شركة مجموعة الإمارات للاتصالات ش ع م، مجموعة اتصالات
ص.ب: 3838، أبوظبي، الإمارات العربية المتحدة

Emirates Telecommunications Group Company PJSC - ETISALAT GROUP
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Ref. No.: HO/GCFO/152/62
Date : 20 February 2018

المرجع: م ر / ر ت ش م /62/152
التاريخ: 20 فبراير 2018

Director General
Abu Dhabi Securities Exchange
PO Box 54500
Abu Dhabi, UAE

المدير التنفيذي
سوق أبو ظبي للأوراق المالية
ص ب 54500
أبوظبي – الإمارات العربية المتحدة

Dear Sir,

بعد التحية،،

Audited consolidated financial information for the financial year ended 31st December 2017

Please find attached Emirates Telecommunications Group Company PJSC "Etisalat Group" audited consolidated financial information for the financial year ended 31st December 2017 prepared in accordance with International Financial Reporting Standards ("IFRS").

البيانات المالية الموحدة المدققة عن السنة المالية المنتهية في 31 ديسمبر 2017

يسرنا ان نرفق طيه البيانات المالية الموحدة المدققة لشركة مجموعة الإمارات للاتصالات ش.م.ع "مجموعة اتصالات" عن السنة المالية المنتهية في 31 ديسمبر 2017 والمعدة وفقا للمعايير الدولية للتقارير ("IFRS") .

With warm regards,

وتقبلوا تحياتنا،

سركان أوكاندان
الرئيس التنفيذي للشؤون المالية – مجموعة اتصالات
Serkan Okandan
Chief Financial Officer – Etisalat Group

Copy to :
The Chief Executive Officer
Securities & Commodities Authority

نسخة إلى:
الرئيس التنفيذي
هيئة الأوراق المالية والسلع

Emirates Telecommunications Group Company PJSC

Reports and consolidated financial statements for the year ended 31 December 2017

BOARD OF DIRECTORS

Chairman	Eissa Mohamed Ghanem Al Suwaidi
Vice Chairman	Sheikh Ahmed Mohd Sultan Bin Suroor Al Dhahiri
Members	Mohamed Sultan Abdulla Mohamed Alhameli Abdulla Salem Obaid Salem Al Dhaheri Hesham Abdulla Qassim Al Qassim Essa Abdulfattah Kazim Al Mulla Abdulfattah Sayed Mansoor Sharaf Mohamed Hadi Ahmed Abdulla Al Hussaini Abdelmonem Bin Eisa Bin Nasser Alserkal Khalid Abdulwahid Hassan Alrustamani Otaiba Khalaf Ahmed Khalaf Al Otaiba
Corporation Secretary	Hasan Mohamed Hasan Ahmed Al Hosani

AUDIT COMMITTEE

Chairman	Essa Abdulfattah Kazim Al Mulla
Members	Sheikh Ahmed Mohd Sultan Bin Suroor Al Dhahiri Khalid Abdulwahid Hassan Alrustamani Salem Sultan Al Dhaheri (external member)

NOMINATIONS AND REMUNERATION COMMITTEE

Chairman	Mohamed Sultan Abdulla Mohamed Alhameli
Members	Abdulla Salem Obaid Salem Al Dhaheri Hesham Abdulla Qassim Al Qassim Abdelmonem Bin Eisa Bin Nasser Alserkal

INVESTMENT AND FINANCE COMMITTEE

Chairman	Eissa Mohamed Ghanem Al Suwaidi
Members	Abdulfattah Sayed Mansoor Sharaf Mohamed Hadi Ahmed Abdulla Al Hussaini Otaiba Khalaf Ahmed Khalaf Al Otaiba

HEAD OFFICE:	Etisalat Building Intersection of Zayed, The 1st Street and Sheikh Rashid Bin Saeed Al Maktoum Street P.O. Box 3838 Abu Dhabi Telephone: +971 2 6283333 Fax: +971 2 6317000 Telex: 22135 ETCHO EM www.etisalat.ae
REGIONAL OFFICES:	Abu Dhabi, Dubai, Northern Emirates

Emirates Telecommunications Group Company PJSC

Reports and consolidated financial statements for the year ended 31 December 2017

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Emirates Telecommunications Group Company PJSC
Abu Dhabi, UAE

Opinion

We have audited the consolidated financial statements of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together, the "Group") set out on pages 14 to 71, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accuracy and completeness of revenue recognised and related IT systems	
The Group reported revenue of AED 51,666 million from telecommunication and related activities. The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship. Due to the estimates and judgement involved in the application of the revenue recognition accounting standards and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 2 to the consolidated financial statements.	Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following: ▪ understanding the significant revenue processes including performance of an end to end walkthrough of the revenue assurance process and identifying the relevant controls (including IT systems, interfaces and reports); ▪ testing the design and operating effectiveness of the relevant controls; ▪ involving our internal IT specialists to test IT general controls, system interfaces, data/information reporting and application specific controls surrounding relevant revenue systems; ▪ reviewing significant new contracts and regulatory determinations, the accounting treatments opted and testing the related revenues recognised during the period; ▪ testing the nature and accounting for a sample of discounts. ▪ performing data analysis and analytical reviews of significant revenue streams; ▪ reviewing key reconciliations performed by the Revenue Assurance team; ▪ performing specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and ▪ performing procedures to ensure that the revenue recognition criteria adopted by each group entity for all major revenue streams is appropriate and in line with the Group's accounting policies. Through our instructions, supervision and review, the auditors of the Group's significant entities performed consistent audit procedures on revenue.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Federal royalty computation	
In accordance with the UAE Cabinet of Ministers decision 320/15/23 of 2012, the UAE Ministry of Finance ("MOF") guidelines dated 25 February 2015 (the "Guidelines"), subsequent correspondences and the new royalty scheme of 2017 announced by the UAE MOF, the Group has a total of AED 5.74 billion of federal royalty payable as of 31 December 2017. As stated in note 3 to the consolidated financial statements, the Company has made certain significant judgments for the computation of federal royalty. Accordingly, the computation of the federal royalty for the year ended 31 December 2017 is considered to be a key audit matter.	In responding to this risk, our key audit procedures included: ▪ testing the relevant controls around the calculation of the federal royalty charge; ▪ meeting with management and reviewing correspondence exchanged between management and the MOF; ▪ assessing the reasonableness of the judgements made in the computation of the federal royalty for the current year based on the Guidelines and subsequent correspondence; ▪ evaluating the classification of regulated and non-regulated revenues in the computation for the federal royalty on the UAE telecom operations; ▪ testing the allocation of indirect costs on non-regulated activities based on clarifications received from MOF; ▪ evaluating the exclusion of items which are not subject to the computation of federal royalty payable based on the Guidelines and clarifications received; ▪ evaluating the accumulated annual accounting losses which have been offset from the profit for the year used in computing the federal royalty payable; and ▪ reviewing the arithmetical accuracy of the computation of the federal royalty for the year.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and the Company's investments	
The Group's goodwill amounting to AED 14,803 million represents 11.5% of its total assets. For the cash generating units (CGUs) which contain goodwill, the determination of the recoverable amount of these CGUs requires significant estimates in determining the key assumptions supporting the expected future cash flows of the business, the utilisation of the relevant assets and the most appropriate discount rate. Please refer to note 10 to the consolidated financial statements for details of management's impairment test and assumptions.	We focused our testing on the impairment of goodwill of certain specific subsidiaries and investments and on the key assumptions and estimates made by management. Our audit procedures included an assessment of the controls over the impairment assessment process. We evaluated the design and tested the operating effectiveness of the relevant controls. We also engaged our internal specialists in carrying out the below procedures: ▪ Evaluating whether the approach and methodology used by management to calculate the value in use of each CGU complies with IAS 36 *Impairment of Assets*. ▪ Obtained and analysed the business plans provided by management for each subject asset to determine whether the forecast cash flows are reasonable and supportable based on historical performance; ▪ Analysed the discount rates calculated by management and calculated Weighted Average Cost of Capital (WACC) independently and compared with management's calculations; ▪ Assessed long term growth rates for reasonableness by reference to growth in GDP and projected inflation rates; and ▪ Assessed the reasonableness of key cash flow assumptions based on historical performance and industry information. We performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment charge. We also assessed the appropriateness of the related disclosures of goodwill and investments.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities	
The Group operates across a large number of jurisdictions and is subject to a number of legal, regulatory and tax cases. The level of judgement required to establish the level of provisioning, increases the risk that provisions and contingent liabilities may not be appropriately provided against or adequately disclosed. Accordingly, this matter is considered to be a key audit matter. Management's disclosures with regards to contingent liabilities are presented in note 33 to the consolidated financial statements.	We evaluated the design and tested the operating effectiveness of the relevant controls and assessed how the Group monitors legal, tax and regulatory developments and their assessment of the potential impact on the Group. We read the summary of litigation matters provided by the Group's Legal Counsel Team and discussed each of the material cases noted in the report to determine the Group's assessment of the likelihood and magnitude of any liability that may arise. We reviewed the reports from the auditors and obtained legal confirmation, where applicable, for significant group entities and held discussions regarding the material cases with their auditors and their management. We read, where applicable, external legal or regulatory advice sought by the Group and reviewed related correspondence and minutes of executive meetings. In light of the above, we reviewed the level of provisions recorded and assessed the adequacy of disclosures in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

Management is responsible for the other information. The other information comprises the Chairman's statement, CEO statement and the other information in the annual report, which we obtained prior to the date of this auditors' report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i. We have obtained all the information we considered necessary for the purposes of our audit;

ii. The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii. The Group has maintained proper books of account;

iv. The financial information included in the Chairman's statement is consistent with the books of account of the Group;

v. As disclosed in note 13 and 15 to the consolidated financial statements, the Group has further invested in shares during the financial year ended 31 December 2017;

vi. Note 17 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii. Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and

viii. Note 5 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2017.

Deloitte & Touche (M.E.)

R. P. J. A

Signed by:
Rama Padmanabha Acharya
Registered Auditor Number 701
20 February 2018
Abu Dhabi
United Arab Emirates

Emirates Telecommunications Group Company PJSC
Consolidated statement of profit or loss for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Continuing operations			
Revenue	4	51,666,431	52,360,037
Operating expenses	5	(33,241,479)	(34,154,904)
Impairment and other losses	10	(765,205)	(1,077,131)
Share of results of associates and joint ventures	14	(207,280)	(101,350)
Operating profit before federal royalty		**17,452,467**	**17,026,652**
Federal royalty	5	(6,038,912)	(5,010,127)
Operating profit		**11,413,555**	**12,016,525**
Finance and other income	6	1,174,466	1,020,105
Finance and other costs	7	(1,380,569)	(1,912,144)
Profit before tax		**11,207,452**	**11,124,486**
Taxation	8	(1,240,988)	(1,205,513)
Profit for the year from continuing operations		**9,966,464**	**9,918,973**
Discontinued operations			
Loss from discontinued operations	36	(194,147)	(431,911)
Profit for the year		**9,772,317**	**9,487,062**
Profit attributable to:			
The equity holders of the Company		8,444,437	8,421,185
Non-controlling interests		1,327,880	1,065,877
		9,772,317	**9,487,062**
Earnings per share			
From continuing and discontinuing operations			
Basic and diluted	35	AED 0.97	AED 0.97
From continuing operations			
Basic and diluted	35	AED 0.99	AED 1.02

Chairman

Board Member

The accompanying notes on pages 14 to 71 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Profit for the year		9,772,317	9,487,062
Other comprehensive (loss) / income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations - net of tax		(48,076)	(2,275)
Net fair value gain on investment in equity instruments designated as FVTOCI		3,920	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year			
Exchange differences on translation of foreign operations		1,454,227	(5,159,212)
(Loss)/gain on hedging instruments designated in hedges of the net assets of foreign operations	24	(1,148,302)	250,656
Fair value gain arising on cash flow hedge during the year		2,477	-
Loss on revaluation of financial assets during the year		-	(142,520)
Items reclassified to profit or loss:			
Reclassification adjustment relating to available-for-sale financial assets impaired during the year	30	-	194,759
Reclassification adjustment relating to available-for-sale financial assets on disposal	30	-	(2,838)
Cumulative gain transferred to profit or loss on disposal of foreign operation	37	-	505,820
Total other comprehensive gain/ (loss)		**264,246**	**(4,355,610)**
Total comprehensive income for the year		**10,036,563**	**5,131,452**
Attributable to:			
The equity holders of the Company		8,307,783	5,826,390
Non-controlling interests		1,728,780	(694,938)
		10,036,563	**5,131,452**

The accompanying notes on pages 14 to 71 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of financial position as at 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Non-current assets			
Goodwill	9	14,803,324	14,097,902
Other intangible assets	9	15,437,454	14,710,048
Property, plant and equipment	11	43,806,335	42,450,127
Investment property	12	40,125	27,230
Investments in associates and joint ventures	15	4,306,733	4,414,352
Other investments	16	1,701,144	879,207
Other receivables	19	237,041	156,612
Finance lease receivables	20	209,491	-
Derivative financial instruments	24	10,481	331,313
Deferred tax assets	8	94,135	128,210
		80,646,263	77,195,001
Current assets			
Inventories	18	541,290	708,825
Trade and other receivables	19	18,453,793	18,913,091
Current income tax assets		673,889	593,270
Finance lease receivables	20	38,223	-
Due from related parties	17	187,242	440,643
Cash and bank balances	21	27,125,158	23,676,170
		47,019,595	44,331,999
Assets classified as held for sale	36	618,247	993,663
Total assets		128,284,105	122,520,663
Non-current liabilities			
Other payables	22	1,477,540	1,558,549
Borrowings	23	20,035,133	18,203,902
Payables related to investments and licenses	25	90,353	542,968
Deferred tax liabilities	8	3,205,407	3,255,952
Finance lease obligations	26	1,909	4,905
Provisions	27	187,566	149,143
Provision for end of service benefits	28	1,608,782	1,636,959
		26,606,690	25,352,378
Current liabilities			
Trade and other payables	22	32,809,580	30,772,494
Borrowings	23	4,670,208	4,074,738
Payables related to investments and licenses	25	3,269,516	3,255,327
Current income tax liabilities		225,282	257,492
Derivative financial instruments	24	79,149	2,830
Finance lease obligations	26	3,273	5,512
Provisions	27	2,509,251	2,488,839
		43,566,259	40,857,232
Liabilities directly associated with the assets classified as held for sale	36	407,181	396,275
Total liabilities		70,580,130	66,605,885
Net assets		57,703,975	55,914,778
Equity			
Share capital	29	8,696,754	8,696,754
Reserves	30	26,988,836	26,121,149
Retained earnings		8,356,613	7,883,502
Equity attributable to the equity holders of the Company		44,042,203	42,701,405
Non-controlling interests	13	13,661,772	13,213,373
Total equity		57,703,975	55,914,778

Chairman

Board Member

The accompanying notes on pages 14 to 71 form an integral part of these consolidated financial statements. The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of changes in equity for the year ended 31 December 2017

		Attributable to equity holders 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 2016		**8,696,754**	**27,583,414**	**7,506,616**	**43,786,784**	**15,886,048**	**59,672,832**
Total comprehensive income for the year		-	(2,593,846)	8,420,236	5,826,390	(694,938)	5,131,452
Other movements in equity		-	-	(4,704)	(4,704)	(4,853)	(9,557)
Transfer to reserves	30	-	1,131,581	(1,131,581)	-	-	-
Transactions with owners:							
Disposal of a subsidiary	37	-	-	-	-	(27,477)	(27,477)
Movements in non-controlling interests	13	-	-	47,330	47,330	(66,843)	(19,513)
Repayment of advances to non-controlling interests	13	-	-	-	-	(78,843)	(78,843)
Dividends	34	-	-	(6,954,396)	(6,954,396)	(1,799,720)	(8,754,116)
Balance at 31 December 2016		**8,696,754**	**26,121,149**	**7,883,501**	**42,701,404**	**13,213,374**	**55,914,778**
Balance at 1 January 2017		**8,696,754**	**26,121,149**	**7,883,501**	**42,701,404**	**13,213,374**	**55,914,778**
Total comprehensive income for the year		-	(126,747)	8,434,530	8,307,783	1,728,780	10,036,563
Other movements in equity		-	-	(12,588)	(12,588)	(13,786)	(26,374)
Transfer to reserves	30	-	1,042,121	(1,042,121)	-	-	-
Transactions with owners:							
Capital contribution by non controlling interest	13	-	-	-	-	284,171	284,171
Repayment of advances to non-controlling interests	13	-	-	-	-	(76,091)	(76,091)
Transfer from investment revaluation reserve to retained earnings on application of IFRS 9	30		(47,687)	47,687	-	-	-
Dividends	34	-	-	(6,954,396)	(6,954,396)	(1,474,676)	(8,429,072)
Balance at 31 December 2017		**8,696,754**	**26,988,836**	**8,356,613**	**44,042,203**	**13,661,772**	**57,703,975**

The accompanying notes on pages 14 to 71 form an integral part of these consolidated financial statements.

