Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated financial statements for the year ended 31 December 2017

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Chairman's message

Beyond connectivity: building a smart economy

Dear Shareholders,

On behalf of the Board of Directors of the Emirates Integrated Telecommunications Company PJSC (EITC), it is my honour and privilege to present our financial results for the year ended December 31, 2017.

We are living in an era of rapid change — so much so that at times it is hard to believe that many of the technological advances that have come to define our life, business, and the global economy have occurred over only the past few years.

This is equally true for our own company, as the EITC of today is becoming virtually unrecognisable from the organisation that was established in 2005. This trend accelerated during 2017 as our company continued to evolve and mature, building upon a strong foundation with new initiatives and organisational changes that are dramatically altering the way we do business. Throughout this process, we have created and will continue to create exciting new benefits for our customers, in turn adding substantial value for our shareholders.

EITC is still a young company. Since our foundation, we have taken a vital role in the development of the UAE from multiple angles – and this is a commitment that we have every intention to continue. The UAE is at the core of all our strategic goals, which seek to contribute to the nation's sustainable growth through digital transformation.

The International Monetary Fund forecasts an economic rebound for the UAE in 2018. EITC plays a vital role in the national economy, and we are committed to maximising our contribution to its growth.

In line with this approach is our intense involvement in creating smart city and smart district capabilities. We have no fewer than 19 smart services under delivery, from smart buildings to smart signage. As our market environment transforms, so must we, maintaining the industry leadership that has always been our hallmark. This will happen through the great opportunities brought by the Internet of Things, big data, data science, robotics and artificial intelligence.

This philosophy was highly evident in our structural changes during 2017, which were part of a strategic transformation that will enable expansion into new growth areas such as ICT, data centers and IT managed services. Moving forward, three new divisions will enable the development of a strong portfolio of products and services while consolidating all our infrastructure operations.

In the same vein, we have also promoted two bright Emirati leaders to the positions of deputy chief executives, each with oversight and mandate on specific areas. We believe these changes will help us achieve EITC's ambition to lead the digital transformation and keep us at the forefront of economic development in Dubai and the UAE.

Chairman's message (continued)

A strategic focus in a fast changing world is mandatory and the Board plays a vital role. Our Board members have held several strategic planning sessions, with the value of strategic thinking ranking in importance with our emphasis on sound governance.

Of course, people are always at the heart of the success of corporations, so cultivating the right talent, nurturing potential leaders, and enabling high levels of employee engagement are key priorities. The world of tomorrow is inextricably linked to a talented workforce, and we are very conscious of the need to maintain our advantage in this area.

In terms of our business performance during 2017, our revenue of AED 13.0 billion was the highest ever achieved by the company. Net profit after royalty amounted to AED 1.7 billion, equating to earnings per share of AED 0.38. The Board of Directors has recommended a final annual dividend of AED 0.22 per share, bringing total dividend for the year to AED 0.35 per share.

In closing, our strategic goals are aligned to national plans to reinforce the UAE's position as a global hub and a leader in the application of telecoms and smart technology.

I look forward to creating value and strengthening our relationships with our shareholders, strategic partners, customers, and especially our management and employees who make such an invaluable contribution to our continued progress. Their collective effort underpins our success and contributes to the development and prosperity of our organisation and our country. I thank my fellow Board members for their constant dedication, stewardship and support.

Ahmad Bin Byat
Chairman

Chief Executive Officer's review

A foundation for tomorrow

Dear Shareholders,

As our Chairman has so clearly noted, 2017 was a year of change for EITC – a year that, in times to come, may well be considered as pivotal in the growth, direction, and influence of our company.

We now have two customer-facing brands, a new organisational structure, and we are moving beyond our traditional services of voice and data connectivity. Our entire industry is changing in the face of the fourth industrial revolution, with the Internet of Things, big data and artificial intelligence taking centre stage.

However, the increased reliance on the internet has fundamentally changed the way people live, work, and communicate — and in turn, we must change the way we do business accordingly. The UAE's mobile penetration rate is already one of the highest in the world, reaching 228 per cent at the end of March 2017, according to the Telecommunications Regulatory Authority. Subsequent data shows that more than 80 per cent of mobile phones registered on the country's mobile networks are smartphones.

