Emirates Telecommunications Group Company PJSC

Review report and condensed consolidated interim financial information

for the nine month period ended 30 September 2019

Emirates Telecommunications Group Company PJSC

Review reports and condensed consolidated interim financial information for the nine month period ended 30 September 2019

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Financial Review

1. Revenue, profit and earnings per share

The Group's financial performance for the nine month period ended 30 September 2019 is summarised below.

i) Consolidated revenue amounted to AED 38,846 million, representing a decrease of AED 508 million (1.3%) compared to the corresponding period in the prior year.

ii) Profit attributable to the Owners of the Company amounted to AED 6,730 million, representing an increase of AED 137 million (2.1%) when compared to the corresponding period in the prior year.

iii) Earnings per share from continuing operations increased by AED 0.01 when compared to the corresponding period in the prior year.

2. Net assets

As compared to 31 December 2018, the Group's net assets decreased by AED 1,307 million to AED 55,939 million as at 30 September 2019.

3. Capital expenditure

The Group incurred AED 4,881 million capital expenditure in the nine month period ended 30 September 2019 (AED 5,033 million in the nine month period ended 30 September 2018).

4. Dividends

A final dividend for the year 2018 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on 31 March 2019. This brought the total dividend for the year 2018 to AED 0.80 per share.

On 23 July 2019, the Board of Directors declared the first interim dividend for the year 2019 at the rate of AED 0.40 per share.

5. International operations

(i) Following the agreement signed on 14 March 2019, Maroc Telecom transferred advance consideration for the acquisition of 100% shareholding in Tigo Chad from Millicom in June 2019. As the acquisition was completed in July 2019 on approval of change of control by the Tchadian authorities, consolidation of Tigo Chad has been commenced in July 2019 when the control was transferred to Maroc Telecom.

(ii) On 18 September 2019, the Group signed an agreement to acquire 100 % of the Help AG's businesses in United Arab Emirates and the Kingdom of Saudi Arabia. Closing of this transaction is subject to fulfilling certain conditions after which control of Help AG's businesses will be transferred to Etisalat Group.

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of the Emirates Telecommunications Group Company PJSC

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial information of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2019;
- the condensed consolidated interim statement of profit or loss for the three month and nine month periods ended 30 September 2019;
- the condensed consolidated interim statement of other comprehensive income for the three month and nine month periods ended 30 September 2019;
- the condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2019;
- the condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2019; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim 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 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 30 September 2019 condensed consolidated interim financial information of the Group is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 23 October 2019

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the three month and nine month periods ended 30 September 2019

		(Unaudited)			
		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
	Note	AED'000	AED'000	AED'000	AED'000
Continuing operations					
Revenue	4	12,976,964	13,150,456	38,845,819	39,353,718
Operating expenses	5	(7,708,845)	(8,291,927)	(23,471,530)	(24,617,415)
Impairment loss on trade receivables and contract assets		(275,969)	(246,853)	(746,990)	(791,848)
Impairment and other losses (net)		174	(17,302)	2,045	(75,439)
Share of results of associates and joint venture	6	11,938	(9,331)	328	(51,010)
Operating profit before federal royalty		**5,004,262**	**4,585,043**	**14,629,672**	**13,818,006**
Federal royalty	5	(1,627,732)	(1,553,240)	(4,798,963)	(4,601,115)
Operating profit		**3,376,530**	**3,031,803**	**9,830,709**	**9,216,891**
Finance and other income		345,061	257,596	1,005,529	775,646
Finance and other costs		(595,417)	(222,833)	(1,613,127)	(771,484)
Profit before tax		**3,126,174**	**3,066,566**	**9,223,111**	**9,221,053**
Income tax expenses		(427,826)	(370,548)	(1,286,924)	(1,127,492)
Profit for the period from continuing operations		**2,698,348**	**2,696,018**	**7,936,187**	**8,093,561**
Discontinued operations					
Profit / (loss) from discontinued operations	19	-	41,455	-	(15,656)
Profit for the period		**2,698,348**	**2,737,473**	**7,936,187**	**8,077,905**
Profit attributable to:					
Owners of the Company		2,286,025	2,282,023	6,730,015	6,593,505
Non-controlling interests		412,323	455,450	1,206,172	1,484,400
		2,698,348	**2,737,473**	**7,936,187**	**8,077,905**
Earnings per share					
From continuing and discontinued operations					
Basic and diluted	8	AED 0.26	AED 0.26	AED 0.77	AED 0.76
From continuing operations					
Basic and diluted	8	AED 0.26	AED 0.26	AED 0.77	AED 0.76

The accompanying notes on pages 9 to 23 form an integral part of the condensed consolidated interim financial information.
The independent auditors' report is set out on pages 2 to 3.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of other comprehensive income for the three month and nine month periods ended 30 September 2019

		(Unaudited)			
		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
	Note	AED'000	AED'000	AED'000	AED'000
Profit for the period		2,698,348	2,737,473	7,936,187	8,077,905
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligation - net of tax		18,807	-	3,510	-
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		(71,166)	(15,625)	(900,529)	(1,465,256)
Gain on net investment hedges		249,980	49,680	261,721	243,529
Fair value (loss)/gain arising on cash flow hedge during the period		1,134	7,668	(11,648)	15,149
Loss on revaluation of financial assets during the period		(4,714)	(5,453)	(3,908)	(9,571)
Reclassification of fair value gain/(loss) on disposal of financial assets		-	-	2	(211)
Total other comprehensive income / (loss)		**194,041**	**36,270**	**(650,852)**	**(1,216,360)**
Total comprehensive income for the period		**2,892,389**	**2,773,743**	**7,285,335**	**6,861,545**
Attributable to:					
Owners of the Company		2,534,523	2,341,235	6,651,140	6,149,612
Non-controlling interests		357,866	432,508	634,195	711,933
		2,892,389	**2,773,743**	**7,285,335**	**6,861,545**

The accompanying notes on pages 9 to 23 form an integral part of the condensed consolidated interim financial information.
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Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of financial position as at 30 September 2019