The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of cash flows for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Operating profit including discontinued operations		11,236,233	11,958,114
Adjustments for:			
Depreciation	11, 12	5,651,197	5,895,574
Amortisation	9	1,632,788	1,783,013
Impairment and other losses	10	772,596	1,077,123
Share of results of associates and joint ventures	14	207,280	101,350
Provisions and allowances		205,364	1,211,792
Unrealised currency translation gain/(loss)		424,555	(161,052)
Other non-cash movements		258,214	153,071
Operating profit before changes in working capital		**20,388,227**	**22,018,985**
Changes in working capital:			
Inventories		174,587	166,661
Due from associates and joint ventures		73,638	168,447
Trade and other receivables		533,533	(2,516,489)
Trade and other payables		932,660	1,275,358
Cash generated from operations		**22,102,645**	**21,112,962**
Income taxes paid		(1,550,580)	(1,650,564)
Payment of end of service benefits	28	(245,613)	(536,426)
Net cash generated from operating activities		**20,306,452**	**18,925,972**
Cash flows from investing activities			
Acquisition of other investments		-	(76,845)
Proceeds on disposal of investment classified as FVTOCI		59,161	-
Proceeds from disposal of investments at amortised cost/held-to-maturity investments		329,682	363,845
Acquisition of investments at amortised cost/held-to-maturity investments		(219,693)	(949,956)
Acquisition of investment classified as fair value through profit or loss		(790,574)	-
Acquisition of investments classified as FVTOCI		(57,506)	-
Proceeds from disposal of investments classified as fair value through profit or loss		12,701	-
Acquisition of interest in associates		(106,484)	-
Purchase of property, plant and equipment		(7,365,144)	(7,728,741)
Proceeds from disposal of property, plant and equipment		56,206	387,315
Purchase of other intangible assets		(675,000)	(2,829,037)
Proceeds from disposal of other intangible assets		3,012	168
Term deposits made with maturities over three months	21	(18,474,475)	(19,877,006)
Term deposits matured with maturities over three months	21	15,891,605	15,151,942
Dividend income received from associates and other investments		22,024	17,451
Net cash inflow/(outflow) on disposal of a subsidiary		-	279,033
Proceeds from unwinding of derivative financial instruments		173,101	282,898
Finance and other income received		990,624	892,571
Net cash used in investing activities		**(10,150,760)**	**(14,086,362)**
Cash flows from financing activities			
Proceeds from borrowings and finance lease obligations		3,558,667	6,592,277
Repayments of borrowings and finance lease obligations		(2,954,075)	(4,351,860)
Repayment of advances to non-controlling interests		(76,091)	(78,843)
Capital contribution by non controlling interests		284,171	-
Dividends paid		(8,428,988)	(8,754,090)
Finance and other costs paid		(1,410,337)	(1,133,017)
Net cash used in financing activities		**(9,026,653)**	**(7,725,533)**
Net increase/(decrease) in cash and cash equivalents		**1,129,040**	**(2,885,923)**
Cash and cash equivalents at the beginning of the year		3,022,906	5,553,300
Effects of foreign exchange rate changes		(288,378)	355,529
Cash and cash equivalents at the end of the year	21	**3,863,568**	**3,022,906**

In the previous year, the Group disposed of a property in one of its subsidiaries having a non cash impact of AED 153 million.

During the year, the Group concluded swap of certain property, plant and equipment having non-cash impact of AED 220.13 million.

The accompanying notes on pages 14 to 71 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

1. General information

The Emirates Telecommunications Group (''the Group'') comprises the holding company Emirates Telecommunications Group Company PJSC (''the Company''), formerly known as Emirates Telecommunications Corporation ("the Corporation") and its subsidiaries. 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 made 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, ie 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. 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 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 (however, 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 valid until 2025), its subsidiaries, associates and joint ventures.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 20th February 2018.

2. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to companies reporting under IFRS and the applicable provisions of UAE Federal Law No. (2) of 2015. The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. The consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the accounting policies set out herein.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique.

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

Impact of early adoption of IFRS 9 Financial Instruments

International Accounting Standard Board (IASB) published its final version of IFRS 9 Financial Instruments in July 2014 which replaces IAS 39 Financial instruments: Recognition and Measurement. In the current year, the Group has early adopted IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to the other IFRSs with effect from 1 January 2017. The Group has elected not to restate the prior year reported numbers inline with the relief under IFRS 9. IFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) impairment for financial assets and iii) general hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below:

(i) Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of IFRS 9 to financial instruments that have not been derecognized as at the initial application date i.e 1 January 2017. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management reviewed and assessed the Group's existing financial assets as at 1 January 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

2. Significant accounting policies (continued)

Impact of early application of IFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Equity investments classified as available for sale (AFS) under IAS 39, have irrevocably been classified as fair value through OCI, except those equity investments amounting to AED 280.6 million as at 1 January 2017 which are held for trading purposes. Accordingly these securities classified as FVTOCI are measured at fair value through other comprehensive income, and any accumulated gains and losses held within OCI are not recycled through the consolidated statement of profit or loss. Those equity investments which are held for trading purposes are classified as fair value through profit and loss. The accumulated gains and losses relating to these equity instruments on the date of initial application amounting to AED 47.7 million have been transferred from investment revaluation reserve to retained earnings. Subsequently gains and losses relating to those equity investments amounting to AED 78.1 million are recognised in the consolidated statement of profit or loss.
- Financial assets that were measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 as these investments are managed as a trading portfolio and the settlement is designed based on the changes in fair value of the underlying securities rather than for collecting principal and interest.

The change in classification of the Group's investments in equity instruments from available for sale under IAS 39 to fair value through OCI under IFRS 9 has resulted in the fair value gain on available-for-sale financial assets recognized in other comprehensive income of AED 3.4 million that will not be subsequently reclassified to the consolidated statement of profit or loss.

None of the other reclassifications of financial assets have had any material impact on the Group's consolidated statement of financial position, profit or loss, other comprehensive income or total comprehensive income for the current period. In relation to financial liabilities, application of IFRS 9 has had no material impact on the Group, and the Group has continued to apply its previous accounting policies for classification and measurement of financial liabilities.

The tables below shows only information relating to financial assets that have been reclassified as a result of transition to IFRS 9. For all other financial assets and liabilities, there has been no impact on early adoption of IFRS 9.

Significant accounting policies (Continued)

Impact of early adoption of IFRS 9 Financial Instruments (continued)

		Impact for IFRS 9 (AED'000)			
Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Reclassification**	**Remeasurement**	**New carrying amount under IFRS 9**
FVTPL	FVTPL	48,183	-	-	48,183
Available -for -sale	FVTOCI	201,744	-	-	201,744
Available -for -sale	FVTPL	280,643	-	-	280,643
Held to maturity	At amortised cost	348,637	-	-	348,637

(ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured as FVTOCI. The financial assets subject to impairment requirements of IFRS 9, include: i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 month ECL. IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, and contract assets in certain circumstances. Accordingly the Group has adopted a simplified approach for assessing the impairment for trade and other receivables, lease receivables and contract assets (upon adoption of IFRS 15). For financial assets other than trade receivables and contract assets, the Group will calculate ECL using the general approach.

As at 1 January 2017, management reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without incurring undue cost or effort, in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets. In relation to financial assets subject to impairment provisions under IFRS 9, other than trade and other receivables, lease receivables and contract assets, there is no material impact on the carrying values.

The adoption of IFRS 9 has resulted in an increase in the consolidated profit by AED 97 million.

2. Significant accounting policies (continued)

New and amended standards adopted by the Group

The following revised IFRSs have been adopted in this consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Ammendments to IAS 7 Statement of Cash Flows relating to disclosure initiatives
- Amendments to IFRS 12 Disclosure of Interests in Other Entities resulting from Annual Improvements to IFRS 2014–2016 Cycle regarding clarifying the scope of the standard.
- Ammendments to IAS 12 Income Taxes regarding the recognition of deferred tax assets for unrealised losses

At the date of the consolidated financial statements, the following Standards, Amendments and Interpretations have not been effective and have not been early adopted:

	Effective date
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
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	Effective date deferred indefinitely
Amendments to IFRS 1 and IAS 28 resulting from annual Improvements 2014–2016 Cycle.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty Over Tax Treatments	1 January 2019
Annual Improvements to IFRS 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures regarding long-term interests in associates and joint ventures.	1 January 2019

2. Significant accounting policies (continued)

New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios and extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The potential impact of the revenue standard for the Group are expected to be as follows:

Determination of Distinct Performance Obligations (POs)

Sale of SIM Cards
Sale of SIM cards represent a distinct PO to connect the customers to Etisalat network and therefore revenue is recognised at the point in time when the SIM card is sold and service is activated.

Loyalty points programme
Under IFRIC 13 Customer Loyalty Programme, the loyalty programme offered by the Group results in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under IFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative standard standalone price (SSP).

Set-up and Installation fees
Generally, the Group charges upfront set-up and installation fees for various consumer and business products. Under IAS 18, revenue was recognised upfront when the installation was completed. Under IFRS 15, the installation service is not considered a distinct PO. Hence, one-time fee pertaining to set-up and installation is added to the total transaction price and recognised over the period of service, resulting in a change in timing of revenue recognition.

2. Significant accounting policies (continued)

New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued):

Adjustment to the transaction price

Adjustment of significant financing component

Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In such circumstances, the contract contains a significant financing component.

The Group is expected to have significant financing component in arrangements involving provision of equipment and devices on installment plans.

Variable Consideration

Certain customer contracts include variable discounts and concessions, which are provided to the customers during the contract period. Variability arises due to contractual terms and conditions, whereby customers are provided discounts upon reaching certain volume thresholds. In addition to the contractual terms, the Group also provides goodwill adjustments or service credits to certain customers in accordance with its customary business practices.

Under IFRS 15, if consideration promised in the contract (either explicit or implicit) includes a variable amount, then an entity shall estimate the amount and adjust the total transaction price at contract inception. This will result in the change in timing of revenue recognition.

Allocating the transaction price

Allocation based on the ratio of relative SSP of distinct PO:

The transaction price is allocated between POs based on relative SSP as determined at contract inception.

Since the amount of revenue recognised for distinct POs will often be dependent on the relative SSP, the determination of appropriate SSP is critical. The SSP of a performance obligation is the observable price for the good or service sold by Etisalat in similar circumstances to similar customers.

Contract Cost

Costs to acquire and cost to fulfill a contract

In 2017, contract costs related to commission (cost to acquire) and installation service (cost to fulfill) were expensed, as they did not qualify for recognition as an asset under any of the other accounting standards. However, under IFRS 15, these costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. Under IFRS 15, these will now be capitalised as contract costs and included in contract assets in the consolidated statement of financial position. Capitalised contract costs are amortised over the customer contract period for postpaid segment and over customer life cycle (average months) for prepaid segment.

The Group is continuing to assess the impact of these and other changes on the consolidated financial statements.

2. Significant accounting policies (continued)

New and amended standards adopted by the Group (continued)

IFRS 16 Leases:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Management anticipates that the application of the above Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application with the exception of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases which management is currently assessing. However, it is not practicable to provide a reasonable estimate of the effects of the application of IFRS 16 until the Group performs a detailed review.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Group has:

- has power over the investee;
- is exposed or has rights, to variable returns from its involvement;
- has the ability to use its power to affect its returns.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has the power to control another entity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the business combination. Total comprehensive income within subsidiaries is attributed to the Group and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are excluded from consolidation from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Intercompany transactions, balances and any unrealised gains/losses between Group entities have been eliminated in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

2. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair value, at the date of exchange, of the assets given, equity instruments issued and liabilities incurred or assumed. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the acquisition-date net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of profit or loss.

The non-controlling interest in the acquire is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Step acquisition

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Associates and joint ventures

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has corresponding rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Associates are those companies over which Group exercises significant influence but it does not control or have joint control over those companies. Investments in associates and joint ventures are accounted for using the equity method of accounting except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates and joint ventures less any impairment in the value of individual investments. Losses of the associates and joint ventures in excess of the Group's interest are not recognised unless the Group has incurred legal or constructive obligations.

The carrying values of investments in associates and joint ventures are reviewed on a regular basis and if impairment in the value has occurred, it is written off in the period in which those circumstances are identified.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is recognised as goodwill and included as part of the cost of investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associates at the date of acquisition is credited to the consolidated statement of profit or loss in the year of acquisition.

2. Significant accounting policies (continued)

Associates and joint ventures (continued)

The Group's share of associates' and joint ventures' results is based on the most recent financial statements or interim financial statements drawn up to the Group's reporting date. Accounting policies of associates and joint ventures have been adjusted, where necessary, to ensure consistency with the policies adopted by the Group.

Profits and losses resulting from upstream and downstream transactions between the Groups (including its consolidated subsidiaries) and its associate or joint ventures are recognised in the Group's financial statements only to the extent of unrelated group's interests in the associates or joint ventures. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Dilution gains and losses arising on deemed disposal of investments in associates and joint ventures are recognised in the consolidated statement of profit or loss.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for telecommunication products and services provided in the normal course of business. Revenue is recognised, net of sales taxes, discounts and rebates, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably. Revenue from telecommunication services comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting users of other fixed line and mobile networks to the Group's network.

Access charges and airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period, with unbilled revenue resulting from services already provided from the billing cycle date to the end of each period accrued and unearned revenue from services provided in periods after each accounting period deferred. Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit and is deferred as deferred income until such time as the customer uses the airtime, or the credit expires.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Incentives are provided to customers in various forms and are usually offered on signing a new contract or as part of a promotional offering. Where such incentives are provided on connection of a new customer or the upgrade of an existing customer, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognised in line with the Group's performance of its obligations relating to the incentive.

In revenue arrangements including more than one deliverable that have value to a customer on standalone basis, the arrangement consideration is allocated to each deliverable based on the relative fair value of the individual elements. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

2. Significant accounting policies (continued)

Revenue (continued)

Contract revenue is recognised under the percentage of completion method. Profit on contracts is recognised only when the outcome of the contracts can be reliably estimated. Provision is made for foreseeable losses estimated to complete contracts.