These recent reports underline the maturity of the traditional market and highlight how growth in this segment is under pressure. As such, we accelerated our exciting digital journey where our focus is on both the enterprise sector, expanding into ICT, and the consumer sector where we will grow our digital, lifestyle and entertainment services.

The beginning of a new era

A clear reflection of our strategic transformation in 2017 was the change in our brand identity. The adoption of our company name EITC as our primary identity reflects the duality of branding that took effect during the year. du – our original brand and for so long our public face – has now been joined by the Virgin Mobile brand, a distinctive new all-digital offering that was the first of its kind in the UAE market, complementing our traditional du products and services while catering to changes in customer expectations and demands for certain segments of the market.

In line with our intention to transform our company, EITC was restructured and we added three distinct business divisions, each with clearly defined strategic objectives and equally well-considered operational plans for their achievement.

The ICT Solutions Division will provide UAE government entities and private enterprises with advanced end-to-end infrastructure and services – including enterprise networks, security, data centre services, and Cloud services and applications.

The Digital Lifestyle and Innovation Division will focus on the development of products and services for UAE consumers – including video and smart-home services.

Chief Executive Officer's review (continued)

The Infrastructure Division brings all infrastructure related operations under a single EITC umbrella.

We are now a connectivity and non-connectivity business – with equally dynamic telco and non-telco operations. We are approaching potential private enterprise and government clients with end-to-end solutions that handle all their needs, combining telecom connectivity with IT solutions. Our objective is to protect our core telecom business and grow our adjacent businesses.

I am proud to report that three bright Emirati leaders were promoted within the company to senior leadership positions. Fahad Al Hassawi and Farid Faraidooni were appointed Deputy CEOs, each with oversight and mandate on specific areas and Saleem Al Blooshi was appointed Chief Infrastructure Officer. We also strengthened our strategic capabilities in 2017, appointing Eddy Skaf as Chief Strategy Officer who will oversee the development and implementation of EITC's overall corporate strategy.

We believe our current business model will drive company-wide growth in the coming years. We are moving to different ecosystems, and the key word for these ecosystems will be 'partnerships'.

Notable public-private partnerships created in 2017 were, in addition to Dubai Smart City announced earlier, the Dubai Silicon Park, for which EITC is the main system integrator of all smart services; the Dubai Sports City partnership, as well as a public-private partnership with the Ministry of Interior and Injazat to deliver Hassantuk, a smart monitoring alert and control system for buildings in the UAE. We are proud of our involvement in developing the Dubai Pulse Platform, launched in 2016, where we provide the whole architecture and platform to build it, design it and operate it end-to-end on behalf of the Smart Dubai Office. Smart Dubai is a unique public-private partnership in the world: it is the digital backbone and beating heart of the city, and we are deeply honoured to play such a crucial role in shaping its future.

These initiatives are indicative of the next phase of growth envisioned for EITC, enabling us to continue our exciting expansion into new business areas. They are a clear demonstration of the way EITC is adapting to the evolving industry and our ability to accommodate continued changes in consumer and business behaviour.

Digital transformation

As we look forward to a smart future, we are investing in accelerating our digital transformation and driving EITC to becoming a fully-integrated ICT player.

Under the guidance of our Board, strategy and strategic thinking are now even more vital than ever in our business philosophy, as we look beyond connectivity for opportunities and innovation, and to maximise and optimise our resources, competencies, and experiences. Yet we must still maintain continuity, concentrating on well-defined priorities, refining our operational and organisational structures, and developing our people and their competencies.

Record revenue

My comments so far have focused mainly on our intensive transformation activities during 2017 and the dynamic future that we envisage for EITC. However, our performance during the year and the results we achieved are of crucial importance to our shareholders and potential investors, and I am equally pleased to report a satisfactory outcome.

We reported record revenues of AED 13.0 billion in 2017, compared to AED 12.7 billion in 2016. EBITDA and Net Profit were kept stable and at similar levels to 2016, bearing in mind the key investments made in Virgin Mobile and ICT. We maintained a good EBITDA margin at 40% and made good progress with our cost optimisation programme in 2017.