	Notes	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Non-current assets			
Goodwill	9	13,015,923	13,713,702
Intangible assets	10	13,849,540	13,908,390
Property, plant and equipment	11	42,437,338	43,242,703
Right of use assets	23	2,584,922	-
Investment property		38,521	36,189
Investments in associates and joint ventures		4,127,396	4,129,268
Other investments		2,445,702	2,185,148
Other receivables	12	308,065	309,168
Finance lease receivables		179,527	174,827
Derivative financial instruments		-	9,850
Contract assets		445,046	432,541
Deferred tax assets		67,729	44,472
		79,499,709	**78,186,258**
Current assets			
Inventories		601,465	726,803
Trade and other receivables	12	15,924,273	15,884,208
Current income tax assets		616,428	651,001
Finance lease receivables		5,035	42,379
Due from associates and joint ventures		86,679	120,406
Contract assets		1,165,541	1,270,108
Derivative financial instruments		-	860
Cash and bank balances	13	26,429,373	28,361,131
		44,828,794	**47,056,896**
Total assets		**124,328,503**	**125,243,154**
Non-current liabilities			
Other payables	14	1,399,182	1,523,739
Borrowings	18	17,462,379	14,973,191
Payables related to investments and licenses		53,229	41,652
Derivative financial instruments		12,274	-
Deferred tax liabilities		2,651,679	2,836,924
Lease liabilities	24	2,146,629	409
Provisions		335,422	340,870
Provision for end of service benefits	22	1,445,420	1,535,409
Contract liabilities		23,886	21,145
		25,530,100	**21,273,339**
Current liabilities			
Trade and other payables	14	26,423,724	28,297,153
Contract liabilities		2,638,989	3,265,816
Borrowings	18	6,661,957	8,552,469
Payables related to investments and licenses		2,947,675	3,105,633
Current income tax liabilities		269,196	347,943
Lease liabilities	24	356,996	1,993
Provisions		3,486,654	3,081,333
Derivative financial instruments		69,610	70,336
Due to associates and joint ventures		5,042	1,737
		42,859,843	**46,724,413**
Total liabilities		**68,389,943**	**67,997,752**
Net assets		**55,938,560**	**57,245,402**
Equity			
Share capital	25	8,696,754	8,696,754
Reserves		26,805,412	26,904,769
Retained earnings		9,092,822	9,345,503
Equity attributable to the owners of the Company		**44,594,988**	**44,947,026**
Non-controlling interests		11,343,572	12,298,376
Total equity		**55,938,560**	**57,245,402**

The accompanying notes on pages 9 to 23 form an integral part of the condensed consolidated interim financial information.
The independent auditors' report is set out on pages 2 to 3.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2019 (Unaudited)

		Attributable to equity owners of the Company					
		Share capital	**Reserves**	**Retained earnings**	**Owners' equity**	**Non-controlling interests**	**Total equity**
	Notes	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January 2018		**8,696,754**	**26,991,023**	**8,713,762**	**44,401,539**	**13,688,928**	**58,090,467**
Profit for the period		-	-	6,593,505	6,593,505	1,484,400	8,077,905
Other comprehensive loss for the period		-	(443,893)	-	(443,893)	(772,467)	(1,216,360)
Other movements in equity		-	-	1,972	1,972	2,828	4,800
Transfer to reserves		-	69,750	(69,750)	-	-	-
Transaction with owners:							
Repayment of advance to non-controlling interest		-	-	-	-	(29,780)	(29,780)
Acquisition of additional stake in subsidiary			(28,535)	(17,732)	(46,267)	(133,923)	(180,190)
Acquisition of a subsidiary		-	-	-	-	30,939	30,939
Capital contribution by non-controlling interest		-	-	-	-	16,740	16,740
Dividends	7	-	-	(6,954,396)	(6,954,396)	(1,532,481)	(8,486,877)
Balance at 30 September 2018		**8,696,754**	**26,588,345**	**8,267,361**	**43,552,460**	**12,755,184**	**56,307,644**
Balance at 1 January 2019		**8,696,754**	**26,904,769**	**9,345,503**	**44,947,026**	**12,298,376**	**57,245,402**
Profit for the period		-	-	6,730,015	6,730,015	1,206,172	7,936,187
Other comprehensive loss for the period		-	(99,357)	20,482	(78,875)	(571,977)	(650,852)
Other movements in equity		-	-	(48,782)	(48,782)	19,832	(28,950)
Transaction with owners:							
Repayment of advances to non-controlling interests		-	-	-	-	(23,839)	(23,839)
Dividends	7	-	-	(6,954,396)	(6,954,396)	(1,584,992)	(8,539,388)
Balance at 30 September 2019		**8,696,754**	**26,805,412**	**9,092,822**	**44,594,988**	**11,343,572**	**55,938,560**

The accompanying notes on pages 9 to 23 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2019