Revenue from interconnection of voice and data traffic with other telecommunications operators is recognised at the time the services are performed based on the actual recorded traffic.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognised on a straight-line basis over the life of the contract. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

ii) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

i) Functional currencies

The individual financial statements of each of the Group's subsidiaries, associates and joint ventures are presented in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of the consolidated financial statements, the results, financial position and cash flows of each company are expressed in UAE Dirhams, which is the functional currency of the Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing at the dates of the transactions. At end of reporting period, monetary items that are denominated in foreign currencies are retranslated into the entity's functional currency at rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (continued)

ii) Consolidation

On consolidation, the assets and liabilities of the Group's foreign operations are translated into UAE Dirhams at exchange rates prevailing on the date of end of each reporting period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are also translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences are recognised in other comprehensive income and are presented in the translation reserve in equity. On disposal of overseas subsidiaries or when significant influence is lost, the cumulative translation differences are recognised as income or expense in the period in which they are disposed of.

iii) Foreign exchange differences

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise except for exchange differences that relate to assets under construction for future productive use. These are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings. Exchange differences on transactions entered into to hedge certain foreign currency risks and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on disposal of net investment.

iv) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2. Significant accounting policies (continued)

Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the consolidated statement of profit or loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated statement of profit or loss on a systematic basis over the expected useful life of the related asset upon capitalisation.

End of service benefits

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with the Projected Unit Cost method as per IAS 19 Employee Benefits taking into consideration the UAE Labour Laws. The provision is recognised based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to high quality corporate bonds or other basis, if applicable.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax is calculated using relevant tax rates and laws that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged or credited in the consolidated statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the future against which deductible temporary differences can be utilised.

2. Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Property, plant and equipment are only measured at cost, less accumulated depreciation and any impairment. Cost comprises the cost of equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labour costs, capitalised borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located.

Assets in the course of construction are carried at cost, less any impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

Other than land (which is not depreciated), the cost of property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets as follows:

Buildings:	**Years**
Permanent – the lesser of 20 – 50 years and the period of the land lease.	
Temporary – the lesser of 4 – 10 years and the period of the land lease.	
Civil works	10 – 25

Plant and equipment:	**Years**
Submarine – fibre optic cables	15 – 20
– coaxial cables	10 – 15
Cable ships	15 – 25
Coaxial and fibre optic cables	15 – 25
Line plant	10 – 25
Exchanges	5 – 15
Switches	8 – 15

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Radios/towers	10 – 25
Earth stations/VSAT	5 – 15
Multiplex equipment	10 – 15
Power plant	5 – 10
Subscribers' apparatus	3 – 15
General plant	2 – 25
Other assets:	
Motor vehicles	3 – 5
Computers	3 – 5
Furniture, fittings and office equipment	4 – 10

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period.

In the prior year, some of the Group's subsidiaries amended the useful life of their tangible assets. The impact of these changes was not material to these consolidated financial statements.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment loss. Investment properties are depreciated on a straight-line basis over 30 years.

Intangible assets

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-financial assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of an associate, joint venture, or a subsidiary or where Group ceases to exercise control, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Significant accounting policies (continued)

Intangible assets (continued)

(ii) Licenses

Acquired telecommunication licenses are initially recorded at cost or, if part of a business combination, at fair value. Licenses are amortised on a straight line basis over their estimated useful lives from when the related networks are available for use. The estimated useful lives range between 10 and 25 years and are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies.

(iii) Internally-generated intangible assets

An internally-generated intangible asset arising from the Group's IT development is recognised at cost only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of 3-10 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(iv) Indefeasible Rights of Use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

(v) Other intangible assets

Customer relationships and trade names are recognised on acquisition at fair values. They are amortised on a straight line basis over their estimated useful lives. The useful lives of customer relationships range from 3-23 years and trade names have a useful life of 15-25 years. The useful lives of other intangible assets range from 3-10 years.

Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets whenever there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life (including goodwill) is tested for impairment annually.

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventory

Inventory is measured at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Allowance is made, where appropriate, for deterioration and obsolescence. Cost is determined in accordance with the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

i) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. Significant accounting policies (continued)

Financial instruments (continued)

ii) Financial assets

Financial assets are classified into the following specified categories: 'amortised cost', 'fair value through OCI with recycling', 'fair value through OCI without recycling', 'fair value through profit or loss'. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset and is determined at the time of initial recognition.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

iii) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

2. Significant accounting policies (continued)

Financial instruments (continued)

iv) Fair value through OCI – with recycling

These instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in the consolidated statement of profit or loss. The amounts that are recognised in the consolidated statement of profit or loss are the same as the amounts that would have been recognised in the consolidated statement of profit or loss if these instruments had been measured at amortised cost. All other changes in the carrying amount of these instruments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

v) Fair value through OCI – without recycling

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative (except for a derivative that is a designated and effective hedging instrument)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the consolidated statement of profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

vi) Fair value through profit and loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see 2 (iii to iv)) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement of profit or loss includes any dividend or interest earned on the financial asset Fair value is determined in the manner described in note 2 (i).

2. Significant accounting policies (continued)

Financial instruments (continued)

vii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

viii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

a) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. Significant accounting policies (continued)

Financial instruments (continued)

b) Definition of default

The Group considers the default in case of trade receivables, the Group considers that default occurs when a customer balance moves into the "Ceased" category based on its debt age analysis for internal credit risk management purposes.

For all other financial assets, the Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

c) Credit – impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

d) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and

2. Significant accounting policies (continued)

Financial instruments (continued)

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

x) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' ("FVTPL") or other financial liabilities.

xi) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as such. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of profit or loss.

xii) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

xiii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

xiv) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

2. Significant accounting policies (continued)

Financial instruments (continued)

xiv) Hedge accounting

The Group may designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign exchange risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges where appropriate criteria are met.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements.

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

xv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

2. Significant accounting policies (continued)

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interest holders as transactions with parties external to the Group. Disposals to non-controlling interest holders result in gains and losses for the Group and are recorded in the consolidated statement of profit or loss. Purchases from non-controlling interest holders result in goodwill, being the difference between any considerations paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Dividends

Dividend distributions to the Group's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Disposal of Assets/ Assets Held for Sale

- Assets may be disposed of individually or as part of a disposal group. Once the decision is made to dispose of an asset, it is classified as "Held for Sale" and shall no longer be depreciated. Assets that are classified as "Held for Sale" must be disclosed in the financial statements.
- An asset is considered to be Held for Sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. The criteria for classifying an asset as Held for Sale are as follows:
    - It must be available for immediate sale in its present condition,
    - Its sale must be highly probable, and
    - It must be sold, not abandoned.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Critical accounting judgements

i) Fair value of other intangible assets

On the acquisition of mobile network operators, the identifiable intangible assets may include licenses, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset.

ii) Classification of interests in other entities

The appropriate classification of certain interests in other entities requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these interests. This may involve consideration of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of defacto control. Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results. Specific judgements regarding the classification of the Group's interests in Maroc Telecom and Pakistan Telecommunications Company Limited are disclosed in Note 12.

iii) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No.320/15/23 of 2012 and guidelines issued by the UAE Ministry of Finance ("the MoF") dated 21 January 2013 and subsequent clarification letters dated 24 April 2013, 30 October 2013 and 29 January 2014 required a number of calculations. In performing these calculations, management had made certain critical judgments, interpretations and assumptions. These mainly related to the segregation of items between regulated and other activities and items which the Company judged as not subject to Federal royalty or which may be set off against profits which are subject to Federal royalty.

In 2016, the Company finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2015 and 2016 was paid, however the finalisation of royalty for 2016 is still in progress with MOF. The mechanism for computation of federal royalty for the year ended 31 December 2017 was in accordance with the Guidelines.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

i) Impairment of goodwill and investment in associates

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation for goodwill and associates requires the Group to calculate the net present value of the future cash flows for which certain assumptions are required, including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

The key assumptions used and sensitivities are detailed on Note 9 of the consolidated financial statements. A change in the key assumptions or forecasts might result in an impairment of goodwill and investment in associates.

ii) Impairment of intangibles

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- long term growth rates in cash flows;
- timing and quantum of future capital expenditure; and
- the selection of discount rates to reflect the risks involved.

iii) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the total assets of the Group. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing/decreasing an asset's expected life or its residual value would result in a reduced/increased depreciation charge in the consolidated statement of profit or loss.

iv) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

iv) Measurement of the expected credit loss allowance (continued)

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 2.

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:

- Pakistan
- Egypt
- Morocco
- International - others

Revenue is attributed to an operating segment based on the location of the Company reporting the revenue. Inter-segment sales are charged at arms' length 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 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 Group's Board of Directors ("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 CGUs as further disclosed in Note 9. 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)

		International					
	UAE	Morocco	Egypt	Pakistan	Others	Eliminations	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2017							
Revenue							
External sales	31,821,040	7,494,358	2,433,925	4,067,547	5,849,561	-	51,666,431
Inter-segment sales	305,653	42,050	51,577	16,952	120,205	(536,437)	-
Total revenue	32,126,693	7,536,408	2,485,502	4,084,499	5,969,766	(536,437)	51,666,431
Segment result	**13,650,617**	**2,184,010**	**567,882**	**(55,674)**	**1,105,632**	**-**	**17,452,467**
Federal royalty							**(6,038,912)**
Finance and other income							1,174,466
Finance and other costs							(1,380,569)
Profit before tax							**11,207,452**
Total assets	63,542,002	33,506,130	8,455,730	18,752,818	18,758,540	(14,731,115)	128,284,105
Non-current assets *	26,075,752	30,387,181	6,434,997	15,790,439	14,666,698	(12,813,420)	80,541,647
Depreciation and amortisation	2,158,558	1,893,201	451,278	1,308,886	1,340,165	-	7,152,088
Impairment and other losses	474,412	-	494	84,171	206,128	-	765,205
31 December 2016							
Revenue							
External sales	31,076,789	7,652,270	3,992,859	4,060,663	5,577,456	-	52,360,037
Inter-segment sales	343,992	71,902	40,522	51,173	187,729	(695,318)	-
Total revenue	**31,420,781**	**7,724,172**	**4,033,381**	**4,111,836**	**5,765,185**	**(695,318)**	**52,360,037**
Segment result	**13,850,636**	**1,963,963**	**223,805**	**85,350**	**902,898**	**-**	**17,026,652**
Federal royalty							(5,010,127)
Finance and other income							1,020,105
Finance and other costs							(1,912,144)
Profit before tax							**11,124,486**
Total assets	60,029,343	31,226,594	6,814,677	20,100,018	18,286,911	(13,936,879)	122,520,664
Non-current assets *	24,679,138	28,160,103	5,781,992	16,955,576	13,633,360	(12,474,691)	76,735,478
Depreciation and amortisation	2,130,795	2,156,917	750,264	1,244,699	1,260,586	-	7,543,261
Impairment and other losses	1,025,948	-	258	45,352	5,573	-	1,077,131

* Non-current assets exclude derivative financial assets and deferred tax assets.

Breakdown of external revenue

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

		International				
	UAE	Morocco	Egypt	Pakistan	Others	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2017						
Revenue from rendering of services	29,393,264	7,421,061	2,352,233	3,955,794	5,828,764	48,951,116
Revenue from sale of telecom and other equipment	1,759,120	73,297	80,845	15,983	-	1,929,245
Other revenues	668,656	-	847	95,770	20,797	786,070
	31,821,040	**7,494,358**	**2,433,925**	**4,067,547**	**5,849,561**	**51,666,431**
31 December 2016						
Revenue from rendering of services	28,971,495	7,536,542	3,874,555	4,003,032	5,533,708	49,919,332
Revenue from sale of telecom and other equipment	1,284,167	115,728	116,343	16,237	20,307	1,552,782
Other revenues	821,127	-	1,961	41,395	23,440	887,923
	31,076,789	**7,652,270**	**3,992,859**	**4,060,664**	**5,577,455**	**52,360,037**

UAE Segment revenue breakup:	2017	2016
	AED'000	AED'000
UAE Revenue - TRA regulated	25,013,354	25,781,146
UAE Revenue - Non-regulated	7,113,339	5,639,635
	32,126,693	**31,420,781**

Impairment details	2017	2016
	AED'000	AED'000
of which relating to goodwill	206,122	-
of which relating to intangible assets and property, plant and equipment	374,884	147,943
of which other losses	499	-
of which relating to available-for-sale financial assets (quoted equity instruments) (Note 30)	-	194,759
of which relating to loans to related party	183,700	734,429
	765,205	**1,077,131**

5. Operating expenses and federal royalty

a) Operating expenses (before federal royalty)		2017 AED'000	2016 AED'000
Direct cost of sales		12,337,235	11,629,331
Staff costs		5,073,668	5,171,889
Depreciation		5,535,427	5,773,460
Network and other related costs		2,412,867	2,580,747
Amortisation		1,616,661	1,769,801
Marketing expenses		961,060	943,144
Regulatory expenses		1,232,750	1,604,105
Operating lease rentals		356,146	442,334
Foreign exchange losses		99,191	694,196
Hedge ineffectiveness on net investment hedges		301,021	(159,652)
Loss on allowances	(i)	1,122,131	939,515
Other operating expenses		2,193,322	2,766,034
Operating expenses (before federal royalty)		**33,241,479**	**34,154,904**

i) Loss on allowances	2017 AED'000	2016 AED'000
Allowances on trade receivables	1,035,386	932,633
Allowances on due from other telecommunication operators/carriers	53,177	6,882
Allowances on finance lease receivables	33,568	-
Total loss on allowances	**1,122,131**	**939,515**

Operating expenses include an amount of AED 51.83 million (2016: AED 37.86 million), relating to social contributions made during the year.

Regulatory expenses:

Regulatory expenses include ICT contributions required to be paid by the Company to the UAE Telecommunication Regulatory Authority (TRA) at 1% of its revenues annually.

During the year, the Company received a letter from UAE Ministry of Finance clarifying that the ICT contribution shall be paid and calculated as 1% of the gross regulated revenues arising from UAE only and does not include any revenues generated outside the UAE and non regulated revenues in the UAE.

In prior years, in the computation of the regulatory expenses, the Company had made certain critical judgments and assumptions relating mainly to the interpretation of revenues, which the Company contended to include UAE regulated revenues only and not revenues in other UAE entities as well as overseas subsidiaries.

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 increased the federal royalty payable 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 was received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ending 31 December 2014, 2015 and 2016 ("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. The Company also finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2016 was paid, however the finalisation of royalty fees for 2016 is still in progress with MOF.

On 20 February 2017, the UAE Ministry of Finance announced the federal royalty scheme to be applied on the Group for the period 2017 to 2021 ("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 year ended 31 December 2017 was in accordance with the new royalty scheme.

The federal royalty has been treated as an operating expense in the consolidated 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. Finance and other income

	2017 AED'000	2016 AED'000
Interest on bank deposits and held-to-maturity investments	-	627,517
Interest on bank deposits and amortised cost investments	674,184	-
Gain on forward foreign exchange contracts	8,157	-
Net gain on financial assets designated as FVTPL	146,971	-
Other income	345,154	392,588
	1,174,466	**1,020,105**

7. Finance and other costs

	2017 AED'000	2016 AED'000
Interest on bank overdrafts, loans and other financial liabilities	566,244	382,088
Interest on other borrowings	398,683	524,529
Foreign exchange losses on borrowings	21,715	450,518
Other costs	300,131	525,676
Unwinding of discount	93,796	29,333
	1,380,569	**1,912,144**
Total borrowing costs	1,505,891	1,949,850
Less: amounts included in the cost of qualifying assets (Note 9, 11)	(125,322)	(37,706)
	1,380,569	**1,912,144**

All interest charges are generated on the Group's financial liabilities measured at amortised cost. Borrowing costs included in the cost of qualifying assets during the year arose on specific and non - specific borrowing pools. Borrowing costs attributable to non - specific borrowing pools are calculated by applying a capitalisation rate of 3.95% to 17.3% (2016: 3.44% to 16.20%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.