Business performance in 2017 was strong, as evident from our dividend declaration and the yield we have achieved for our shareholders. I am confident that we are on track to sustain our proud record of excellent returns for shareholders and that the transformation initiatives we have undertaken in the last year will become the cornerstones for long-term growth.

My thanks are due to our Chairman and Board of Directors for their unwavering support and guidance, to our shareholders for their continued trust, to our loyal customers who are central to our success, to our partners who are crucial to the future we are building, and of course to my team, management and all employees who are the main actors in everything we seek to achieve.

Osman Sultan
Chief Executive Officer

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Independent auditor's report to the shareholders of the Emirates Integrated Telecommunications Company PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emirates Integrated Telecommunications Company PJSC ("the Company") and its subsidiaries (together "the Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

The areas, in our professional judgement, that were of most significance to the audit ('Key audit matters') and where we focused most audit efforts identified during the year were:

- Carrying value of goodwill.
- Federal royalty.
- Revenue recognition – accuracy of revenue recorded given the complexity of the systems.
- IT systems and controls.

We have set out below our explanation of each item and a summary of the audit approach.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 year. 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.

Key audit matter	How our audit addressed the Key audit matter
Carrying value of goodwill The Group has goodwill of AED 549 million contained within two cash generating units ('CGU') as referred to in Note 7 to the consolidated financial statements. We focused on the area due both to the size of the goodwill balance and because of judgments involved about the future results and key assumptions involved in management's assessment of the carrying value. No impairment charges have been recognised in previous or current periods, as management have concluded that there was no impairment of goodwill. With challenging trading conditions, increasing fixed line competition in the Group's fixed network areas and pressure on margins, the Group's performance and prospects could be impacted in the relevant fixed line and broadband segments, increasing the risk of goodwill impairment. For the CGUs that contain goodwill, determination of recoverable amount is based on a value-in-use model. This requires judgment on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's view of variables such as estimates of future revenues, margins and operating expenses, timing and extent of future maintenance capital expenditure, growth rates and the most appropriate discount rate. Refer to Notes 2.3 and 7 to the consolidated financial statements for critical accounting estimates and assumptions used by management.	We evaluated the appropriateness of management's identification of the CGUs and the continued satisfactory operation of the Company's controls over the impairment assessment process. Our procedures mainly included challenging management on the suitability of the impairment model and reasonableness of the assumptions used through performing the following: ➢ assessment of assumptions used in relation to forecast revenues, margins, operating costs and maintenance capital expenditure expected on the relevant network; ➢ performing independent sensitivity analysis on cash flows, growth rates, discount rates and where applicable, validation of growth and discount rates against external sources of data ; ➢ testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board approved long-term plans; and ➢ assessing the reliability of management's forecast through a review of actual performance against previous forecasts. We considered the appropriateness of the related disclosures in Note 7 to the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Federal royalty The Federal royalty is a significant charge levied against regulated revenues of the Group and against operating profits, based on fixed percentages, as disclosed in Note 24 to the consolidated financial statements. The royalty charge set out in Note 24 for the year is AED 2,038 million with an accrual at 31 December 2017 of AED 2,054 million. The royalty calculations are subject to the use of certain judgments, interpretations and assumptions in respect of the definition of regulated items, the determination of certain allowable deductions and allocated costs and the treatment of royalties on site sharing transactions. These are also subject to change from time to time as the guidelines provided by the UAE Ministry of Finance ("the MoF") are amended or as clarifications are received from the MoF.	