	Note	Unaudited nine-months ended 30 September 2019 AED'000	2018 AED'000
Operating profit including discontinued operations		9,830,709	9,129,986
Adjustments for:			
Depreciation		4,328,144	4,276,073
Amortisation		1,205,377	1,172,218
Impairment (reversal) / charge and other losses		(2,045)	75,363
Share of results of associates and joint ventures		(328)	51,010
Provisions and allowances		98,371	456,535
Unrealised currency translation gain		(603,285)	(109,514)
Operating cash flows before changes in working capital		**14,856,943**	**15,051,671**
Changes in:			
Inventories		112,288	(82,410)
Due from associates and joint ventures		32,719	(10,736)
Trade and other receivables		(109,447)	(715,421)
Trade and other payables		(2,519,911)	(2,042,143)
Cash generated from operations		**12,372,592**	**12,200,961**
Income taxes paid		(1,524,863)	(1,303,036)
Payment of end of service benefits		(155,811)	(155,948)
Net cash generated from operating activities		**10,691,918**	**10,741,977**
Cash flows from investing activities			
Proceeds from disposal of investments at amortised cost		245,306	1,534
Acquisition of investment classified as fair value through profit or loss		(285)	(6,261)
Proceeds from disposal of investment classified as fair value through profit or loss		-	20,648
Acquisition of other investments		(31,346)	-
Acquisition of investments at amortised cost		(109,997)	(464,539)
Acquisition of a subsidiary - net of cash acquired		(446,785)	(4,197)
Acquisition of investment classified as fair value through other comprehensive income		(10,526)	(58,366)
Proceeds from disposal of investment classified as fair value through other comprehensive income		731	7,154
Proceeds from disposal of associates		-	136,828
Purchase of property, plant and equipment		(3,831,585)	(4,240,443)
Proceeds from disposal of property, plant and equipment		26,132	32,429
Purchase of intangible assets		(1,049,534)	(792,744)
Proceeds from disposal of intangible assets		157	352
Dividend income received from associates and other investments		3,758	2,324
Term deposits made with maturities over three months		(24,991,473)	(3,187,137)
Term deposits matured with maturities over three months		17,993,419	13,865,603
Proceeds from unwinding of derivative financial instruments		42,867	15,245
Finance and other income received		589,486	738,721
Net cash (used in) / generated from investing activities		**(11,569,675)**	**6,067,151**
Cash flows from financing activities			
Proceeds from borrowings		7,146,375	2,902,132
Repayments of borrowings		(6,064,816)	(2,801,961)
Payment of lease liabilities		(508,686)	-
Capital contribution by non-controlling interests		-	16,740
Equity repayment to non-controlling interests for acquisition of a subsidiary		(23,839)	(29,780)
Dividends paid		(8,524,358)	(8,412,571)
Finance and other costs paid		(553,488)	(770,953)
Net cash used in financing activities		**(8,528,811)**	**(9,096,393)**
Net (decrease) / increase in cash and cash equivalents		**(9,406,568)**	**7,721,925**
Cash and cash equivalents at the beginning of the period		10,819,008	3,863,568
Effect of foreign exchange rate changes		504,142	118,314
Cash and cash equivalents at the end of the period	13	**1,916,582**	**11,703,807**

The accompanying notes on pages 9 to 23 form an integral part of the condensed consolidated interim financial information.
The independent auditors' report is set out on pages 2 to 3.

1. General information

Emirates Telecommunications Group Company PJSC (''the Company''), formerly known as Emirates Telecommunications Corporation ("the Corporation") was incorporated in the United Arab Emirates ("UAE"), with limited liability, in 1976 by UAE Federal Government decree No. 78, which was revised by the UAE Federal Act No. (1) of 1991 and further amended by Decretal Federal Code No. 3 of 2003 concerning the regulation of the telecommunications sector in the UAE. In accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Corporation to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government.

The Decree by Federal Law no. 3 of 2015 ("the New Law") has amended certain provisions of the Federal Law No. (1) of 1991 and new articles of association of Emirates Telecommunications Group Company PJSC (the "New AoA") have been issued. Subsequent to the New Law and the New AoA, Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and is subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the "Companies Law") unless otherwise stated in the New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC.

Under the New Law and the New AoA: i) Two types of share have been introduced, i.e. ordinary shares and one Special Share held by the Emirates Investment Authority (an agency of the federal Government of the United Arab Emirates) which carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network; and ii) The minimum number of ordinary shares held by any UAE government entity in the Company has been reduced from at least 60% of the Company's share capital to not less than 51%, unless the Special Shareholder decides otherwise. iii) Shareholders who are not public entities of the UAE, citizens of the UAE, or corporate entities of the UAE wholly controlled by citizens of the UAE, (which includes foreign individuals, foreign or UAE free zone corporate entities, or corporate entities of the UAE that are not fully controlled by UAE citizens) may own up to 20% of the Company's ordinary shares, however the shares owned by such persons / entities shall not hold any voting rights in the Company's general assembly, although holders of such shares may attend such meeting.

The address of the registered office is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Group are to provide telecommunications services, media and related equipment including the provision of related contracting and consultancy services to international telecommunications companies and consortia. These activities are carried out through the Company (which holds a full service license from the UAE Telecommunications Regulatory Authority, and is valid until 2025), its subsidiaries, associates and joint ventures.

This condensed consolidated interim financial information as at and for the nine months ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as 'the Group').

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 23 October 2019.

2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The information presented herein should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018. This condensed consolidated interim financial information does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates and judgments. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for those related to the application of IFRS 16, which are described in Note 3 (c).

This condensed consolidated interim financial information is prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the Group's accounting policies as described in the last annual financial statements as at and for the year ended 31 December 2018.

2. Basis of preparation *(continued)*

The accounting policies applied in the condensed consolidated financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018, except for the effects of adoption of IFRS 16 as described in Note 3 (c). The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The condensed consolidated interim financial information is presented in UAE Dirhams (AED) which is the Company's functional and presentation currency, rounded to the nearest thousand except where otherwise indicated.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of this condensed consolidated interim financial information are set out below.

a) New and amended standards adopted by the Group

The following revised new and amended standards have been adopted in the condensed consolidated financial information.

- amendment to IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation

- amendment to IAS 28 *Investments in Associates and Joint Ventures* regarding long-term interest in associates and joint ventures

- IFRIC 23 *Uncertainty Over Tax Treatment*

- IAS 19 *Employee Benefits* relating to plan amendment, curtailment or settlement

- Annual improvements to IFRS 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.

There has been no material impact on the condensed consolidated interim financial information of the Group upon adoption of the above new and amended standards.

IFRS 16 *Leases*

The Group applied IFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019 and accordingly the comparative figures have not been restated. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRlC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Group elected to apply the new definition of leases to all of its contracts.

Adjustments recognised on adoption of IFRS 16

a. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

a. Applied a single discount rate to a portfolio of leases with similar characteristics.
b. Adjusted the right of use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
c. Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term.
d. Excluded initial direct costs from measuring the right of use asset at the date of initial application; and
e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3. Significant accounting policies *(continued)*

a) New and amended standards adopted by the Group *(continued)*

b. Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right of use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On transition to IFRS 16, the Group recognised an additional AED 2,235 million of right-of-use assets and AED 2,071 million of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3 to 18%.