8. Taxation

	2017 AED'000	2016 AED'000
Current tax expense	1,548,490	1,683,002
Deferred tax credit	(307,502)	(477,489)
	1,240,988	**1,205,513**

a) Total tax

Corporate income tax is not levied in the UAE for telecommunication companies and accordingly the weighted average tax rate for the Group is 30.5% (2016: 31%). The table below reconciles the difference between the expected tax expense, and the Group's tax charge for the year.

b) The income tax expenses for the year can be reconcilied to the accounting profits as follows:

	2017 AED'000	2016 AED'000
Tax based on the weighted average tax rate of 30.5% (2016: 31%)	1,293,228	1,259,887
Tax effect of share of results of associates	(10,845)	(6,531)
Tax effect of expenses that are not deductible in determining taxable profit	208,268	488,752
Tax effect of utilization of tax losses not previously recognized	(14,111)	(15)
Effect on deferred tax balances	(14,436)	(246,252)
Effect on deferred tax balances due to purchase price allocation	(219,488)	(283,496)
Effect of Income that is exempt from taxation	(1,627)	(6,831)
Income tax expenses recognised in profit or losses	1,240,988	1,205,513

c) Current income tax assets and liabilities

The current income tax assets represent refunds receivable from tax authorities and current income tax liabilities represent income tax payable.

d) Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to the same income tax authority. The amounts recognised in the consolidated statement of financial position after such offset are as follows:

	2017 AED'000	2016 AED'000
Deferred tax assets	94,135	128,210
Deferred tax liabilities	(3,205,407)	(3,255,952)
	(3,111,272)	**(3,127,742)**

The following represent the major deferred tax liabilities and deferred tax assets recognised by the Group and movements thereon without taking into consideration the offsetting of balances within the same tax jurisdiction.

8. Taxation (Continued)

Deferred tax liabilities	Accelerated tax depreciation	Deferred tax on overseas earnings	Others	Total
	AED'000	AED'000	AED'000	AED'000
At 1 January 2016	4,265,303	106,070	57,892	4,429,265
Credit to the consolidated statement of profit or loss	(292,039)	(8,812)	(7,065)	(307,916)
Charge to other comprehensive income	-	-	409	409
Reclassified from deferred tax liability to deferred tax asset	1,328	-	-	1,328
Reclassified as held for sale (Note 36)	(67,201)	-	-	(67,201)
Exchange differences	(203,850)	-	(2,272)	(206,122)
At 31 December 2016	**3,703,541**	**97,258**	**48,964**	**3,849,763**
Credit to the consolidated statement of profit or loss	(349,766)	(8,564)	(6,767)	(365,097)
Credit to other comprehensive income	-	-	(303)	(303)
Reclassified from deferred tax liability to deferred tax asset	(198)	-	-	(198)
Other movements	-	-	(9,597)	(9,597)
Reclassified as held for sale (Note 36)	13,594	-	-	13,594
Exchange differences	104,831	(700)	27,462	131,593
At 31 December 2017	**3,472,002**	**87,994**	**59,759**	**3,619,755**

Deferred tax assets	Retirement benefit obligations	Tax losses	Others	Total
	AED'000	AED'000	AED'000	AED'000
At 1 January 2016	98,476	307,951	315,993	722,420
Credit/(charge) to the consolidated statement of profit or loss	(2,781)	60,906	111,447	169,572
Charge to other comprehensive income	(2,760)	-	2,298	(462)
Reclassified from deferred tax liability to deferred tax asset	-	-	1,328	1,328
Reclassified as held for sale (Note 36)	(737)	(63,116)	(4,640)	(68,493)
Exchange differences	(8)	2,777	(105,113)	(102,344)
At 31 December 2016	**92,190**	**308,518**	**321,313**	**722,021**
Credit/(charge) to the consolidated statement of profit or loss	282	(18,136)	(42,434)	(60,288)
Credit to other comprehensive income	-	-	859	859
Reclassified from deferred tax liability to deferred tax asset	-	-	198	198
Tax effect of prior period remeasurment losses reclassified to income tax recoverable	(87,537)	-	-	(87,537)
Deferred tax asset reclassified to income tax recoverable	-	(130,932)	53,178	(77,754)
Other movements	-	-	(10,266)	(10,266)
Reclassified as held for sale (Note 36)	(22)	19,462	(3,120)	16,320
Exchange differences	(636)	9,802	(4,237)	4,929
At 31 December 2017	**4,277**	**188,714**	**315,492**	**508,483**

Unused tax losses	2017 AED million	2016 AED million
Total unused tax losses	953	1,443
of which deferred tax assets recognised for	873	1,349
of which no deferred tax asset recognised, due to unpredictability of future taxable profit streams	80	94
of the unrecognized tax losses, losses that will expire in the next three years	-	-

9. Goodwill, other intangible assets

	Goodwill	Other intangible assets			
		Licenses	Trade names	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2016	16,727,362	18,701,000	2,033,606	4,022,691	24,757,297
Additions	-	340,985	-	425,294	766,279
Advance against licenses*	-	-	-	2,053,942	2,053,942
Reclassified as held for sale (Note 36)	(206,122)	(71,251)	-	(4,861)	(76,112)
Disposals	-	-	-	(4,121)	(4,121)
Exchange differences	(273,488)	(5,383,748)	(48,268)	(299,846)	(5,731,862)
At 31 December 2016	**16,247,752**	**13,586,986**	**1,985,338**	**6,193,099**	**21,765,423**
Amortisation and impairment					
At 1 January 2016	2,149,850	5,709,827	154,554	1,699,845	7,564,226
Charge for the year	-	780,321	89,219	907,807	1,777,347
Impairment losses	-	5,831	-	-	5,831
Elimination on items reclassified as held for sale (Note 36)	-	(44,942)	-	(4,754)	(49,696)
Disposals	-	-	-	(3,952)	(3,952)
Exchange differences	-	(2,059,461)	(3,908)	(175,012)	(2,238,381)
At 31 December 2016	**2,149,850**	**4,391,576**	**239,865**	**2,423,934**	**7,055,375**
Carrying amount					
At 31 December 2016	**14,097,902**	**9,195,410**	**1,745,473**	**3,769,165**	**14,710,048**
Cost					
At 1 January 2017	16,247,752	13,586,986	1,985,338	6,193,099	21,765,423
Additions	-	108,926	-	566,074	675,000
Transfer	-	1,463,119	-	(825,109)	638,010
Other non cash movements	-	-	-	(1,210)	(1,210)
Reclassified as held for sale (Note 36)	-	(3,265)	-	100	(3,165)
Disposals	-	-	-	(9,483)	(9,483)
Exchange differences	705,422	1,579,324	140,298	(41,241)	1,678,381
At 31 December 2017	**16,953,174**	**16,735,090**	**2,125,636**	**5,882,230**	**24,742,956**
Amortisation and impairment					
At 1 January 2017	2,149,850	4,391,576	239,865	2,423,934	7,055,375
Charge for the year	-	683,345	87,333	862,110	1,632,788
Transfer		-		(82,247)	(82,247)
Other non cash movements	-	-	-	(3,997)	(3,997)
Elimination on items reclassified as held for sale (Note 36)	-	(15,123)	-	53	(15,070)
Disposals	-	-	-	(6,470)	(6,470)
Exchange differences	-	267,396	19,616	438,111	725,123
At 31 December 2017	**2,149,850**	**5,327,194**	**346,815**	**3,631,493**	**9,305,502**
Carrying amount					
At 31 December 2017	**14,803,324**	**11,407,896**	**1,778,821**	**2,250,737**	**15,437,454**

Others - net book values	2017	2016
	AED'000	AED'000
IRU	386,962	414,596
Computer software	1,227,368	611,277
Customer relationships	-	139,800
Others *	636,407	2,603,492
	2,250,737	**3,769,165**

An amount of AED 118.7 million (2016: AED 31.8) is included in intangible assets on account of capitalisation of borrowing costs for the year.

*In the prior year, included in others was an amount of AED 2,054 million related to advances paid by Etisalat Misr for acquisition of 4G license, for which the spectrum/frequency was not yet received. During the year AED 1,463 million was capitalised. Virtual fixed line license in Etisalat Misr is still in capital work in progress as at 31 December 2017.

10. Impairment and other losses

a) Impairment and other losses

The impairment losses recognised in the consolidated statement of profit or loss in respect of the carrying amounts of investments, goodwill, licenses and property, plant and equipment and other financial assets are as follows:

		2017 AED'000	2016 AED'000
Pakistan Telecommunication Company Limited (PTCL)		**84,171**	**45,352**
of which relating to property, plant and equipment (Note 11)		84,171	45,352
Etisalat UAE		**172,199**	**96,760**
of which relating to property, plant and equipment (Note 11)		172,199	96,760
Etisalat Sri Lanka		**206,122**	**-**
of which relating to goodwill		206,122	-
Others		**302,713**	**935,019**
of which relating to loans to related party		183,700	734,429
of which relating to available-for-sale financial assets (quoted equity instruments) (Note 30)		-	194,759
of which relating to intangible assets		-	5,831
of which relating to property, plant and equipment (Note 11)		118,514	-
of which other losses		499	-
Total impairment and other losses for the year		**765,205**	**1,077,131**
Loss on allowances	5	1,122,131	939,515

Impairment losses were primarily driven by increased discount rates as a result of increase in inflation in the operating countries and challenging economic and political conditions, negative currency fluctuation as well as operational reasons. In the prior year impairment losses of the Group's investment in available-for-sale financial assets was triggered by a significant and prolonged decline in the fair value of the quoted investments.

b) Cash generating units

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The carrying amount of goodwill (all relating to operations within the Group's International reportable segment) is allocated to the following CGUs:

Cash generating units (CGU) to which goodwill is allocated :	2017 AED'000	2016 AED'000
Maroc Telecom	9,101,389	8,179,359
Maroc Telecom International Subsidiaries	1,782,534	1,782,528
Pakistan Telecommunication Company Limited (PTCL)	3,908,846	4,126,218
Etisalat Misr (Etisalat) S.A.E.	10,555	9,797
	14,803,324	**14,097,902**

Goodwill has been allocated to the respective segment based on the separately identifiable CGUs.

c) Key assumptions for the value in use calculations :

The key assumptions for the value in use calculations are those regarding the long term forecast cash flows, working capital estimates, discount rates and capital expenditure.

Long term cash flows and working capital estimates

The Group prepares cash flow forecasts and working capital estimates derived from the most recent annual business plan approved by the Board of Directors for the next five years. The business plans take into account local market considerations such as the revenues and costs associated with future customer growth, the impact of local market competition and consideration of the local macro-economic and political trading environment. This rate does not exceed the average long-term growth rate for the relevant markets and it ranges between 2.7% to 4.2% (2016: 1.8% to 5.5%).

Discount rates

The discount rates applied to the cash flows of each of the Group's operations are based on an internal study conducted by the management. The study utilized market data and information from comparable listed mobile telecommunications companies and where available and appropriate, across a specific territory. The pre-tax discount rates use a forward looking equity market risk premium and ranges between 9.6% to 21.7% (2016: 6.4% to 18%).

Capital expenditure

The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to continue rolling out networks in emerging markets, providing voice and data products and services, and meeting the population coverage requirements of certain licenses of the Group. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.

11. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computer, furniture AED'000	Assets under construction AED'000	Total AED'000
Cost					
At 1 January 2016	10,473,209	63,521,982	5,549,418	4,833,980	84,378,589
Additions	88,533	2,366,058	259,087	5,127,129	7,840,807
Transfer to inventory	-	-	-	(128,371)	(128,371)
Transfer from investment property	-	-	-	12,154	12,154
Transfers	290,925	4,131,362	752,627	(5,174,914)	-
Disposals	(152,746)	(1,820,796)	(80,747)	(5,910)	(2,060,199)
Reclassified as held for sale (Note 36)	(844)	(1,238,165)	(56,255)	(87,276)	(1,382,540)
Exchange differences	(265,458)	(4,862,619)	(902,578)	(1,041,537)	(7,072,192)
At 31 December 2016	**10,433,619**	**62,097,822**	**5,521,552**	**3,535,255**	**81,588,248**
Depreciation and impairment					
At 1 January 2016	2,617,665	31,709,972	3,721,204	59,767	38,108,608
Charge for the year	204,280	4,965,675	714,770	-	5,884,725
Impairment losses	-	142,111	-	-	142,111
Disposals	(114,227)	(1,395,659)	(77,334)	-	(1,587,220)
Elimination on items reclassified as held for sale (Note 36)	(183)	(780,981)	(41,738)	-	(822,902)
Exchange differences	(70,637)	(1,796,080)	(720,484)	-	(2,587,201)
At 31 December 2016	**2,636,898**	**32,845,038**	**3,596,418**	**59,767**	**39,138,121**
Carrying amount					
At 31 December 2016	**7,796,721**	**29,252,784**	**1,925,134**	**3,475,488**	**42,450,127**
Cost					
At 1 January 2017	10,433,619	62,097,822	5,521,552	3,535,255	81,588,248
Additions	126,312	2,590,127	150,786	4,497,920	7,365,145
Transfer to investment property	(871)	(118)	(16,159)	-	(17,148)
Transfers	(123,033)	5,503,441	(438,107)	(5,580,311)	(638,010)
Disposals	(1,770)	(1,834,877)	(128,277)	(4,396)	(1,969,320)
Reclassified as held for sale (Note 36)	17	(2,835)	(647)	66,374	62,909
Exchange differences	208,787	2,337,109	263,684	5,671	2,815,251
At 31 December 2017	**10,643,061**	**70,690,669**	**5,352,832**	**2,520,513**	**89,207,075**
Depreciation and impairment					
At 1 January 2017	2,636,898	32,845,038	3,596,418	59,767	39,138,121
Charge for the year	234,712	4,941,838	470,394	-	5,646,944
Impairment losses	-	259,706	-	122,569	382,275
Disposals	(2,096)	(1,560,814)	(99,027)	-	(1,661,937)
Transfers	5,717	558,557	(482,025)	-	82,248
Elimination on items reclassified as held for sale (Note 36)	-	(90,604)	(2,416)	-	(93,020)
Exchange differences	173,912	1,476,681	255,530	(14)	1,906,109
At 31 December 2017	**3,049,143**	**38,430,402**	**3,738,874**	**182,322**	**45,400,740**
Carrying amount					
At 31 December 2017	**7,593,918**	**32,260,267**	**1,613,958**	**2,338,191**	**43,806,335**

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2016: AED 1) in relation to land granted to the Group by the Federal Government of the UAE. There are no contingencies attached to this grant and as such no additional amounts have been included in the consolidated statement of profit or loss or the consolidated statement of financial position in relation to this.

An amount of AED 6.6 million (2016: AED 5.9 million) is included in property, plant and equipment on account of capitalisation of borrowing costs for the year.

Borrowings are secured against property, plant and equipment with a net book value of AED 2,357 million (2016: AED 2,644 million).

Assets under construction include buildings, multiplex equipment, line plant, exchange and network equipment.

12. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at depreciated cost and included separately under non-current assets in the consolidated statement of financial position.