We have reviewed the guidelines provided to the Group by the MoF, together with other relevant correspondence, and assessed the segregation of items between regulated and other activities and items which the Group judges as not subject to Federal royalty or which may be set off against revenue which is subject to Federal royalty. In addition, we have reviewed the management controls around the calculation and approval of the Federal royalty charge. We have performed the following: ➢ assessed management's interpretation of regulated and unregulated activities through review of the guidelines, discussions with management and consideration of the history of settled positions with the MoF; ➢ tested the mathematical accuracy of the calculation and agreed them to the underlying supporting data; and assessed the appropriateness of the related disclosures in Note 24 of the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition - accuracy of revenue recorded given the complexity of the systems There is an inherent risk around the accuracy of revenue recognised given the complexity of the systems and changing mix of business products and services, including the variety of plans available for consumer and enterprise customers, tariff structures, roaming and international hubbing ('wholesale') agreements, site sharing agreements, incentive programmes and discounts. The application of the revenue recognition accounting standard is complex and involves a number of key judgments and estimates. Refer to Notes 3.14 and 2.3 for accounting policies and critical accounting estimates and judgements respectively.	Our audit approach included a combination of controls testing and substantive procedures which covered the following: ➢ testing the relevant infrastructure technology (IT) environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that generate revenues; ➢ performing tests on the accuracy of customer bills generation on a sample basis; ➢ carrying out test call samples in order to obtain comfort over the rating and duration by extracting data from support systems; ➢ testing third-party key reconciliations to wholesale revenue recognised in the general ledger; ➢ reviewing significant new contracts and regulatory determinations, understanding and testing the related revenue and other accounting treatments and entries; and ➢ testing the nature and accounting for a sample of discounts. We also considered the application of the Group's accounting policies to amounts billed and accrued, and the accounting implications of new postpaid, fixed line and broadcast business initiatives to assess whether the Group's accounting policies were appropriate for these initiatives and were followed.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
IT systems and controls We place high reliance on the Group's IT systems and key internal controls, a normal practice for a telecom audit. This resulted in a significant portion of our audit effort directed towards this area. Our focus was on understanding and validating the impacts of key changes being made to the control environment having established an extensive understanding and baseline in the previous years. The Group is in the process of replacing and upgrading various IT systems to enhance business effectiveness and improve efficiency. These also include improvements to user access controls in respect of a number of key systems. Some of these are in the process of implementation, but are not yet finalised.	We have performed detailed end-to-end walkthroughs of the finance and operational processes, utilising our understanding from the prior years to reassess the design effectiveness of the key internal controls and identify changes. We then conducted testing of the operating effectiveness of these controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. In response to the changes and control enhancements made during the year, we performed the following: ➢ reviewed the design of the controls to ensure they mitigated any financial reporting risks and tested samples from the controls that resulted from the enhancements; ➢ where systems were changed or enhanced during the year, we tested the IT general controls; ➢ tested enhanced user access management controls and logging of user access; ➢ tested controls and performed additional substantive procedures of key general ledger account reconciliations and manual journals; and ➢ where necessary we amended our planned audit approach and performed additional substantive testing.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's message and Chief Executive Officer's review (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date.