	1 January 2019 AED'000
Operating lease commitments at 31 December 2018 (restated)	2,495,160
Discounted using the incremental borrowing rate at 1 January 2019	1,464,582
Finance lease liabilities recognised as at 31 December 2018	2,402
Recognition exemption for:	
- short-term leases	(24,608)
- leases of low-value assets	(3,180)
Extension and termination options reasonably certain to be exercised	632,222
Lease liabilities recognised at 1 January 2019	2,071,418

b) New and amended standards not effective and not yet adopted by the Group

At the date of the condensed consolidated interim financial information, the following other standards, amendments and Interpretations have not been effective and have not been early adopted by the Group:

New and amended standards not effective and not yet adopted by the Group	Effective date
Sale or Contribution of Assets between an Investor and its Associates or Joint Venture *(Amendments to IFRS 10 and IAS 28)*	Available for optional adoption/effective date deferred indefinitely
Amendments to References to Conceptual Framework in IFRS	1 January 2020
Definition of a Business *(Amendments to IFRS 3)*	1 January 2020
Definition of Material *(Amendments to IAS 1 and IAS 8)*	1 January 2020
IFRS 17 *Insurance contracts*	1 January 2021

Management anticipates that the application of the above ammendments in future periods will have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

c) Leases

The Group has applied IFRS 16 using modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The detail of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3(a).

3. Significant accounting policies *(continued)*

c) Leases *(continued)*

Policy applicable from 1 January 2019

At inception of a contract the Group assess whether a contract is, or contain a lease. A contract is, or contains, a lease if contract conveys the right to control the use of an identified asset 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:

a. The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct asset 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.

b. The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

c. 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:
   a. The Group has the right to operate the asset; or
   b. The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on assessment of a contract that contains a lease component, the Group applies, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group as lessee

Right of use asset

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 any initial direct costs incurred and 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.

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. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:
a. fixed payments, including in-substance fixed payments;
b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c. amounts expected to be payable under a residual value guarantee; and

3. Significant accounting policies *(continued)*

c) Leases *(continued)*

d. 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.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipments that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease. the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

a. Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
b. The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

    - The purchaser had the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
    - The purchaser had the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset.
    - Facts and circumstances indicate that it was remote that one or more parties other than the purchaser would take more than an insignificant amount of the output, and the price that the purchaser would pay for the output was neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

The Group as lessee

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position.

3. Significant accounting policies *(continued)*

c) Leases *(continued)*

The Group as lessee *(continued)*

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

The Group as lessor

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

4. Segmental information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

a) Products and services from which reportable segments derive their revenues

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the UAE. Outside of the UAE, the Group operates through its subsidiaries and associates in sixteen countries which are divided in to the following operating segments:

- Morocco
- Egypt
- Pakistan
- International - others

Revenue is attributed to an operating segment based on the location of the associated companies reporting the revenue. Inter-segment sales are charged at agreed terms and prices.

The Group's share of results from associates and joint ventures has been allocated to the segments based on the geographical location of the operations of the associate and joint venture investments. The allocation is in line with how results from investments in associates and joint ventures are reported to the Group's Board of Directors ("Board of Directors").

b) Segment revenues and results

Segment results represent operating profit earned by each segment without allocation of finance income, finance costs and federal royalty. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

c) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-current assets attributable to each segment. Goodwill is allocated based on separately identifiable Cash Generating Unitss. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.

4. Segmental information *(continued)*

	UAE AED'000	International: Morocco AED'000	International: Egypt AED'000	International: Pakistan AED'000	International: Others AED'000	Eliminations AED'000	Consolidated AED'000
Nine months ended 30 September 2019							
Revenue							
External revenue	23,767,821	5,584,686	2,440,890	2,376,212	4,676,210	-	38,845,819
Inter-segment revenue	170,225	384,586	47,442	56,041	182,579	(840,873)	-
Total revenue	**23,938,046**	**5,969,272**	**2,488,332**	**2,432,253**	**4,858,789**	**(840,873)**	**38,845,819**
Segment result	**11,039,192**	**2,153,421**	**538,311**	**37,349**	**861,399**	**-**	**14,629,672**
Federal royalty							(4,798,963)
Finance and other income							1,005,529
Finance and other costs							(1,613,127)
Profit before tax							**9,223,111**
Income tax expenses							(1,286,924)
Profit for the period from continuing operations							**7,936,187**
Total assets at 30 September 2019	64,173,223	31,474,769	8,903,554	13,608,036	18,004,868	(11,835,947)	124,328,503
Nine months ended 30 September 2018							
Revenue							
External revenue	23,889,401	5,583,578	2,012,216	2,897,700	4,970,823	-	39,353,718
Inter-segment revenue	209,782	509,178	62,438	47,826	105,013	(934,237)	-
Total revenue	**24,099,183**	**6,092,756**	**2,074,654**	**2,945,526**	**5,075,835**	**(934,237)**	**39,353,718**
Segment result	**10,569,861**	**1,976,445**	**407,648**	**16,368**	**847,684**	**-**	**13,818,006**
Federal royalty							(4,601,115)
Finance and other income							775,646
Finance and other costs							(771,484)
Profit before tax							**9,221,053**
Taxation							(1,127,492)
Profit for the period from continuing operations							**8,093,561**
Total assets at 31 December 2018	65,450,579	32,135,766	7,788,373	15,321,610	17,319,091	(12,772,265)	125,243,154

Breakdown of external revenue:

The following is an analysis of the Group's external revenue

	UAE AED'000	Morocco AED'000	Egypt AED'000	Pakistan AED'000	Others AED'000	Eliminations AED'000	Consolidated AED'000
Nine months ended 30 September 2019							
Mobile	9,216,508	3,387,981	2,125,606	969,938	4,164,800	-	19,864,833
Fixed	8,461,677	1,902,006	111,183	1,094,584	353,660	-	11,923,109
Equipment	1,421,919	88,360	48,587	9,780	20,553	-	1,589,198
Others	4,667,717	206,339	155,514	301,911	137,198	-	5,468,680
Total	**23,767,821**	**5,584,686**	**2,440,890**	**2,376,212**	**4,676,210**	**-**	**38,845,819**
Nine months ended 30 September 2018							
Mobile	9,498,642	3,319,602	1,758,102	1,180,788	4,473,726	-	20,230,860
Fixed	8,408,627	1,972,003	89,591	1,379,012	393,181	-	12,242,414
Equipment	1,447,100	77,825	33,521	14,631	25,214	-	1,598,291
Others	4,535,032	214,148	131,002	323,269	78,702	-	5,282,153
Total	**23,889,401**	**5,583,578**	**2,012,216**	**2,897,700**	**4,970,823**	**-**	**39,353,718**

5. Operating expenses and federal royalty

a) Operating expenses

	Note	Three months ended 30 September 2019 AED'000	Three months ended 30 September 2018 AED'000	Nine months ended 30 September 2019 AED'000	Nine months ended 30 September 2018 AED'000
Direct cost of sales		3,060,386	3,122,599	9,193,042	9,561,716
Staff costs		1,181,385	1,261,268	3,648,444	3,732,950
Depreciation		1,438,439	1,392,570	4,329,418	4,215,551
Network and other related costs		658,104	666,083	1,903,161	1,935,525
Amortisation		425,432	377,968	1,230,006	1,152,839
Regulatory expenses	(i)	350,147	340,364	1,013,342	1,001,710
Marketing expenses		213,774	217,933	674,064	646,447
Consultancy cost		191,360	238,377	570,392	659,630
Operating lease rentals		7,090	97,130	19,853	286,666
IT costs		103,384	97,233	301,427	247,806
Foreign exchange loss		38,811	202,298	90,661	420,010
Net hedge ineffectiveness on net investment hedges		(140,533)	(5,294)	(184,189)	(74,890)
Other operating expenses		181,066	283,398	681,909	831,455
Operating expenses (before federal royalty)		**7,708,845**	**8,291,927**	**23,471,530**	**24,617,415**

i) Regulatory expenses:

Regulatory expenses include ICT fund contributions required to be paid by the Company to the UAE Telecommunications Regulatory Authority (TRA) at 1% of its net regulated revenue annually.

b) Federal royalty

In accordance with the Cabinet decision No. 558/1 for the year 1991, the Company was required to pay a federal royalty, equivalent to 40% of its annual net profit before such federal royalty, to the UAE Government for use of federal facilities. With effect from 1 June 1998, Cabinet decision No. 325/28M for 1998, it was increased to 50%.

On 9 December 2012, the Cabinet of Ministers of UAE issued decision no. 320/15/23 of 2012 in respect of a new royalty mechanism applicable to the Company. Under this mechanism a distinction was made between revenue earned from services regulated by Telecommunications Regulatory Authority ("TRA") and non-regulated services as well as between foreign and local profits. The Company was required to pay 15% royalty fee on the UAE regulated revenues and 35% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues. In respect of foreign profit, the 35% royalty was reduced by the amount that the foreign profit has already been subject to foreign taxes.

On 25 February 2015, the UAE Ministry of Finance ("MOF"") issued revised guidelines (which were received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ended 31 December 2014, 2015 and 2016 ("the Guidelines"). In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues.

On 20 February 2017, the UAE Ministry of Finance announced the federal royalty scheme to be applied on the Group for the periods 2017 to 2021 ("the new royalty scheme"). According to the new royalty scheme, the Group will pay 15% royalty fees on the UAE regulated revenue and 30% royalty fees on profit generated from regulated services after deduction of the 15% royalty fees on the UAE regulated revenue. Royalty fees on profits from international operations shall be considered only if similar fees paid in the country of origin are less than the fees that could have been imposed in the UAE. The mechanism for the computation of federal royalty payable for the period ended 30 September 2019 was in accordance with the new royalty scheme.

The federal royalty has been classified as an operating expense in the condensed consolidated interim statement of profit or loss on the basis that the expenses the Company would otherwise have had to incur for the use of the federal facilities would have been classified as operating expenses.

6. Share of results of associates and joint ventures

a) Further to the announcement on 26 April 2018, Etisalat Group completed the sale of its 28.04% direct shareholding in Thuraya to Star Satellite Communication Company PJSC, an SPV owned by Al Yah Satellite Communications Company ("Yahsat") on 01 August 2018 after securing all regulatory approvals and Yashat's condition of acquiring at least 75.001% ownership in Thuraya.

b) On 1 May 2018, Etisalat Group completed the acquisition of additional 35% stake in Ubiquitous Telecommunications Technology LLC ("UTT") which was a joint venture. Accordingly, the share of results of UTT have been recognised until 30 April 2018 only and thereafter UTT has been consolidated as a subsidiary.

c) During 2018, the 15 % stake in Hutch Telecom was classified as investment in associate on account of the significant influence Etisalat Group has over the financial and operational decisions making through its voting rights in Board meetings of Hutch Telecom.

d) On 23 September, 2018, Etisalat Group has entered into an agreement with Noor Bank PJSC for the establishment of "Digital Financial Services LLC (DFS)", that will perform digital wallet services. Under this arrangement, Etisalat Group and Noor Bank PJSC are the owners of 49.99% and 50.01% respective shareholding in DFS. In accordance with the requirements of IAS 28 and based on review of the relevant agreements, it has been determined that Etisalat Group has significant influence over DFS. Accordingly, the shareholding in DFS has been classified as investment in associate.