	2017 AED'000	2016 AED'000
Cost		
At 1 January	49,831	60,025
Additions	-	1,960
Transfer (to)/from property plant and equipment	17,148	(12,154)
At 31 December	**66,979**	**49,831**
Depreciation		
At 1 January	22,601	20,668
Charge for the year	4,253	1,933
At 31 December	**26,854**	**22,601**
Carrying amount at 31 December	**40,125**	**27,230**
Fair value at 31 December	**53,061**	**50,266**

Investment property rental income and direct operating expenses	2017 AED'000	2016 AED'000
Property rental income	9,118	8,224
Direct operating expenses	809	1,022

The fair value of the Group's investment property has been determined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

13. Subsidiaries

a) The Group's principal subsidiaries are as follows:

Name	Country of incorporation	Principal activity	Percentage shareholding 2017	Percentage shareholding 2016
Emirates Telecommunications and Marine Services FZE	UAE	Telecommunications services	100%	100%
Emirates Cable TV and Multimedia LLC	UAE	Cable television services	100%	100%
Etisalat International Pakistan LLC	UAE	Holds investment in Pakistan Telecommunication Co. Ltd	90%	90%
E-Marine PJSC	UAE	Submarine cable activities	100%	100%
Etisalat Services Holding LLC	UAE	Infrastructure services	100%	100%
Etisalat Software Solutions (Private) Limited	India	Technology solutions	100%	100%
Etisalat International Nigeria Limited	UAE	Holds investment in EMTS B.V. (Netherlands)	100%	100%
Etisalat Afghanistan	Afghanistan	Telecommunications services	100%	100%
Etisalat Misr S.A.E.	Egypt	Telecommunications services	66%	66%
Atlantique Telecom S.A.	Togo	Telecommunications services	100%	100%
Etisalat Lanka (Pvt.) Limited	Sri Lanka	Telecommunications services	100%	100%
Pakistan Telecommunication Company Limited	Pakistan	Telecommunications services	23% *	23% *
Etisalat Investment North Africa LLC	UAE	Holds investment Société de Participation dans les Télécommunications (SPT)	91.3%	91.3%
Société de Participation dans les Télécommunications (SPT)	Kingdom of Morocco	Holds investment in Maroc Telecom	91.3%	91.3%
Etisalat Al Maghrib S.A (Maroc Telecom)	Kingdom of Morocco	Telecommunications services	48% *	48% *
Etisalat Mauritius Private Limited	Mauritius	Holds investment in Etisalat DB Telecom Private Limited	100%	100%

13. Subsidiaries (continued)

During the year, the Group subscribed to the capital increase of Etisalat Misr and paid its share of contribution amounting to EGP 2.97 billion (AED 616 million). The movement in the non controlling interests relates to the share of contribution in the capital increase by the non controlling interests' shareholders. The final allotment and issuance of shares is still in process.

* The Group has voting rights of 53% in both Maroc Telecom and Pakistan Telecommunication Company Limited, including the appointment of a majority of the Board of Directors and key management personnel.

Previous years' changes in shareholdings

The Group completed the sale of its 92.3% shareholding in Canar to Bank of Khartoum on 7 August 2016 after securing all regulatory approvals from the Sudanese National Telecommunications Corporation and the Sudanese competition authorities.

During the previous year, Atlantique Telecom S.A. acquired the remaining 10% shareholding in Atlantique Telecom Gabon. Subsequently, Atlantique Telecom S.A. sold the 10% shareholding to Maroc Telecom. Consequently, a merger between Maroc Telecom's subsidiaries, Atlantique Telecom Gabon and Gabon Telecom, was also finalised. The disposal of the 10% shareholding of Atlantique Telecom Gabon to Maroc Telecom and the merger of the two subsidiaries have been accounted for by the Group as transactions under common control.

a) Disclosures relating to subsidiaries

Information relating to subsidiaries that have non-controlling interests that are material to the Group are provided below:

	Maroc Telecom consolidated	PTCL consolidated	Etisalat Misr consolidated
AED'000		**2017**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit	1,211,073	47,624	69,489
Total comprehensive (loss)/profit	672,506	(346,811)	76,229
Dividends	(1,342,586)	(132,090)	-
Non-controlling interests as at 31 December	7,113,545	5,188,912	1,365,336
Summarised information relating to subsidiaries:			
Current assets	5,422,168	2,962,379	2,018,425
Non-current assets	34,802,538	15,790,439	6,437,306
Current liabilities	14,758,876	5,687,714	2,218,676
Non-current liabilities	3,475,923	4,780,555	2,122,657
AED'000		**2016**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit/(loss)	1,099,664	(13,408)	(22,551)
Total comprehensive (loss)/profit	(197,216)	7,396	(1,565,021)
Dividends	(1,480,334)	(264,935)	(54,052)
Non-controlling interests as at 31 December	6,662,429	5,620,189	935,446
Summarised information relating to subsidiaries:			
Current assets	5,437,055	3,144,443	994,486
Non-current assets	31,774,638	16,955,576	5,820,191
Current liabilities	13,072,614	6,048,884	2,060,273
Non-current liabilities	3,576,966	5,159,971	1,997,694

13. Subsidiaries (continued)

b) Movement in non-controlling interests

The movement in non-controlling interests is provided below:

	2017 AED'000	2016 AED'000
As at 1 January	**13,213,373**	**15,886,048**
Total comprehensive income:		
Profit for the year	1,327,880	1,065,877
Remeasurement of defined benefit obligations - net of tax	(36,534)	(1,325)
Exchange differences on translation of foreign operations	436,620	(1,759,489)
Loss on revaluation of available-for-sale financial assets	(28)	(1)
Fair value gain arising during the year	843	-
Other movement in equity	(13,786)	(4,853)
Transaction with owners:		
Disposal of a subsidiary	-	(27,477)
Capital contribution by non controlling interest	284,171	-
Movements in non-controlling interests	-	(66,844)
Repayment of advances to non-controlling interests	(76,091)	(78,843)
Dividends	(1,474,676)	(1,799,720)
As at 31 December	**13,661,772**	**13,213,373**

14. Share of results of associates and joint ventures

	2017 AED'000	2016 AED'000
Associates (Note 15 b)	(220,938)	(109,017)
Joint ventures (Note 15 f)	13,658	7,667
Total	**(207,280)**	**(101,350)**

In February 2017, the Group undertook a corporate restructuring of its investment in Emerging Markets Telecommunication Services Limited ("EMTS) and signed a new Shareholders Agreement with the other two shareholders in EMTS Holding BV established in the Netherlands ("EMTS BV"). The result of the restructuring is that the Group's voting rights in EMTS (through its shareholding in EMTS BV) decreased to 25% through issuance of a new class of preferential shares in EMTS BV while increasing its stake in the ordinary shares with non voting rights to 45% through a debt to equity swap, thereby partially converting its shareholder loans into equity. In addition, the shareholders of EMTS BV also agreed to waive all the remaining outstanding shareholders loans given to EMTS up to the date of the corporate restructuring being 8 February 2017.

Further, during the year, EMTS defaulted on a facility agreement with a syndicate of Nigerian banks ("EMTS Lenders"), and discussions between EMTS and the EMTS Lenders did not produce an agreement on a debt-restructuring plan. Accordingly, EMTS received a Default and Security Enforcement Notice on 9 June 2017 requiring EMTS BV to transfer 100% of its shares in EMTS to United Capital Trustees Limited (the "Security Trustee" of the EMTS Lenders) by 23 June 2017. The transfer of all of EMTS shares held by EMTS BV to the Security Trustee has been made by EMTS BV, and the two Etisalat Group nominees resigned from the Board of Directors of EMTS on 22 June 2017. The legal formalities required under Nigerian law to give effect to the transfer of the shares are as of the date of this report not completed.

The existing management and technical support related agreements between Etisalat Group and EMTS have been terminated effective from 30 June 2017. The agreements governing the use of Etisalat's brand and related IP rights have also terminated effective from 21 July 2017.
Accordingly, since EMTS BV no longer controls EMTS, and the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the consolidated financial statements.

The share of results of Mobily recognised for the year include a credit adjustment of AED 23 million to comply with the Group's accounting policies.

15. Investment in associates and joint ventures

a) Associates

Name	Country of incorporation	Principal activity	Percentage shareholding 2017	Percentage shareholding 2016
Etihad Etisalat Company ("Mobily")	Saudi Arabia	Telecommunications services	28%	27%
Thuraya Telecommunications Company PJSC ("Thuraya")	UAE	Satellite communication services	28%	28%
Emerging Markets Telecommunications Services Limited ("EMTS Nigeria")	Nigeria	Telecommunications services	0%	40%

b) Movement in investments in associates

	Mobily 2017 AED'000	Mobily 2016 AED'000	All Associates 2017 AED'000	All Associates 2016 AED'000
Carrying amount at 1 January	4,243,254	4,306,333	4,343,465	4,450,754
Share of results (Note 14)	(170,726)	(64,807)	(220,938)	(109,017)
Additions during the year	83,963	-	106,710	-
Other movements	(4,520)	1,728	(4,520)	1,728
Carrying amount at 31 December	**4,151,971**	**4,243,254**	**4,224,717**	**4,343,465**

c) Reconciliation of the above summarised financial information to the net assets of the associates

	Mobily 2017 AED'000	Mobily 2016 AED'000	All Associates 2017 AED'000	All Associates 2016 AED'000
Net assets	13,958,784	14,643,890	14,984,681	(1,275,650)
Our share in net assets of associates	3,907,482	4,021,066	4,179,878	4,320,889
Others *	244,489	222,188	244,839	222,576
Impairment	-	-	(200,000)	(200,000)
	4,151,971	**4,243,254**	**4,224,717**	**4,343,465**

* "Others" include an amount of AED 150 million (2016: AED 150 million) relating to premium paid on rights issue in prior years.

15. Investment in associates and joint ventures (continued)

d) Aggregated amounts relating to associates

	Mobily 2017 AED'000	Mobily 2016 AED'000	All Associates 2017 AED'000	All Associates 2016 AED'000
Current assets	8,169,324	7,618,529	8,394,455	8,394,455
Non-current assets	31,461,148	32,790,390	32,483,354	36,503,078
Current liabilities	(11,669,978)	(17,518,855)	(11,861,317)	(20,201,983)
Non-current liabilities	(14,001,710)	(8,246,174)	(14,031,811)	(25,971,200)
Net assets	**13,958,784**	**14,643,890**	**14,984,681**	**(1,275,650)**
Revenue	11,116,897	12,307,325	11,485,050	11,485,050
Loss	(694,301)	(209,182)	(791,086)	(8,112,802)
Total comprehensive loss	(694,301)	(209,182)	(791,086)	(8,112,802)

The share of results and carrying amounts of assets and liabilities of Mobily have been adjusted to comply with the Group accounting policies.

e) Market value of an associate

The shares of one of the Group's associates are quoted on public stock markets and it is classified as "Level-1" fair value. The market value of the Group's shareholding based on the quoted prices is as follows:

	2017 AED'000	2016 AED'000
Etihad Etisalat Company ("Mobily")	3,130,408	4,966,376

f) Joint ventures

Name		Country of incorporation	Principal activity	Percentage shareholding 2017	Percentage shareholding 2016
Ubiquitous Telecommunications Technology LLC	UAE	UAE	Installation and management of network systems	50%	50%
Smart Technology Services DWC – LLC	UAE	UAE	ICT Services	50%	50%

f) Movement in investment in joint ventures

	2017 AED'000	2016 AED'000
Carrying amount at 1 January	**70,887**	**78,220**
Share of results	13,658	7,667
Reclassified during the year	2,471	-
Dividends	(5,000)	(15,000)
Carrying amount at 31 December	**82,016**	**70,887**

g) Aggregated amounts relating to joint ventures

	2017 AED'000	2016 AED'000
Current assets	372,336	206,963
Non-current assets	12,297	15,099
Current liabilities	(210,683)	(79,830)
Non-current liabilities	(9,475)	-
Net assets	**164,475**	**142,232**
Revenue	416,735	193,940
Profit or loss	27,356	15,796

The Group has not identified any contingent liabilities or capital commitments in relation to its interest in joint ventures.

16. Other investments

	Fair value through profit and loss AED'000	Available for sale investments AED'000	Held to maturity AED'000	Total AED'000
At 1 January 2016	33,025	576,008	203,305	812,338
Additions	16,774	98,753	949,956	1,065,483
Disposal	-	(30,500)	(363,845)	(394,345)
Investment revaluation	-	(154,361)	(454,721)	(609,082)
Unwinding of interest	-	-	13,942	13,942
Exchange differences	(1,616)	(7,513)	-	(9,129)
At 31 December 2016	**48,183**	**482,387**	**348,637**	**879,207**

	Fair value through profit and loss AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
At 1 January 2017	48,183	482,387	348,637	879,207
Transfer	280,643	(280,643)	-	-
Additions	790,574	57,506	219,693	1,067,773
Disposal	(12,701)	(59,161)	(329,682)	(401,544)
Investment revaluation	146,971	3,937	757	151,665
Unwinding of interest	-	-	(13,848)	(13,848)
Exchange differences	3,627	14,264	-	17,891
At 31 December 2017	**1,257,297**	**218,290**	**225,557**	**1,701,144**

The financial assets at amortised cost/held to maturity investment includes investments in Abu Dhabi Government bonds and other bonds. At 31 December 2017, the market value of the investment in these bonds was AED 222 million (2016: AED 147 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 normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,334 million (2016: AED 1,414 million), which are net of allowance for doubtful debts of AED 197 million (2016: AED 156 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	
	2017	2016	2017	2016
	AED '000	AED '000	AED '000	AED '000
Trading transactions				
Telecommunication services – sales	105,161	110,369	-	-
Telecommunication services – purchases	65,444	123,420	-	-
Management and other services	32,399	199,747	1,700	1,710
Net amount due from related parties as at 31 December	**146,059**	**401,332**	**41,183**	**39,311**

Sales to related parties comprise of the provision of telecommunication products and services (primarily voice traffic and leased circuits) by the Group based on normal commercial 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 loans due from a related party is subordinated to external borrowings.

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

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.

During the year, the Group signed a Technical Services and Support Agreement with Mobily. This agreement is for a period of five years.

During the year, the Group acquired additional shareholding of 0.53% in Mobily.

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.

c) Remuneration of key management personnel

The remuneration of the Board of Directors and other members of key management personnel of the Company, is set out below.

	2017	2016
	AED'000	AED'000
Long- term benefits	**1,412**	**1,329**
Short-term benefits	**57,463**	**57,969**

18. Inventories

	2017	2016
	AED'000	AED'000
Subscriber equipment	370,656	404,038
Maintenance and consumables	233,201	354,797
Obsolescence allowances	(62,567)	(50,010)
Net Inventories	**541,290**	**708,825**

Movement in obsolescence allowances	2017	2016
	AED'000	AED'000
At 1 January	50,010	36,451
Net increase in obsolescence allowances	11,827	24,700
Exchange differences	2,303	(10,259)
Reclassified as held for sale (Note 36)	(1,573)	(882)
At 31 December	**62,567**	**50,010**

Inventories recognised as an expense during the year in respect of continuing operations	**2,730,200**	**2,288,817**

19. Trade and other receivables

	2017 AED'000	2016 AED'000
Amount receivable for services rendered	10,272,890	9,934,519
Amounts due from other telecommunication operators/carriers	6,193,563	6,095,531
Total gross carrying amount	**16,466,453**	**16,030,050**
Lifetime expected credit loss/Allowances for doubtful debts	(2,594,631)	(2,118,831)
Net trade receivables	**13,871,822**	**13,911,219**
Prepayments	716,314	562,749
Accrued income	1,437,089	1,408,833
Advances to Suppliers	164,997	113,827
Other receivables	2,500,612	3,073,075
At 31 December	**18,690,834**	**19,069,703**
Total trade and other receivables	**18,690,834**	**19,069,703**
of which current trade and other receivables	18,453,793	18,913,091
of which non-current other receivables	237,041	156,612

The Group's normal credit terms ranges between 30 and 120 days (2016: 30 and 120 days).