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

Independent auditor's report to the shareholders of the Emirates Integrated Telecommunications Company PJSC (continued)

Other information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 their preparation in compliance with the applicable provisions 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 has 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.

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 scepticism 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 auditor's 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.

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Independent auditor's report to the shareholders of the Emirates Integrated Telecommunications Company PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 auditor's 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.

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 accounts;

iv) the financial information included in the Chairman's message and Chief Executive Officer's review is consistent with the books of account of the Group;

v) as disclosed in Note 8 to the consolidated financial statements, the Group has purchased or invested in certain shares during the year ended 31 December 2017;

vi) Note 12 to the consolidated financial statements discloses material related party transactions 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 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 22 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2017.

PricewaterhouseCoopers
14 February 2018

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of financial position

	Note	As at 31 December 2017 AED 000	2016 AED 000
Non-current assets			
Property, plant and equipment	6	8,520,866	8,449,197
Intangible assets and goodwill	7	1,130,332	1,173,469
Investments accounted for using the equity method	8	142,086	113,935
Available-for-sale financial asset	9	18,368	18,368
Derivative financial instruments	10	13,594	6,280
Trade and other receivables	11	94,631	32,373
Total non-current assets		9,919,877	9,793,622
Current assets			
Inventories		99,383	39,579
Trade and other receivables	11	2,139,855	1,968,517
Due from a related party	12	186,196	220,147
Short term investments	13	5,025,000	6,150,000
Cash and bank balances	14	461,125	239,498
Total current assets		7,911,559	8,617,741
Current liabilities			
Trade and other payables	15	5,808,546	5,838,210
Due to related parties	12	20,294	12,736
Borrowings	16	1,461,318	783,473
Total current liabilities		7,290,158	6,634,419
Net current assets		621,401	1,983,322
Non-current liabilities			
Borrowings	16	2,156,344	3,596,356
Provision for employees' end of service benefits	17	236,072	225,627
Other provisions	18	110,924	102,021
Total non-current liabilities		2,503,340	3,924,004
Net assets		8,037,938	7,852,940
Represented by:			
Share capital and reserves			
Share capital	19	4,532,906	4,571,429
Share premium	20	232,332	393,504
Other reserves, net of treasury shares	21	2,426,559	2,003,042
Retained earnings		846,141	884,965
Total equity		8,037,938	7,852,940

The consolidated financial statements were approved by the Board of Directors on 14 February 2018 and signed on its behalf by:

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Ahmad bin Byat
Chairman

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Osman Sultan
Chief Executive Officer

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of comprehensive income

	Note	For the year ended 31 December 2017 AED 000	2016 AED 000
Revenue	31	13,004,372	12,726,648
Interconnect costs		(3,051,009)	(2,984,383)
Product costs		(1,015,111)	(754,259)
Staff costs		(980,326)	(967,807)
Network operation and maintenance		(708,624)	(704,599)
Commission		(415,347)	(402,434)
Outsourcing and contracting		(405,529)	(441,246)
Telecommunication license and related fees		(317,076)	(351,416)
Marketing		(318,988)	(337,371)
Rent and utilities		(118,371)	(110,309)
Other expenses	22	(478,499)	(359,515)
Other income		4,228	50,069
Earnings before interest, tax, depreciation and amortisation (EBITDA)		5,199,720	5,363,378
Depreciation and impairment	6	(1,383,088)	(1,368,677)
Amortisation and impairment of intangible assets	7	(138,147)	(158,948)
Operating profit		3,678,485	3,835,753
Finance income	23	164,048	143,060
Finance costs	23	(102,661)	(117,884)
Share of profit of investments accounted for using equity method	8	9,485	3,068
Profit before royalty		3,749,357	3,863,997
Royalty	24	(2,037,571)	(2,111,441)
Profit for the year		1,711,786	1,752,556
Other comprehensive income/(loss)			
Items that may be re-classified subsequently to profit or loss			
Fair value changes on cash flow hedge	21	7,314	3,247
Items that will not be re-classified to profit or loss			
Actuarial gain/(loss) on defined benefit obligations	17	7,086	(13,252)
Other comprehensive income/(loss) for the year		14,400	(10,005)
Total comprehensive income for the year attributable entirely to shareholders of the Company		1,726,186	1,742,551
Basic and diluted earnings per share (AED)	25	0.38	0.38

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of cash flows

	Note	For the year ended 31 December 2017 AED 000	2016 AED 000
Cash flows from operating activities			
Profit before royalty		3,749,357	3,863,997
Adjustments for:			
Depreciation and impairment	6	1,383,088	1,368,677
Amortisation and impairment of intangible assets	7	138,147	158,948
Provision for employees' end of service benefits	17	38,013	33,906
Provision for impairment of trade and other receivables	11	307,256	134,729
Release of provision for impairment of trade receivables	11	-	(37,441)
Finance income	23	(164,048)	(143,060)
Finance costs	23	102,661	117,884
Adjustment for change in discount rate	18	(3,157)	-
Unwinding of discount on asset retirement obligations	18	4,137	3,543
Share of profit of investments accounted for using equity method	8	(9,485)	(3,068)
Changes in working capital	26	(420,124)	(75,822)
Cash generated from operations		5,125,845	5,422,293
Royalty paid	24	(2,087,574)	(1,947,457)
Payment of employees' end of service benefits	17	(28,929)	(15,318)
Net cash generated from operating activities		3,009,342	3,459,518
Cash flows used in investing activities			
Purchase of property, plant and equipment		(1,480,743)	(1,580,807)
Purchase of intangible assets		(197,968)	(175,983)
Payment for additional investments accounted for using equity method	8	(18,666)	-
Payment for available-for-sale financial asset acquired		-	(18,368)
Interest received		182,273	73,146
Margin on guarantees placed		(52,253)	(2,641)
Short term investments released		1,125,000	50,000
Net cash used in investing activities		(442,357)	(1,654,653)
Cash flows used in financing activities			
Proceeds from borrowings		21,306	50,204
Repayment of borrowings		(783,473)	(161,833)
Interest paid		(94,256)	(111,095)
Dividends paid	21	(1,541,188)	(1,508,572)
Net cash used in financing activities		(2,397,611)	(1,731,296)
Net increase in cash and cash equivalents		169,374	73,569
Cash and cash equivalents at the beginning of the year		228,705	155,136
Cash and cash equivalents at end of the year	14	398,079	228,705