7. Dividends

Amounts recognised as distribution to equity holders:	**AED'000**
Nine months ended 30 September 2019	
Final dividend for the year ended 31 December 2018 of AED 0.40 per share	3,477,198
Interim dividend for the year ending 31 December 2019 of AED 0.40 per share	3,477,198
Nine months ended 30 September 2018	
Final dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2018 of AED 0.40 per share	3,477,198

8. Earnings per share

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	**2018**	**2019**	**2018**
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	**2,286,025**	**2,282,023**	**6,730,015**	**6,593,505**
Number of shares ('000)				
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,696,754**	**8,696,754**	**8,696,754**	**8,696,754**
Earnings per share				
From continuing and discontinued operations				
Basic and diluted	**AED 0.26**	**AED 0.26**	**AED 0.77**	**AED 0.76**
From continuing operations				
Basic and diluted	**AED 0.26**	**AED 0.26**	**AED 0.77**	**AED 0.76**

The Group does not have potentially dilutive shares and accordingly, diluted earnings per share equals to basic earnings per share.

9. Goodwill

The movement in the Goodwill is provided below:	**30 September 2019**	**31 December 2018**
	AED'000	**AED'000**
Opening balance	**13,713,702**	**14,803,324**
Other adjustments	(96,642)	-
Exchange difference	(601,137)	(1,089,622)
Closing balance	**13,015,923**	**13,713,702**

Other adjustments comprise goodwill on acquisition of Tigo Chad by Maroc Telecom and other adjustments.

The goodwill recorded on the acquisition of Tigo Chad as at 30 September 2019 is on provisional basis and will be adjusted within one year of the acquisition date upon completion of the purchase price allocation exercise.

10. Intangible assets

The movement in other intangible assets is provided below:	30 September 2019 AED'000	31 December 2018 AED'000
Opening balance	**13,908,390**	**14,768,355**
Additions	1,049,535	1,081,718
Transfer	-	5,130
Acquisition of a subsidiary	78,506	153,630
Disposals	(1,159)	(1,468)
Amortisation and impairment losses	(1,205,377)	(1,565,444)
Exchange difference	19,645	(533,531)
Closing balance	**13,849,540**	**13,908,390**

11. Property, plant and equipment

	30 September 2019 AED'000	31 December 2018 AED'000
Opening balance	**43,242,703**	**44,335,904**
Additions	3,821,480	7,297,816
Transfer to intangible assets	-	(13,994)
Transfer from investment property	-	6,808
Disposals	(16,295)	(103,688)
Depreciation	(4,017,975)	(5,640,437)
Impairment losses	3,111	(70,101)
Acquisition of a subsidiary	363,181	-
Exchange difference	(958,867)	(2,569,605)
Closing balance	**42,437,338**	**43,242,703**

12. Trade and other receivables

	30 September 2019 AED'000	31 December 2018 AED'000
Amount receivable for services rendered	11,225,760	10,313,677
Amounts due from other telecommunication operators/carriers	3,424,975	4,314,879
Total gross carrying amount	**14,650,735**	**14,628,556**
Lifetime expected credit loss	(3,272,167)	(2,764,488)
Net trade receivables	**11,378,568**	**11,864,068**
Prepayments	1,016,875	839,703
Accrued income	920,597	794,418
Advances to suppliers	1,047,640	1,142,309
Indirect taxes receivable	365,071	350,141
Other receivables and advances	1,503,588	1,202,737
Net trade and other receivables	**16,232,339**	**16,193,376**
Total trade and other receivables	**16,232,339**	**16,193,376**
of which current trade and other receivables	15,924,274	15,884,208
of which non-current other receivables	308,065	309,168

13. Cash and cash equivalents

	30 September 2019 AED'000	31 December 2018 AED'000
Maintained in UAE	24,917,294	26,615,135
Maintained overseas, unrestricted in use	1,492,615	1,716,404
Maintained overseas, restricted in use	19,464	29,592
Cash and bank balances	**26,429,373**	**28,361,131**
Less: Deposits with maturities exceeding three months from the date of deposit	(24,512,791)	(17,542,123)
Cash and cash equivalents	**1,916,582**	**10,819,008**

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are denominated primarily in UAE Dirham, with financial institutions and banks. Interest is earned on these investments at prevailing market rates. The carrying amount of these assets approximates to their fair value.

14. Trade and other payables

	30 September 2019	31 December 2018
	AED'000	AED'000
Current		
Federal royalty	4,799,995	5,588,879
Trade payables	6,843,509	6,798,211
Amounts due to other telecommunication operators/carriers	3,205,334	3,836,225
Accruals	7,192,790	8,117,559
Indirect taxes payable	1,394,376	1,370,507
Advances from customers	325,819	436,870
Other payables and accruals	2,661,901	2,148,902
	26,423,724	**28,297,153**
Non-current		
Other payables	1,399,182	1,523,739
	1,399,182	**1,523,739**

15. Contingent liabilities

i)The Group and its associates are disputing certain charges from the governmental and telecom regulatory agencies and telecom operators in certain International jurisdictions but do not expect any material adverse effect on the Group's financial position and results from resolution of these disputes.

ii) In 2010, Pakistan Telecommunication Employees Trust ("PTET") board approved the pension increase which was less than the increase notified by the Government of Pakistan ("GoP"). Thereafter, pensioners filed several Writ Petitions. After a series of hearings, on 12 June 2015 the Apex Court decided the case in the interest of pensioners.

On 13 July 2015, Review Petition was filed in Supreme Court of Pakistan against the Judgment of 12 June 2015.

The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, the Pakistan Telecommunication Employees Trust (PTET) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17 May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2), CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. However, PTET has implemented the Apex court decision dated 12 June 2015 to the extent of 343 pensioners who were the petitioners in the main case. Some of the interveners (pensioners) seeking the same relief as allowed vide order dated 12 June 2015 have been directed by the Apex Court to approach the appropriate forum on 10 May 2018. Under the circumstances, management of PTCL, on the basis of legal advice believes that PTCL's obligations against benefits is restricted to the extent of pension increases as determined solely by the Board of Trustees of the PTET in accordance with the Pakistan Telecommunications (Re-Organization) Act, 1996 and the Pension Trust rules of 2012 and accordingly, no provision has been recognised in the condensed consolidated interim financial information.

iii) The Group's associate, Etisalat Etihad Company (Mobily) has received several penalty resolutions from the Communication Information Technology Commission (CITC's) Violation Committee which Mobily has objected to, in accordance with the Telecom regulations. The reasons of issuing these resolutions vary between the manner followed in issuing prepaid SIM cards and providing promotions that have not been approved by CITC and/or other reasons.