The Group recognises lifetime expected credit loss (ECL) for trade receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Trade receivable - days past due as on 31 December 2017

	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Expected credit loss rate	0 to 50%	0 to 75%	0 to 100%	20 to 100%	
Estimated total gross carrying amount	8,074,080	898,350	3,702,410	3,791,613	16,466,453
Lifetime Expected credit loss	(622,593)	(160,404)	(714,988)	(1,096,646)	(2,594,631)
Net trade receivables	**7,451,487**	**737,946**	**2,987,422**	**2,694,967**	**13,871,822**

Trade receivable - days past due as on 31 December 2016

	Upto 60 days AED'000	61-90 days AED'000	90-365 days AED'000	Over one year AED'000	Total AED'000
Ageing of net trade receivables, including amounts due from other telecommunication operators/carriers :	7,102,686	662,172	2,431,059	3,715,302	**13,911,219**

Movement in lifetime Expected Credit Losses :

	2017 AED'000	2016 AED'000
At 1 January	2,118,831	1,954,665
Net increase in allowance for doubtful debts, net of write off	467,704	319,809
Exchange differences	18,555	(139,958)
Reclassified as held for sale (Note 36)	(10,459)	(15,685)
At 31 December	**2,594,631**	**2,118,831**

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered the Group holds AED 220 million (2016: AED 234 million) of collateral in the form of cash deposits from customers.

20. Finance lease receivables

	2017 AED'000	2016 AED'000
Current finance lease receivables	38,223	-
Non-current finance lease receivables	209,491	-

20.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Amounts receivable under finance lease				
Within one year	57,553	-	38,223	-
Between 2 and 5 years	250,157	-	209,491	-
	307,710	**-**	**247,714**	**-**
Less: future finance income	(59,996)	-		
Present value of lease payments receivables	**247,714**	**-**	**247,714**	**-**
Allowances for uncollectible lease payments	33,568	-	33,568	-

For finance lease receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.
Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date

Unguaranteed residual value of assets leased under finance lease at the end of reporting period are estimated at AED nil.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 6.5% per annum.

All present amounts receivable are guaranteed by an appointed guarantor who is obligated to pay unconditionally all due amounts upon failure to pay within 45 days of receiving notice.

21. Cash and cash equivalents

	2017 AED'000	2016 AED'000
Maintained locally	24,344,342	20,794,417
Maintained overseas, unrestricted in use	1,839,546	2,786,320
Maintained overseas, restricted in use	956,205	123,159
Cash and bank balances	**27,140,093**	**23,703,896**
Reclassified as held for sale (Note 36)	(14,935)	(27,726)
Cash and bank balances from continuing operations	**27,125,158**	**23,676,170**
Less: Deposits with maturities exceeding three months from the date of deposit	(23,276,525)	(20,680,990)
Cash and cash equivalents from continuing operations	**3,848,633**	**2,995,180**

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.

22. Trade and other payables

	2017 AED'000	2016 AED'000
Current		
Federal royalty	5,735,532	5,010,268
Trade payables	6,603,303	5,898,807
Amounts due to other telecommunication administrators	5,420,545	5,225,281
Deferred revenue	3,335,401	3,140,430
Advances from customers	601,495	623,182
Other payables and accruals	11,113,304	10,874,526
At 31 December	**32,809,580**	**30,772,494**
Non-current		
Other payables and accruals	1,477,540	1,558,549
At 31 December	**1,477,540**	**1,558,549**

Federal royalty for the year ended 31 December 2017 is to be paid as soon as the consolidated financial statements have been approved but not later than 4 months from the year ended 31 December 2017.

23. Borrowings

Details of the Group's bank and other borrowings are as follows:

	Fair Value		Carrying Value	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Bank borrowings				
Bank overdrafts	3,651,427	3,318,881	3,651,427	3,318,881
Bank loans	4,517,747	3,871,520	4,598,837	3,934,047
Other borrowings				
Bonds	16,576,816	15,059,387	15,528,641	14,217,614
Loans from non controlling interest	-	3,182	-	3,500
Vendor financing	399,098	345,595	481,420	345,595
Others	3,780	3,335	4,081	3,602
	25,148,868	**22,601,900**	**24,264,406**	**21,823,239**
Advances from non controlling interest			548,024	552,027
Total Borrowings			**24,812,430**	**22,375,266**
Reclassified as held for sale (Note 36)			(107,089)	(96,626)
Borrowings from continuing operations			**24,705,341**	**22,278,640**
of which due within 12 months			4,670,208	4,074,738
of which due after 12 months			20,035,133	18,203,902

Advances from non-controlling interest 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 from the 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. However, as the repayment dates are variable, a fair value cannot be reasonably determined.

External borrowings of AED 3,564 million (2016: AED 3,129 million) are secured by property, plant and equipment.

On 28 April 2014, the Group had entered into multi-currency facilities agreement for EUR 3.15 billion (AED 15.9 billion) with a syndicate of local and international banks for the purpose of financing the Maroc Telecom's acquisition. Financing consisted of two facilities: Tranche A was a twelve months bridge loan amounting to EUR 2.1 billion (AED 10.6 billion) at a price of Euribor plus 45 basis points for the first six months increased by 15 basis points in each of the following three months. Tranche B was a three years term loan amounting to EUR 1.05 billion (AED 5.3 billion) at a price of Euribor plus 87 basis points. Both these tranches have been settled in June 2014 following issuance of bonds as mentioned below.

On 22 May 2014, the Group had completed the listing of USD 7 billion (AED 25.7 billion) Global Medium Term Note (GMTN) programme which will be used to meet medium to long-term funding requirements on the Irish Stock Exchange ("ISE"). Under the programme, Etisalat can issue one or more series of conventional bonds in any currency and amount up to USD 7 billion. The listed programme was rated Aa3 by Moody's, AA- by Standard & Poor's and A+ by Fitch.

On 11 June 2014, the Group issued the inaugural bonds under the GMTN programme. The issued bonds were denominated in US Dollars and Euros and consisted of four tranches:

a. 5 years tranche: USD 500 million with coupon rate of 2.375% per annum

b. 7 years tranche: EUR 1,200 million with coupon rate of 1.750% per annum

c. 10 years tranche: USD 500 million with coupon rate of 3.500% per annum

d. 12 years tranche: EUR 1,200 million with coupon rate of 2.750% per annum

The effective date for the bonds term was 18 June 2014. Net proceeds from the issuance of the bonds were used for repayment of previously outstanding facilities of EUR 3.15 billion.

In May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 years tranches.

As at 31 December 2017, the total amounts in issue under this programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 10.53 billion) as follows:

	Nominal Value	Fair Value	Carrying Value
	2017	2017	2017
	AED'000	AED'000	AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,313,510	3,306,576
3.500% US dollar 500 million notes due 2024	1,837,000	1,885,019	1,820,230
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,263,680	5,529,970	5,222,511
2.750% Euro 1,200 million notes due 2026	5,263,680	5,848,317	5,179,324
At 31 December 2017	**15,670,960**	**16,576,816**	**15,528,641**
of which due within 12 months			-
of which due after 12 months			15,528,641

23. Borrowings (continued)

	Nominal Value	Fair Value	Carrying Value
	2016	2016	2016
	AED'000	AED'000	AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,298,730	3,306,571
3.500% US dollar 500 million notes due 2024	1,837,000	1,846,332	1,817,984
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	4,609,320	4,792,633	4,564,684
2.750% Euro 1,200 million notes due 2026	4,609,320	5,121,692	4,528,375
At 31 December 2016	**14,362,240**	**15,059,387**	**14,217,614**
of which due within 12 months			-
of which due after 12 months			14,217,614

The terms and conditions of the Group's bank and other borrowings are as follows:

	Year of maturity	Currency	Interest rate	Carrying Value 2017 AED'000	Carrying Value 2016 AED'000
Variable interest borrowings					
Secured Bank Loans	2023	USD	LIBOR + 2.9%	1,007,254	956,626
Secured Bank Loans	2023	EGP	Lending Corridor 0.5%-0.75%	1,227,252	936,990
Unsecured bank overdrafts	2018	EGP	Lending Corridor 0.10% to 0.25%	295,394	-
Unsecured Vendor Financing	2021	PKR	Bill discout rate-0.7%	480,601	345,595
Unsecured Overdrafts	2018	EGP	Mid Corridor +0.75%	44,230	574,217
Secured bank loan	2018	LKR	3M SLIBOR+4%	7,494	15,452
Secured Bank Loans	2023	PKR	3 moth Kibor+0.25%	910,573	944,125
Secured Bank Loans	2019	USD	6M LIBOR +1.6%	47,731	68,216
Unsecured Bank Loans	2018	USD	3M Libor + 1.9%	33,224	169,901
Unsecured bank overdrafts	2018	USD	1M LIBOR and 4.20%	107,873	-
Secured Bank loans	2023	PKR	6 Month KIBOR + 1.1%	49,950	-
Fixed interest borrowings					
Unsecured bank overdrafts	2018	MAD	10%	2,950,784	2,552,857
Unsecured Bank Loans	2018	FCFA	4.45%	105,114	272,476
Secured Bank Loans	2018	FCFA	4.68%	-	141,845
Secured Bank Loans	2018	FCFA	8%	65,458	140,432
UnSecured Bank Loans	2018-2020	FCFA	6%	286,426	-
Secured Bank Loans	2021	FCFA	7%	111,130	-
UnSecured Bank Loans	2019	FCFA	5%	341,267	-
Unsecured Bank Loans	2018-2022	FCFA	5%	162,259	-
Unsecured loans from non-controlling interests	2017	EGP	10%	-	3,500
Unsecured Overdrafts	2018	FCFA	8.0%	59,399	162,945
Other borrowings					
Advances from non-controlling interests	N/A	USD	Interest free	548,024	552,027
Bonds	2019	USD	2.375%	1,833,017	1,830,443
Bonds	2019	USD	2.375%	1,473,559	1,476,128
Bonds	2024	USD	3.500%	1,820,230	1,817,984
Bonds	2021	EUR	1.750%	5,222,511	4,564,684
Bonds	2026	EUR	2.750%	5,179,323	4,528,375
Others	Various	Various	Various	442,353	320,448
Total Borrowings				**24,812,430**	**22,375,266**
Reclassified as held for sale (Note 36)				(107,089)	(96,626)
Borrowings from continuing operations				**24,705,341**	**22,278,640**

a) Interest rates

The weighted average interest rate paid during the year on bank and other borrowings is set out below:

	2017	2016
Bank borrowings	8.2%	6.6%
Other borrowings	2.6%	2.6%

b) Available facilities

At 31 December 2017, the Group had AED 3,369 million (2016: AED 2,794 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

23. Borrowings (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Opening Balance	Proceeds	Repayments	Exchange differences	Closing balance
	AED'000	AED'000	AED'000	AED'000	AED'000
Borrowings and finance lease obligations	22,289,057	3,558,667	(2,954,075)	1,816,874	24,710,523

24. Net investment hedge relationships

In prior years, Euro bonds issued (refer to note 23) and cross currency swaps have been designated as net investment hedges. There was no material ineffectiveness of these hedges recorded as at the end of the reporting period.

	2017	2016
	AED'000	AED'000
Effective part directly recognised in other comprehensive income	(1,148,302)	250,656

As at the end of the reporting period the Group has cross currency USD-EUR swaps which are designated as hedges of net investment. The fair value of the cross currency swaps are calculated by discounting the future cash flows to net present value using appropriate market interest and prevailing foreign currency rates. The fair value of swaps is as follows:

	2017	2016
	AED'000	AED'000
Fair value of forward contract/ swaps designated as net investment hedge (Derivative financial assets)	8,172	331,313
Fair value of interest rate swaps (Derivative financial assets)	2,309	-
Fair value of swaps designated as net investment hedge (Derivative financial liabilities)	(79,149)	(2,830)

The fair value of bonds designated as hedge is disclosed in note 23.
During the year, the Group executed the unwinding of a USD - EUR cross currency swap and received cash of AED 173 million (2016 : AED 283 million).

25. Payables related to investments and licenses

	Current	Non-current	Total
	AED'000	AED'000	AED'000
At 31 December 2017			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Maroc Telecom	321,841	90,353	412,194
	3,269,516	**90,353**	**3,359,869**
At 31 December 2016			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Maroc Telecom	149,981	149,981	299,962
Pakistan Telecommunication Company Limited	157,671	392,987	550,658
	3,255,327	**542,968**	**3,798,295**

According to the terms of the share purchase agreement between Etisalat International Pakistan LLC and the Government of Pakistan ("GOP") payments of AED 6,612 million (2016: AED 6,612 million) have been made to GOP with the balance of AED 2,937 million (2016: AED 2,937 million) to be paid. The amounts payable are being withheld pending completion of certain conditions in the share purchase agreement related to the transfer of certain assets to PTCL.

All amounts payable on acquisitions are financial liabilities measured at amortised cost and are mostly denominated in either USD, AED or PKR.

26. Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Amounts payable under finance lease				
Within one year	3,577	6,196	3,273	5,512
Between 2 and 5 years	1,965	5,252	1,909	4,905
	5,542	**11,448**	**5,182**	**10,417**
Less: future finance charges	(360)	(1,031)	-	-
Present value of lease obligations	**5,182**	**10,417**	**5,182**	**10,417**
of which due within 12 months	3,273	5,512	3,273	5,512
of which due after 12 months	1,909	4,905	1,909	4,905

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2017, the average effective borrowing rate was 19% (2016: 19%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

27. Provisions

	Asset retirement obligations AED'000	Other AED'000	Total AED'000
At 1 January 2016	33,321	2,093,331	2,126,652
Additional provision during the year	3,614	1,490,867	1,494,481
Reclassified as held for sale (Note 36)	(12,516)	(3,098)	(15,614)
Utilization of provision	-	(305,965)	(305,965)
Release of provision	-	(66,172)	(66,172)
Adjustment for change in discount rate	968	-	968
Exchange differences	(15,054)	(581,314)	(596,368)
At 31 December 2016	**10,333**	**2,627,649**	**2,637,982**
Included in current liabilities	-	2,488,839	2,488,839
Included in non-current liabilities	10,333	138,810	149,143
At 1 January 2017	**10,333**	**2,627,649**	**2,637,982**
Additional provision during the year	2,445	574,273	576,718
Reclassified as held for sale (Note 36)	(560)	(777)	(1,337)
Utilization of provision	-	(366,431)	(366,431)
Release of provision	-	(245,324)	(245,324)
Exchange differences	549	94,660	95,209
At 31 December 2017	**12,767**	**2,684,050**	**2,696,817**
Included in current liabilities	-	2,509,251	2,509,251
Included in non-current liabilities	12,767	174,799	187,566
At 31 December 2017	**12,767**	**2,684,050**	**2,696,817**

Asset retirement obligations relate to certain assets held by certain Group's overseas subsidiaries that will require restoration at a future date that has been approximated to be equal to the end of the useful economic life of the assets. There are no expected reimbursements for these amounts.

"Other" includes provisions relating to certain indirect tax liabilities and other regulatory related items, including provisions relating to certain Group's overseas subsidiaries.