Non-cash transaction

Cancellation of treasury shares, reduction in share capital and reduction in share premium is a non-cash transaction. Details are provided in Note 19.1.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of changes in equity

	Share capital (Note 19) AED 000	Share premium (Note 20) AED 000	Other reserves, net of treasury shares (Note 21) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2016	4,571,429	393,504	1,987,804	865,919	7,818,656
Profit for the year	-	-	-	1,752,556	1,752,556
Other comprehensive income/(loss)	-	-	3,247	(13,252)	(10,005)
Total	4,571,429	393,504	1,991,051	2,605,223	9,561,207
Transfer to statutory reserve	-	-	175,256	(175,256)	-
Transfer to retained earnings	-	-	(1,194)	1,194	-
Interim cash dividend(1)	-	-	594,286	(594,286)	-
Final cash dividend proposed(2)	-	-	951,910	(951,910)	-
Cash dividends paid	-	-	(1,508,572)	-	(1,508,572)
Acquisition of treasury shares	-	-	(199,695)	-	(199,695)
Total transactions with shareholders recognised directly in equity	-	-	11,991	(1,720,258)	(1,708,267)
At 31 December 2016	4,571,429	393,504	2,003,042	884,965	7,852,940
Profit for the year	-	-	-	1,711,786	1,711,786
Other comprehensive income	-	-	7,314	7,086	14,400
Total	4,571,429	393,504	2,010,356	2,603,837	9,579,126
Transfer to statutory reserve	-	-	171,179	(171,179)	-
Interim cash dividend(1)	-	-	589,278	(589,278)	-
Final cash dividend proposed(2)	-	-	997,239	(997,239)	-
Cash dividends paid	-	-	(1,541,188)	-	(1,541,188)
Cancellation of treasury shares	(38,523)	(161,172)	199,695	-	-
Total transactions with shareholders recognised directly in equity	(38,523)	(161,172)	416,203	(1,757,696)	(1,541,188)
At 31 December 2017	4,532,906	232,332	2,426,559	846,141	8,037,938

(1) An interim cash dividend of AED 0.13 per share (2016: AED 0.13 per share) amounted to AED 589,278 thousand (2016: AED 594,286 thousand) was paid during the year.

(2) A final cash dividend of AED 0.22 per share (2016: AED 0.21 per share) amounted to AED 997,239 thousand (2016: AED 951,910 thousand) is proposed.

1 General information

Emirates Integrated Telecommunications Company PJSC ("the Company") is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These consolidated financial statements for the year ended 31 December 2017 include the financial statements of the Company and its subsidiaries (together "the Group").

The Company's principal objective is to provide fixed, mobile, wholesale, broadcasting and associated telecommunication services in the UAE.

In order to comply with the new provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law"), the Company shareholders approved the amendments to its Articles of Association through a resolution at the General Meeting held on 20 June 2017. These amendments have been approved and notarized as of 27th December 2017.

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	**Principal activities**	**Shareholding**		**Country of incorporation**
		2017	**2016**	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Telecommunication and network	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention except for an available-for-sale financial asset and derivative financial instruments that have been measured at fair value.

The preparation of consolidated 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 2.3.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2017 but having no material impact to the Group's financial statements

- IAS 7, 'Statement of cash flows' on the disclosure initiative (effective from 1 January 2017).