Multiple lawsuits were filed by Mobily against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

• There are (829) lawsuits filed by Mobily against CITC amounting to SAR 710 million (AED 695 million) as of 30 September 2019.
• The Board of Grievance has issued (177) verdicts in favor of Mobily voiding (177) resolutions of the CITC's violation committee with a total penalties amounting to SAR 505 million (AED 494 million) as of 30 September 2019.
• Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SAR 503 million (AED 492 million) as of 30 September 2019.

15. Contingent liabilities *(continued)*

In addition, there are (11) legal cases filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees. On 15 December 2018, Mobily entered into an agreement with the Saudi Ministry of Finance, the Saudi Ministry of Telecommunications and Information Technology and CITC to settle all the old disputes in connection with governmental fees up to 31 December 2017 and to define a new investment framework for the development of its telecommunication infrastructure.
A total of 182 lawsuits were filed by Mobily shareholders against Mobily before the Committee for the Resolutions of Security Disputes (“CRSD”) and these have been progressively adjudicated by the CRSD. As of 30 September 2019, Mobily has received (3) preliminary verdicts and (153) final verdicts in its favor in these lawsuits and (11) cases have been dismissed, one (1) case is maintained and (2) cases have been abandoned whilst (12) cases are on-going as of 30 September 2019.

Various Mobily shareholder claims (90) totaling AED 1.8 billion have been made against the 2013/2014 members of the Board of Mobily (“Defendants”) and others, and these have been filed with the CRSD. Proceedings are currently at various stages of the hearings and it is not possible at this stage to estimate the financial exposure, if any, flowing from the proceedings of the hearings.

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group ("AT"), has been engaged in arbitration proceedings against SARCI Sarl (“SARCI”), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by AT during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon AT's request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded SARCI damages amounting to approximately EURO 416 million (AED 1.6 billion). On May 30, 2018, the Court of Appeal of Cotonou has annulled the November 2015 award. AT has notified SARCI with the Appeal Court decision on 16 August 2018. SARCI has appealed the Cotounou Court of Appeal’s decision to the Ohada Supreme Court (CCJA – Cour Commune de Justice et d’Arbitrage) which is the last possible appeal, where the matter has been pending since October 2018. The Execution proceedings against AT that were initiated by SARCI in Benin and other countries are being progressively cancelled.

16. Capital Commitments

The Group has approved future capital projects and investment commitments to the extent of AED 8,941 million (2018: AED 5,240 million). The Group has issued letters of credit amounting to AED 304 million (2018: AED 487 million).

17. 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. Transactions between the Group and other related parties are disclosed below.

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at agreed terms. The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,626 million (2018: AED 1,462 million), which are net of allowance for doubtful debts of AED 194 million (2018: AED 202 million), receivable from Federal Ministries and local bodies. See Note 5 for disclosure of the royalty payable to the Federal Government of the UAE.

In accordance with IAS 24 (revised 2009) *Related Party Disclosures*, the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence. The nature of the transactions that the Group has with such related parties is the provision of telecommunication services.

b) Joint ventures and associates	**Associates**		**Joint Ventures**	
	2019 AED '000	**2018 AED '000**	**2019 AED '000**	**2018 AED '000**
Trading transactions for the nine months ended 30 September				
Telecommunication services – sales	214,134	99,211	-	-
Telecommunication services – purchases	41,774	63,489	25,763	-
Management and other services	140	48,834	-	-
Due from related parties as at 30 September 2019 / 31 December 2018	41,796	62,820	44,883	57,586
Due to related parties as at 30 September 2019 / 31 December 2018	-	-	5,042	1,737

Sales to related parties comprise of provision of telecommunication products and services (primarily voice traffic and leased circuits) by the Group based on agreed terms. Purchases relate exclusively to the provision of telecommunication products and services by associates to the Group based on normal commercial terms. The net amount due from related parties are unsecured and will be settled in cash.

The principal management and other services provided to the Group's associates are set out below based on agreed contractual terms and conditions.

17. Related party transactions *(continued)*

b) Joint ventures and associates *(continued)*

i. Etihad Etisalat Company

Pursuant to the Communications and Information Technology Commission's (CITC) licensing requirements, Mobily entered into a management agreement ("the Agreement") with the Company as its operator from 23 December 2004. Amounts invoiced by the Company relate to annual management fees, fees for staff secondments and other services provided under the Agreement. The term of the Agreement was for a period of seven years and could be automatically renewed for successive periods of five years unless the Company served a 12 month notice of termination or Mobily served a 6 month notice of termination prior to the expiry of the applicable period.

ii. Thuraya Telecommunications Company PJSC

The Company provides a primary gateway facility to Thuraya including maintenance and support services. The Company receives annual income from Thuraya in respect of these services. The stake in Thuraya has been disposed of in August 2018.

18. Borrowings

	Carrying Amounts	
	30 September 2019 AED'000	31 December 2018 AED'000
Bank borrowings		
Short term bank borrowings	5,175,159	3,895,830
Bank loans	6,629,737	3,523,136
Other borrowings		
Bonds	11,380,315	15,112,449
Vendor financing	390,808	445,137
Others	4,843	4,261
	23,580,862	**22,980,813**
Advances from non-controlling interest	543,475	544,847
Total Borrowings	**24,124,337**	**23,525,660**
of which due within 12 months	6,661,957	8,552,469
of which due after 12 months	17,462,379	14,973,191

The carrying values of the Group's bank and other borrowings, excluding bonds, approximate their fair values. Fair values of bonds are calculated using quoted market prices.