28. Provision for end of service benefits

The liabilities recognised in the consolidated statement of financial position are:	2017 AED'000	2016 AED'000
Funded Plans		
Present value of defined benefit obligations	3,792,700	3,871,929
Less: Fair value of plan assets	(3,694,514)	(3,689,910)
	98,186	**182,019**
Unfunded Plans		
Present value of defined benefit obligations and other employee benefits	1,510,596	1,454,940
Total	**1,608,782**	**1,636,959**

The movement in defined benefit obligations for funded and unfunded plans is as follows:	2017 AED'000	2016 AED'000
As at 1 January	5,326,867	5,177,061
Reclassified as held for sale (Note 36)	(79)	(2,631)
Service cost	151,263	171,036
Interest cost	486,307	472,745
Actuarial gain/(loss)	670	9,106
Remeasurements	(62,920)	(70,006)
Benefits paid	(389,332)	(492,621)
Gain and loss on settlement	-	76,920
Exchange difference	(209,480)	(14,743)
As at 31 December	**5,303,296**	**5,326,867**

The movement in the fair value of plan assets is as follows:	2017 AED'000	2016 AED'000
As at 1 January	**3,689,908**	**3,266,580**
Interest income	400,939	368,606
Return on plan assets excluding amounts included in interest income	(129,019)	(61,077)
Contributions received	186,046	422,578
Benefits paid	(266,525)	(311,096)
Others	1,865	5,538
Exchange difference	(188,700)	(1,221)
As at 31 December	**3,694,514**	**3,689,908**

28. Provision for end of service benefits (continued)

The amount recognised in the statement of profit or loss is as follows:	2017 AED'000	2016 AED'000
Service cost	150,983	170,730
Net Interest cost	85,109	103,764
Others	(4,127)	76,842
	231,965	**351,336**

Following are the significant assumptions used relating to the major plans	2017 AED'000	2016 AED'000
Discount rate		
UAE	3.76%	3.13%
Pakistan	11%	9.5% - 11%
Morocco	3.2% - 7.5%	3.4%
Average annual rate of salary		
UAE	2% - 2.5%	3.5%
Pakistan	7% - 10%	7% - 10%
Morocco	3% - 5%	4%-5%

Plan assets for funded plan are comprised as follows:	2017 AED'000	2016 AED'000
Debt instruments - unquoted	3,133,481	3,154,439
Cash and cash equivalents	206,864	243,198
Investment property	305,451	285,388
Fixed assets	220	278
Other assets	87,738	59,469
less: liabilities	(39,239)	(52,862)
	3,694,515	**3,689,910**

Through its defined benefit pension plans, PTCL is exposed to a number of actuarial and investment risks, the most significant of which include, interest rate risk, property market risk, longevity risk for pension plan and salary risk for all plans.

The expense recognised in profit or loss relating to defined contribution plan at the rate specified in the rules of the plans amounting to AED 166 million (2016: AED 170 million).

29. Share capital

	2017 AED'000	2016 AED'000
Authorised:		
10,000 million (2015: 10,000 million) ordinary shares of AED 1 each	10,000,000	10,000,000
Issued and fully paid up:		
8,696.8 million (2015: 8,696.8 million) ordinary shares of AED 1 each	8,696,754	8,696,754

30. Reserves

The movement in the Reserves is provided below:	2017 AED'000	2016 AED'000
As at 1 January	**26,121,149**	**27,583,434**
Total comprehensive loss for the year	(126,747)	(2,593,866)
Transfer from retained earnings	994,434	1,131,581
As at 31 December	**26,988,836**	**26,121,149**

30. Reserves (continued)

The movement for each type of reserves is provided below:	2017 AED'000	2016 AED'000
Translation reserve		
As at 1 January	(6,233,385)	(3,590,118)
Exchange differences on translation of foreign operations	1,017,608	(2,893,923)
(Loss)/gain on hedging instruments designated in hedges of the net assets of foreign operations	(1,148,302)	250,656
As at 31 December	**(6,364,079)**	**(6,233,385)**
Investment revaluation reserve		
As at 1 January	51,016	1,615
Gain/(loss) on revaluation	3,947	(142,520)
Cumulative loss on investments in equity instruments designated as at AFS transferred to retained earnings upon disposal	-	(2,838)
Reclassification adjustment relating to available-for-sale financial assets impaired during the year	-	194,759
Transfer from investment revaluation reserve to retained earnings on application of IFRS 9	(47,687)	-
As at 31 December	**7,276**	**51,016**
Development reserve	**7,850,000**	**7,850,000**
Asset replacement reserve		
As at 1 January	8,234,600	8,190,286
Transfer from retained earnings	47,000	44,314
As at 31 December	**8,281,600**	**8,234,600**
Statutory reserve		
As at 1 January	2,141,596	1,039,519
Transfer from retained earnings	984,425	1,102,077
As at 31 December	**3,126,021**	**2,141,596**
General reserve		
As at 1 January	14,077,322	14,092,132
Transfer from retained earnings	10,696	(14,810)
As at 31 December	**14,088,018**	**14,077,322**

a) Development reserve, asset replacement reserve and general reserve

These reserves are all distributable reserves and comprise amounts transferred from unappropriated profit at the discretion of the Group to hold reserve amounts for future activities including the issuance of bonus shares.

b) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the respective Articles of Association of some of the Group's subsidiaries, 10% of their respective annual profits should be transferred to a non-distributable statutory reserve. The Company's share of the reserve has accordingly been disclosed in the consolidated statement of changes in equity.

c) Translation reserve

Cumulative foreign exchange differences arising on the translation of overseas operations are taken to the translation reserve.

d) Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

31. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 2.

Capital management

The Group's capital structure is as follows:	2017 AED'000	2016 AED'000
Bank borrowings	(8,143,175)	(7,156,302)
Bonds	(15,528,641)	(14,217,614)
Other borrowings	(1,033,525)	(904,724)
Finance lease obligations	(5,182)	(10,417)
Cash and bank balances	27,125,158	23,676,170
Net funds	**2,414,635**	**1,387,113**
Total equity	57,703,975	55,914,778

The capital structure of the Group consists of bonds, bank and other borrowings, finance lease obligations, cash and bank balances and total equity comprising share capital, reserves and retained earnings.

The Group monitors the balance between equity and debt financing and establishes internal limits on the maximum amount of debt relative to earnings. The limits are assessed, and revised as deemed appropriate, based on various considerations including the anticipated funding requirements of the Group and the weighted average cost of capital. The overall objective is to maximise returns to its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Categories of financial instruments

The Group's financial assets and liabilities consist of the following:

	2017 AED'000
Financial assets	
Amortised cost financial assets;	
Due from related parties	187,242
Finance lease receivables	247,714
Trade and other receivables, excluding prepayments	17,974,520
Cash and bank balances	27,125,158
Investment carried at amortised cost	225,557
	45,760,191
Financial assets carried at fair value through OCI	218,290
Fair value through profit or loss	1,257,297
Derivative financial instruments	10,481
	47,246,259
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue	30,951,719
Borrowings	24,705,341
Payables related to investments and licenses	3,359,869
Finance lease obligations	5,182
Derivative financial instruments	79,149
	59,101,260

31. Financial instruments (continued)

The Group's financial assets and liabilities consist of the following:

	2016 AED'000
Financial assets	
Loans and receivables, held at amortised cost:	
Due from related parties	440,643
Finance lease receivables	-
Trade and other receivables, excluding prepayments	18,506,954
Cash and bank balances	23,676,170
	42,623,767
Available-for-sale financial assets (including other investments held for sale)	482,387
Fair value through profit or loss	48,183
Held-to-maturity investments	348,637
Derivative financial instruments	331,313
	43,834,287
Financial liabilities	
Other financial liabilities held at amortised cost:	
Trade and other payables, excluding deferred revenue	29,190,613
Borrowings	22,278,640
Payables related to investments and licenses	3,798,295
Finance lease obligations	10,417
Derivative financial instruments	2,830
	55,280,795

Financial risk management objectives

The Group's corporate finance function monitors the domestic and international financial markets relevant to managing the financial risks relating to the operations of the Group. Any significant decisions about whether to invest, borrow funds or purchase derivative financial instruments are approved by either the Board of Directors or the relevant authority of either the Group or of the individual subsidiary. The Group's risk includes market risk, credit risk and liquidity risk.

The Group takes into consideration several factors when determining its capital structure with the aim of ensuring sustainability of the business and maximizing the value to shareholders. The Group monitors its cost of capital with a goal of optimizing its capital structure. In order to do this, the Group monitors the financial markets and updates to standard industry approaches for calculating weighted average cost of capital, or WACC. The Group also monitors a net financial debt ratio to obtain and maintain the desired credit rating over the medium term, and with which the Group can match the potential cash flow generation with the alternative uses that could arise at all times. These general principles are refined by other considerations and the application of specific variables, such as country risk in the broadest sense, or the volatility in cash flow generation, or the applicable tax rules, when determining the Group's financial structure.

a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risks on equity investments. From time to time, the Group will use derivative financial instruments to hedge its exposure to currency risk. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

Foreign currency risk

The Company's presentation/functional currency is United Arab Emirates Dirham ("AED"). Foreign currency risk arises from transactions denominated in foreign currencies and net investments in foreign operations.

The Group has foreign currency transactional exposure to exchange rate risk as it enters into contracts in other than the functional currency of the entity (mainly USD and Euro). The Group entities also enter into contract in it's functional currencies including Nigerian Naira, Egyptian Pounds, Pakistani Rupee, Sri Lankan Rupee, Afghani, and Moroccan Dirham. Etisalat UAE also enters into contracts in USD which is pegged to AED. Atlantique Telecom Group enters into Euros contracts as CFA is pegged to Euro and Maroc Telecom also enters into Euro contracts as Moroccan Dirham is 60% pegged to Euro. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

In addition to transactional foreign currency exposure, a foreign currency exposure arises from net investments in the Group entities whose functional currency differs from the Group's presentation currency (AED). The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the Group's presentation currency. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the Group's consolidated financial statements.

This translation risk does not give rise to a cash flow exposure. Its impact arises only from the translation of the net investment into the group's presentation currency. This procedure is required in preparing the Group's consolidated financial statements as per the applicable IFRS.

The cross currency swaps involve the exchange of principal and floating or fixed interest receipts in the foreign currency in which the issued bonds are denominated, for principal and floating or fixed interest payments in the Company's functional currency. The fair value of a cross currency is determined using standard methods to value cross currency swaps and is the estimated amount that the swap contract can be exchanged for or settled with under normal market conditions. The key inputs are the yield curves, basis curves and foreign exchange rates. In accordance with the fair value hierarchy within IFRS 7 Financial Instruments: Disclosure, the fair value of cross currency swaps represent Level 2 fair values.

31. Financial instruments (continued)

Foreign currency sensitivity

The following table presents the Group's sensitivity to a 10 per cent change in the Dirham against the Egyptian Pound, the Euro, the Pakistani Rupees, Moroccan Dirham and Central African Franc. These five currencies account for a significant portion of the impact of net profit, which is considered to materially occur through cash and borrowings within the Group's financial statements in respect of subsidiaries and associates whose functional currency is not the Dirham. The impact has been determined by assuming a weakening in the foreign currency exchange of 10% upon closing foreign exchange rates. A positive number indicates an increase in the net cash and borrowings balance if the AED/USD were to strengthen against the foreign currency.

	Impact on profit and loss		Impact on equity	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Increase/decrease in profit/(loss) and in equity				
Egyptian pounds	60,397	90,168	-	-
Euros	235,446	238,174	799,197	668,485
Pakistani rupees	54,772	21,062	-	-
Moroccan Dirhams	292,098	252,476	-	-
Central African Franc	78,217	32,523	-	-

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group monitors the market interest rates in comparison to its current borrowing rates and determines whether or not it believes it should take action related to the current interest rates. This includes a consideration of the current cost of borrowing, the projected future interest rates, the cost and availability of derivate financial instruments that could be used to alter the nature of the interest and the term of the debt and, if applicable, the period for which the interest rate is currently fixed.

Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2017, if interest rates had been 2% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by AED 77 million (2016: AED 79 million). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other price risk

The Group is exposed to equity price risks arising from its equity investments. Equity investments are mainly held for trading purposes. See Note 16 for further details on the carrying value of these investments.

If equity price had been 5% higher or lower:
• profit for the year ended 31 December 2017 would increase/decrease by AED 17.9 million due to changes in fair value recorded in profit/loss for equity shares classified as fair value through profit and loss and an amount of AED 0.7 million (2016: AED 9.7 million) as loss/profit realised on impairment/disposal of investments in equity shares classified as FVTOCI.
• other comprehensive income for the year ended 31 December 2017 would increase/decrease by AED 1.5 million (2016: increase/decrease by AED 15.4 million) as a result of the changes in fair value of equity shares classified as FVTOCI.

b) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's bank balances and trade and other receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For its surplus cash investments, the Group considers various factors in determining with which banks and /corporate to invest its money including but not limited to the financial health, Government ownership (if any), the rating of the bank by rating agencies The assessment of the banks and the amount to be invested in each bank is assessed annually or when there are significant changes in the marketplace.

Group's bank balance	2017	2016
Investment in UAE	90%	88%
Investment outside of the UAE	10%	12%

Bank rating for Investment in UAE

	2017		2016	
	AED	Rating	AED	Rating
By Moody's	6.2 billion	A3	4.0 billion	A1
	6.0 billion	Aa3	4.1 billion	Aa3
	5.1 billion	Baa1	2.0 billion	Baa1
	2.7 billion	A1	1.9 billion	A2
By S&P	1.5 billion	A1u	2.6 billion	BBB+

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, collateral is received from customers usually in the form of a cash deposit.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

31. Financial instruments (continued)

c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The details of the available undrawn facilities that the Group has at its disposal at 31 December 2017 to further reduce liquidity risk is included in Note 23. The majority of the Group's financial liabilities as detailed in the consolidated statement of financial position are due within one year.

Financial liabilities are repayable as follows:

AED'000	Trade and other payables, excluding deferred revenue	Borrowings	Payables related to investments and licenses	Finance lease obligations	Derivative financial liability	Total
On demand or within one year	28,872,684	4,670,214	3,269,516	3,273	79,149	36,894,836
In the second year	401,306	4,844,157	90,353	1,909	-	5,337,725
In the third to fifth years inclusive	656,547	7,677,007	-	-	-	8,333,554
After the fifth year	419,687	7,513,963	-	-	-	7,933,650
As At 31 December 2017	**30,350,224**	**24,705,341**	**3,359,869**	**5,182**	**79,149**	**58,499,765**
On demand or within one year	27,008,882	4,074,738	3,255,327	5,512	2,830	34,347,289
In the second year	637,501	1,228,152	200,098	4,905	-	2,070,656
In the third to fifth years inclusive	820,039	9,675,923	140,088	-	-	10,636,050
After the fifth year	101,009	7,299,827	202,782	-	-	7,603,618
As At 31 December 2016	**28,567,431**	**22,278,640**	**3,798,295**	**10,417**	**2,830**	**54,657,614**

The above table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

d) Fair value measurement of financial assets and liabilities

	Fair value hierarchy as at 31 December 2017				
	Carrying value	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets					
Finance lease receivables	247,714	-	298,341	-	298,341
Investment carried at amortised cost	225,557	225,554	-	-	225,554
Financial assets classified at fair value through OCI	218,290	29,464	-	188,826	218,290
Financial assets carried at fair value through profit or loss	1,257,297	358,758	858,765	39,774	1,257,297
Derivative financial assets	10,481	-	10,481	-	10,481
	1,959,339	**613,776**	**1,167,587**	**228,600**	**2,009,963**
Financial liabilities					
Borrowings	24,264,406	-	25,148,868	-	25,148,868
Derivative financial liabilities	79,149	-	79,149	-	79,149
	24,343,555	**-**	**25,228,017**	**-**	**25,228,017**

	Fair value hierarchy as at 31 December 2016			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets				
Derivative financial assets	-	331,313	-	331,313
Other Investments	454,323	-	424,884	879,207
	454,323	**331,313**	**424,884**	**1,210,520**
Financial liabilities				
Borrowings	-	22,601,900	-	22,601,900
	-	**22,601,900**	**-**	**22,601,900**

31. Financial instruments (continued)

Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 classification comprises unobservable inputs.