There is no material impact of the above amendments on the consolidated financial statements of the Group.

(b) New standards and amendments issued but not effective until financial years beginning after 1 January 2017 and not early adopted by the Group

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018);
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

IFRS 15 was issued which established 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 recognize 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.

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; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Management has assessed the potential impact of this new standard for the Group's consolidated financial statements which is expected to be as follows:

- Accounting for bundled products – IFRS 15 requires that the total consideration received must be allocated to the equipment and services based on relative stand-alone selling prices rather than based on the residual value method and the revenue recognised when the control of the asset is transferred to the customer in the case of equipment and over the period of the contracts as the services are delivered.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

The Group has assessed the effect of this change only for contracts that are not completed contracts as at the date of initial application i.e 1 January 2018 as allowed under the transition options. At the date of initial application, the effect of this change is currently estimated to be between AED 20 million to AED 50 million. As a result the retained earnings is estimated to be increased by the same amounts;

- Incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer are required to be capitalised under IFRS 15, if those costs are expected to be recovered. These costs are to be amortised and tested for impairment regularly. Currently such costs are being expensed as incurred. The Group has assessed the effect of this change as at the date of initial application. At the date of initial application, the effect of this change is currently estimated to be between AED 150 million to AED 200 million. As a result the retained earnings is estimated to be increased by the same amounts;

- Significant financing component: Some contracts with customers contain payments terms which do not match with the timing of delivery of services or products to the customer (e.g., under some contracts, consideration is paid in monthly instalments after the products or services are provided to the customers). Such provisions that allow customer to pay in arrears may give rise to financing component under IFRS 15, and will be accounted as interest income after adjusting the transaction price. The Group have some products and services on instalment basis. However based on the current product portfolio, there is no effect for this change;

- Variable consideration: Some contracts with customers provide discounts or volume rebates or service credits. Such provisions in the contract give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. The Group has assessed the effect of this change as at the date of initial application. The effect of this change is expected to be insignificant in relation to equity of the Group as at reporting date; and

- Presentation of contract assets and contract liabilities in the statement of financial position: IFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard respectively using second allowed method which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

The Group has reviewed its financial assets and liabilities and is expecting the following changes upon adoption on 1 January 2018:

- The Group's investment in unlisted shares , that is currently classified as available-for-sale financial asset will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for this asset. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of this financial asset. However, gains or losses realised on the sale of this asset will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings;

- The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will continue to qualify as fair value through other comprehensive income (FVOCI) after the adoption of IFRS 9 and hence there will be no change to the accounting for this asset;

- All other assets that are classified as loans and receivables will be classified as assets measured at amortised cost under IFRS 9;

- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss (FVTPL) and the Group does not have any such liabilities. After adoption of IFRS 9 these financial liabilities will be classified as liabilities measured at amortised cost;

- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It will apply to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Group does not expect material change in the current levels of impairment allowances carried on such assets; and

- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the financial year 2018 when the new standard comes into effect.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

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

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in a discount rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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

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

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

2.2 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

2 Basis of preparation (continued)

2.3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Provision for impairment of trade and other receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the aging of counter party balances (including accrued revenue), historic experience and the information available on the parties' financial position. Changes to the estimated impairment provision may be required if the financial condition of the parties was to improve or deteriorate or as the Group launches new instalment based products carrying increased credit risk.

(ii) Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy. The recoverable amount of the cash-generating units has been determined based on value-in-use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating units being tested, but do include the Group's expectations of future capital expenditure necessary to maintain the Group's network existing operations. These calculations are performed internally by the Group and require the use of estimates and assumptions. The input factors most sensitive to change are management estimates of future cash flows based on budgets, growth rates and discount rate. Further detail on these assumptions has been disclosed in Note 7. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. No impairment is recognised on the goodwill in the current and the prior year.

(iii) Useful lives of property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets. The useful lives of the property, plant and equipment are provided in Note 3.2.