Advances from non-controlling interests represent advances paid by the minority shareholder of Etisalat International Pakistan LLC (EIP) towards the Group's acquisition of its 26% stake in PTCL, net of repayments. The amount is interest free and is not repayable within 12 months of the condensed consolidated interim statement of financial position date and accordingly the full amount is carried in non-current liabilities. The fair value of advances is not equivalent to its carrying value as it is interest-free.

During the period, the Group signed a facility agreement with a bank for USD 725 million for general corporate and working capital purposes (including to refinance existing bonds of the Group matured in June 2019). As at 30 September 2019, the Group has utilized the full amount of the loan facility.

The Group has listed a USD 7 billion (AED 25.7 billion) medium-term note programme which will be used to meet medium to long-term funding requirements. In 2014, the Group issued the inaugural bonds under the GMTN programme in USD and Euro tranches amounting to USD 1 billion and Euro 2.4 billion in total, respectively. Further, in May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches.

During the period ended 30 September 2019, the Group fully repaid USD 900 million notes in accordance with their maturity profile. As at 30 September 2019, the total amounts in issue under this programme split by currency are USD 0.5 billion (AED 1.84 billion) and Euro 2.4 billion (AED 10.03 billion) as follows:

	Nominal Value	Fair Value	Carrying Value
	2019 AED'000	2019 AED'000	2019 AED'000
Bonds			
3.500% US Dollar 500 million notes due 2024	1,837,000	1,928,320	1,823,013
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	4,976,222	4,799,817
2.750% Euro 1,200 million notes due 2026	5,263,680	5,588,865	4,757,485
At 30 September	**12,364,360**	**12,493,407**	**11,380,315**
of which due within 12 months			-
of which due after 12 months			11,380,315

18. Borrowings *(continued)*

	Nominal Value 2018 AED'000	Fair Value 2018 AED'000	Carrying Value 2018 AED'000
Bonds			
2.375% US Dollar 900 million notes due 2019	3,306,600	3,287,071	3,305,240
3.500% US Dollar 500 million notes due 2024	1,837,000	1,796,367	1,821,816
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,218,187	5,014,193
2.750% Euro 1,200 million notes due 2026	5,263,680	5,469,835	4,971,200
At 31 December	**15,670,960**	**15,771,460**	**15,112,449**
of which due within 12 months			3,305,240
of which due after 12 months			11,807,209

19. Disposal Group held for sale / Discontinued operations

The results of operations included in the profit for the period from discontinued operations are set out below.

Analysis of loss for the period from discontinued operations	Three months ended 30 September 2018 AED'000	Nine months ended 30 September 2018 AED'000
Revenue	42,249	136,235
Operating expenses	(68,064)	(223,140)
Share of results of associates and joint venture	(7,440)	(5,829)
Operating loss	**(33,255)**	**(92,734)**
Finance and other income	5,998	13,998
Finance costs	(1,603)	(8,922)
Loss before tax	**(28,860)**	**(87,658)**
Taxation	-	1,686
	(28,860)	**(85,972)**
Gain on disposal of associate	70,314	70,314
Profit / (Loss) for the period from discontinued operations	**41,455**	**(15,656)**

Cash flows from discontinued operations	
Net cash inflows from operating activities	(402,816)
Net cash outflows from investing activities	(11,188)
Net cash outflows from financing activities	(84,343)
Net cash outflows	**(498,347)**

Cumulative income or expense recognised in other comprehensive income

There are no cumulative income or expenses recognised in other comprehensive income relating to the disposal group.

20. Seasonality and cyclicality of interim operations

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

21. Fair value disclosures

The Group has quoted equity investments in listed equity securities. The fair values of these equity securities are derived from observable quoted prices in active markets for identical assets, which in accordance with IFRS 7 *Financial Instruments: Disclosure* , represent Level 1 fair values. The group also holds derivative instruments which are measured by calculating the present value of estimated future cash flows and option pricing models based on appropriate market sourced data. The fair value of those derivatives represent Level 2 fair value.

The fair value of other investments are classified as Level 2 and Level 3 in accordance with generally accepted pricing models based on discounted cash flows at rates derived from observable and unobservable market sourced data. There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the period

22. Provision for end of service benefits

The movement in the provision for end of service benefits is provided below:	30 September 2019 AED'000	31 December 2018 AED'000
Opening balances	**1,535,409**	**1,608,782**
Additions	177,654	336,518
Payments	(155,811)	(198,746)
Exchange difference	(93,026)	(174,227)
Unwinding of discounts	7,483	5,555
Remeasurement	(26,289)	(42,545)
Acquisition of UT Technology LLC ("UTT")	-	72
Closing balances	**1,445,420**	**1,535,409**

23. Right of use assets	**Land and buildings**	**Plant and equipment**	**Motor vehicles, computers, furniture**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January 2019	**1,303,679**	**890,250**	**41,387**	**2,235,316**
Additions	93,423	554,437	42,268	690,129
Disposals	(26,307)	-	-	(26,307)
Depreciation	(97,446)	(188,085)	(16,865)	(302,396)
Exchange difference	(67,967)	53,661	2,486	(11,820)
Balance at 30 September 2019	**1,205,383**	**1,310,263**	**69,277**	**2,584,922**

24. Lease liabilities	**Carrying Value**	
	2019	**2018**
Details of the Group's lease liabilities are as follows:	**AED'000**	**AED'000**
Contractual undiscounted cash flow		
Within one year	370,600	2,000
Between 2 and 5 years	1,436,436	257
After 5 years	1,652,094	288
Total undiscounted lease liabilities	**3,459,130**	**2,545**
Lease liabilities included in the consolidated statement of financial position		
of which due within 12 months	356,996	1,993
of which due after 12 months	2,146,629	409

25. Share Capital

On 21 March 2018, the Etisalat Annual General Meeting approved the Company's buyback of its shares within a maximum of 5% of its paid-up capital, for the purpose of cancelling or re-selling such shares, after obtaining approval of competent authorities. The Company obtained the approval from the Securities and Commodities Authority on 24 September 2018 to buyback 5% of the subscribed shares which amounted to 434,837,700 shares. As at 30 September 2019, no buyback transaction had taken place.