Outsourcing and contracting	305,127		
Commission	288,249		
Telecommunication license and related fees	118,471		
Rent and utilities	91,111		
Marketing expenses	208,282		
Other expenses	119,155		
	6,866,682		

There is no change to the consolidated statement of financial position presentation or amounts as a result of the above change.