Some of the Group's financial assets and liabilities are measured at fair value or for which fair values are disclosed. Information on how these fair values are determined are provided below:

- Borrowings are measured and recorded in the consolidated statement of financial position at amortised cost and their fair values are disclosed in Note 23.
- Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
- Listed securities and Sukuk are classified as available for sale financial assets and held to maturity investments respectively and their fair values are derived from observable quoted market prices for similar items. These represent Level 1 fair values. Unquoted equity securities represent Level 3 fair values. Details are included in note 16 "Other investments".

The carrying amounts of the other financial assets and liabilities recorded in the consolidated financial statements approximate their fair values.

The fair value of the Group's investment property for an amount of AED 53 million (2016: AED 70.3 million) has been determined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

The fair value of other investments amounting to AED 229 million (2016: AED 424 million) are classified as Level 3 because the investments are not listed and there are no recent arm's length transactions in the shares. The valuation technique applied is internally prepared valuation models using future cash flows discounted at average market rates. Any significant change in these inputs would change the fair value of these investments.

There have been no transfers between Level 2 and 3 during the year.
The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on cash flows discounted at rates derived from market sourced data.

Reconciliation of Level 3	2017 AED'000	2016 AED'000
As at 1 January	**424,884**	**233,784**
Additions	58,170	991,138
Foreign exchange difference	18,645	(466,503)
Disposal	(257,062)	(340,150)
Revaluation	-	6,462
Other movement	(16,037)	153
As at 31 December	**228,600**	**424,884**

32. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 5,124 million (2016: AED 5,711 million).
The Group has issued letters of credit amounting to AED 514 million (2016: AED 378 million).

b) Operating lease commitments

i) The Group as lessee	2017 AED'000	2016 AED'000
Minimum lease payments under operating leases recognised as an expense in the year (Note 5)	**356,146**	**442,334**

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 AED'000	2016 AED'000
Within one year	268,816	251,241
Between 2 to 5 years	734,582	661,306
After 5 years	584,968	520,404
	1,588,366	**1,432,951**

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to ten years.

ii) The Group as lessor

Property rental income earned during the year was AED 20 million (2016: AED 18 million). All of the properties held have committed tenants for the next 5 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 AED'000	2016 AED'000
Within one year	8,468	18,516
Between 2 to 5 years	28,000	284
	36,468	**18,800**

33. Contingent liabilities

a) Bank guarantees

	2017 AED million	2016 AED million
i) Performance bonds and guarantees in relation to contracts	1,653	876
Companies Overseas investments	1,416	1,080

b) Foreign exchange regulations

On 23 July 2011, Etisalat DB Telecom Pvt Limited ("Etisalat DB") received a show cause notice from the Directorate of Enforcement (the ED) of India alleging certain breaches of the Foreign Exchange Management Act 1999 (FEMA), by Etisalat DB and its 5 Directors (at the time of the alleged breach). By adjudication order dated 22 January 2018, the ED made no adverse finding against the 2 Etisalat nominated Directors. The decision may be appealed by any aggrieved party, within 45 days of the order.

c) Other contingent liabilities

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

ii) The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, a subsidiary of the Group, the Pakistan Telecommunication Employees Trust ("PTET") and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th 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 the High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of PTCL is of the view, that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in these consolidated financial statements.

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 legal cases were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecommunication regulations. The status of these legal cases as of 31 December 2017, was as follows:

• There are 635 legal cases filed by Mobily against CITC amounting to approximately Saudi Riyals 672 million;

• The Board of Grievance has issued 163 preliminary verdicts in favor of Mobily voiding 163 resolutions of the CITC's violation committee with total penalties amounting to approximately Saudi Riyals 467 million; and

• There are also final verdicts that have been issued in favor of Mobily (after they were affirmed by the appeal court) resulting in cancellation of penalties with an approximate total amount of Saudi Riyals 432 million.

In addition, 23 legal cases were filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees and other subjects in which 16 of them are specifically related to the governmental fees as of 31 December 2017. Mobily has received 8 preliminary judgments in its favour and 5 final judgments (stating that the subject matter of such cases have been previously decided). The remaining cases are still being adjudicated before the Board of Grievance. Although Mobily believes that these claims have no legal basis, they may have a material impact on Mobily's business in case of retroactive change in the regulatory framework which is difficult to assess.

Mobily received additional claims from CITC during 2017 and has reassessed the provisions required against the claims for the period ended 31 December 2017 and has recorded an appropriate estimate of the amount that it may ultimately have to pay to settle such claims.

Furthermore, there are 176 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes with some still being adjudicated by such committee. Mobily has received (2) preliminary verdicts and (141) final verdicts in its favor in these claims and (13) cases have been either dismissed or abandoned and (20) cases are on-going as of 31 December 2017.

Forty Four (44) shareholder claims have been made against the 2013/2014 members of the Board of Mobily and others, and these have been filed with the Committee for Resolution and Settlement of Disputes ("CRSD"). These proceedings have been suspended by the CRSD pending its final determination of Saudi Capital Market Authority ("CMA") claims against members of the 2013/14 Board of Mobily ("Defendants").

As noted above, the CMA has launched claims against the Defendants in January 2016. Pursuant to these proceedings, the CRSD has upheld three (3) of the seven (7) claims brought up by the CMA and the Defendants are currently appealing the decision to the Appellate Bench of the CRSD. In case of a final adverse decision, the Board members will seek D&O insurance cover.

33. Contingent liabilities (continued)

c) Other contingent liabilities (continued)

iv) In the prior years, Atlantique Telecom SA, a subsidiary of the Group, 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 Atlantique Telecom during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon Atlantique Telecom'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). SARCI has started execution proceedings in several African countries which with the exception of Togo were denied or have been stalled by the local Courts while the execution measures allowed by a first instance court in Togo have been appealed and suspended and are still under dispute. On the substance of the award itself, Atlantique Telecom has initiated legal proceedings before the Appeal Court of Cotonou in order to obtain the cancellation of the award of this third arbitration process and the suspension of any execution thereof. The court decision on the request for stay of execution was granted in June 2017, the decision on the cancellation of the award of this arbitration is being regularly postponed for reasons of procedure or constitutional challenges by of SARCI (which have been rejected) and also for reasons inherent to the organization of the Beninese justice system. In its last session, the Court required the General Attorney of the Republic of Benin to opine on the matter and as of the day of this note no new hearing date has been scheduled.

v) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone). Vodafone is seeking to recover outstanding interconnection fees payable as a result of principle set by the Egyptian Administrative Court's decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. Arbitration preliminary proceedings are currently ongoing and exchanges of pleadings and cross examination of witnesses are scheduled in April 2018.
Based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the consolidated financial information as at 31 December 2017.

34. Dividends

Amounts recognised as distribution to equity holders:	AED'000
31 December 2016	
Final dividend for the year ended 31 December 2015 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
	6,954,396
31 December 2017	
Final dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2017 of AED 0.40 per share	3,477,198
	6,954,396

A final dividend of AED 0.40 per share was declared by the Board of Directors on 8 March 2017, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2016.

An interim dividend of AED 0.40 per share was declared by the Board of Directors on 26 July 2017 for the year ended 31 December 2017.

A final dividend of AED 0.40 per share was declared by the Board of Directors on 20 February 2018, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2017.

35. Earnings per share

	2017	2016
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	**8,444,437**	8,421,185
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,696,754**	8,696,754
Earnings per share		
From continuing and discontinuing operations		
Basic and diluted	**AED 0.97**	AED 0.97
From continuing operations		
Basic and diluted	**AED 0.99**	AED 1.02

36. Disposal Group held for sale/ Discontinued operations

36.1 Disposal of Canar Telecommunications Co. Limited (''Canar'')

On 2 May 2016, the Group and The Sudanese Mobile Telecom (Zain) Company Limited ("Zain Sudan") signed a Share Purchase Agreement for the sale of the Group's 92.3% shareholding in Canar. Under the terms of the Share Purchase Agreement, the Group would have received a total cash consideration upon completion of the transaction of AED 349.6 million, implying a price per share of AED 17.504.

Further to the announcement on 2 May 2016, the Bank of Khartoum, an existing shareholder in Canar with a 3.7% shareholding, exercised its Right of First Refusal with regards to the sale by the Group of its shareholding in Canar to Zain Sudan.

On 13 June 2016, the Group and Bank of Khartoum signed definitive documentation for the purchase of the Group's 92.3% shareholding in Canar.

The Group completed the sale of its 92.3% shareholding in Canar to Bank of Khartoum on 7 August 2016 after securing all regulatory approvals from the Sudanese National Telecommunications Corporation and the Sudanese competition authorities. The final consideration received in return for the Group's shareholding amounted to AED 349.6 million.

36.2 Plan to dispose one of its subsidiary

During the prior year, the directors approved a plan to dispose of the Group’s interest in one of the subsidiaries of the group. The disposal is in line with the Group's strategy to optimise its returns on investments in the international segment. The Group is currently in negotiation with some potential buyers.

The results of operations included in the profit for the year from discontinued operations are set out below:

36.3 Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Note	2017 AED’000	2016 AED’000
Revenue		238,618	530,455
Operating expenses		(408,550)	(588,873)
Impairment and other losses		(7,391)	-
Operating losses		**(177,323)**	**(58,418)**
Finance and other income		1,382	2,671
Finance costs		(15,512)	(18,430)
Loss before tax		**(191,453)**	**(74,177)**
Taxation		(2,694)	(8,605)
		(194,147)	**(82,782)**
Losses on disposal of operation including cumulative exchange (losses)/gains reclassified from foreign translation reserve to profit or loss	37	-	(349,129)
Loss for the year from discontinued operations		**(194,147)**	**(431,911)**

36. Disposal Group held for sale/ Discontinued operations (continued)

At 31 December 2017 the disposal group comprised the following assets and liabilities :

Assets classified as held for sale	2017 AED'000	2016 AED'000
Goodwill	-	206,122
Other intangible assets	14,511	26,416
Property, plant and equipment	403,712	559,638
Deferred tax assets	52,171	68,491
Inventories	389	1,645
Trade and other receivables	132,530	103,625
Cash and cash equivalents	14,934	27,726
Assets classified as held for sale	**618,247**	**993,663**

Liabilities classified as held for sale	2017 AED'000	2016 AED'000
Trade and other payables	217,517	204,251
Borrowings	107,089	96,626
Provision for end of service benefits	2,709	2,631
Provision	16,950	15,614
Deferred tax liabilities	53,607	67,201
Finance lease obligation	9,309	9,952
Liabilities associated with assets classified as held for sale	**407,181**	**396,275**
Net assets classified as held for sale	**211,066**	**597,388**

Cash flows from discontinued operations	2017 AED'000	2016 AED'000
Net cash inflows from operating activities	34,593	197,303
Net cash outflows from investing activities	(43,675)	(101,212)
Net cash outflows from financing activities	(3,125)	(190,105)
Net cash outflows	**(12,207)**	**(94,014)**

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.

37. Disposal of Subsidiaries

On 7 August 2016, the Group completed the sale of it's 92.3% shareholding in Canar to Bank of Khartoum. The Group received a final consideration of AED 349.6 million, implying a price per share of AED 17.504.

37.1 Consideration received

	2016 AED'000
Total consideration received	349,589

37.2 Analysis of assets and liabilities over which control was lost

Assets	2016 AED'000
Other intangible assets	73,091
Inventories	547
Trade and other receivables	412,609
Cash and cash equivalents	70,556
	556,803

Liabilities	2016 AED'000
Trade and other payables	332,972
Asset retirement obligations	3,456
	336,428
Net assets/(liabilities)	**220,375**

37. Disposal of a subsidiaries (continued)

37.3 Loss on disposal of subsidiaries

	2016 AED’000
Consideration received	349,589
Net (assets) / liabilities disposed of	(220,375)
Non controlling Interest	27,477
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiaries	(505,820)
Loss on disposal	**(349,129)**

The loss on disposal is included in the loss for the period from discontinued operations (see note 36).

37.4 Net cash inflow on disposal of subsidiaries	2016 AED’000
Consideration received in cash and cash equivalents	349,589
Less: cash and cash equivalent balances disposed of	(70,556)
	279,033

38. Other significant event

On 2 February 2012, the Supreme Court of India cancelled all of Etisalat DB Telecom Private Limited's ("Etisalat DB") licenses, removing Etisalat DB's ability to operate its current mobile telecommunications business. Following the cancellation, the Board of Etisalat DB resolved to shut down its telecommunications network in India and gave the appropriate notices to the Indian authorities. Furthermore, the resignation of the directors of Etisalat DB, appointed by the largest shareholder, without replacement adversely affected the ability of the Etisalat DB's Board of Directors to take decisions.

Subsequently, Etisalat Mauritius Limited (EML) (which is wholly owned by the Company) filed a Petition on 12 March 2012 in the High Court of Bombay (the High Court) for the just and equitable winding up of Etisalat DB (the Etisalat DB Petition). The Etisalat DB Petition was admitted by the High Court by Order dated 18 November 2013 (Order on Admission). However, the Order on Admission was appealed by the largest shareholder of Etisalat DB to the Division Bench (Court of Appeal) of the High Court. That appeal was dismissed by an order dated 8 April 2014. The Order on Admission was further appealed by the same shareholder of Etisalat DB to the Supreme Court of India but was finally dismissed by an order dated 14 July 2014. On 20 February 2015 an order was made by the High Court for the winding up of Etisalat DB (the Winding Up Order) and the Official Liquidator was appointed.

An appeal was filed by the largest shareholder of Etisalat DB against the Winding Up Order, along with a Notice of Motion for stay of the operation of the order on 15 May 2015, before the Division Bench (Court of Appeal) of the High Court. That appeal was heard and finally dismissed by an order dated 1 November 2017.

The Official Liquidator is in the process of winding up Etisalat DB and has taken material steps towards the liquidation of the assets of Etisalat DB, since the order passed on 20 February 2015. The Official Liquidator’s progress reports continue to be heard by the High Court as at the end of the reporting period.

39. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The criteria of legal enforceable right of set-off should be applicable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The following table presents the recognised financial assets and liabilities that are offset, as at 31 December 2017 and 31 December 2016.

	Gross amounts 2017 AED '000	Gross amounts set off 2017 AED '000	Net amount presented 2017 AED '000
Financial assets			
Amounts due from other telecommunication administrators	12,726,515	(6,532,952)	6,193,563
Financial liabilities			
Amounts due to other telecommunication administrators	11,953,497	(6,532,952)	5,420,545

	Gross amounts 2016 AED '000	Gross amounts set off 2016 AED '000	Net amount presented 2016 AED '000
Financial assets			
Amounts due from other telecommunication administrators	12,186,362	(6,090,830)	6,095,532
Financial liabilities			
Amounts due to other telecommunication administrators	11,316,111	(6,090,830)	5,225,281

40. Reclassification of comparative figures

The below reclassifications have been made to the prior year numbers to conform with current year presentation:

1. Reclassification of interconnect related party balances from trade and other receivables and trade and other payables to due from related parties.
2. Foreign exchange difference on borrowings reclassified from operating expenses to finance and other costs.

	As previously reported	Reclassification	2016
	AED'000	AED'000	AED'000
Consolidated statement of financial position as at 31 December 2016			
Trade and other receivables	18,796,545	116,546	18,913,091
Due from related parties	582,871	(142,228)	440,643
Trade and other payables	30,798,176	(25,682)	30,772,494
Consolidated statement of profit or loss for the year ended 31 December 2016			
Operating expenses	34,605,422	(450,518)	34,154,904
Finance and other costs	1,461,626	450,518	1,912,144