2 Basis of preparation (continued)

2.3 Critical accounting estimates and judgements (continued)

(iv) Asset retirement obligations

The Group exercises judgement in determining the expected cash outflows related to its asset retirement obligations. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Group's provision is based on management's best estimate of the future cash outflows required to settle the obligations, discounted using appropriate discount rate. Additional information on this provision is disclosed in Note 18.

(v) Impairment of available-for-sale financial asset

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of security below its cost is an evidence that the assets are impaired. If any such evidence exists the cumulative loss measured at the difference between the acquisition cost and the current fair value, less any impairment loss that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of income on equity instruments are not reversed through consolidated statement of comprehensive income.

(vi) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No. 320/15/23 of 2012 and various guidelines issued by the UAE Ministry of Finance ("the MoF") and subsequent clarification letters require use of certain judgements, interpretations and assumptions. These mainly relate to the segregation of items between regulated and other activities and items which the Group judges as not subject to Federal royalty or which may be set off against revenue which are subject to Federal royalty, and allocation of costs between regulated and non-regulated results.

(vii) Residual value method

Postpaid products with multiple deliverables that have value to customers on a standalone basis are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, subscriber identification module (SIM) card and a service package. The principles in IAS 18 require that revenue in respect of each separable element of a transaction is measured at its fair value. Management believe that the price which is regularly charged for a standalone element is the best evidence of its fair value.

In case of postpaid customers' arrangements, the total contract value is lower than the total fair value of the standalone elements. Therefore, management has decided to apply the residual value method to allocate the revenue over various elements. In applying the residual value method, consideration is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

The main alternative method for recognising revenue on components of such products is the relative fair value method, which will be adopted when the Group adopts IFRS 15 (Note 2.1).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Summary of significant accounting policies (continued)

3.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

If the ownership in an associate is increased in a way that the Group acquires power to govern the financial and operating policies of the acquiree, the acquiree is consolidated as a subsidiary as a step acquisition as per IFRS 3. After taking into account any impairment, the investment in the associate is derecognised and any gain or loss on derecognition of the investment is taken to the consolidated income statement. However, if the ownership is increased and the Group maintains significant influence, the Group increases the investment amount.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss)' of associate in the consolidated statement of comprehensive income.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates are same as the Group's accounting policies.

3 Summary of significant accounting policies (continued)

3.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	25
Plant and equipment:	
Network civil works/buildings	10-25
Infrastructure	3-25
IT hardware	3-10
Mobile network	8-10
Fixed network	2-10
Broadcasting	5-7
Furniture and fixtures	3-5
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.12.2).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the consolidated statement of comprehensive income.

Capital work in progress includes assets which are under construction or inspection pending certification for their intended use and are stated at cost net of any accumulated impairment losses. When available for use, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies. No depreciation is charged on such assets until available for use.

3.3 Intangible assets

<u>Goodwill</u>

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

3 Summary of significant accounting policies (continued)

3.3 Intangible assets (continued)

Goodwill (continued)
If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquiree, in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the Cash Generating Units (CGUs) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Licenses and other rights of use
Separately acquired licenses and rights of use are shown at historical cost. Licenses and rights of use acquired in a business combination are recognised at fair value at the acquisition date. Licenses and rights of use have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses and rights of use over their estimated useful lives as shown below:

	Years
Telecommunications license fee	20
Rights of use	10

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3.4 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

3 Summary of significant accounting policies (continued)

3.4 Leases (continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.6 Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the contractual collection date is in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

3.7 Cash and bank balances

Cash and bank balances comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts, if any that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3.8 Financial instruments

3.8.1 Non-derivative financial assets

Classification
The Group classifies its financial assets as loans and receivables and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

3.8.1 Non-derivative financial assets (continued)

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'due from related parties' 'short term investments' and 'cash and bank balances' in the consolidated statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated as available-for-sale or are not classified in any of the other categories of financial assets. They are included in non-current financial assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement
The Group recognises financial assets when it becomes a party to the contractual provision of the instruments. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition available-for-sale financial assets are measured at fair value with fair value movements being recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in consolidated statement of comprehensive income as "Gains and losses from investment securities".

3.8.2 Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: 'borrowings', 'due to related parties' and 'trade and other payables' in the consolidated statement of financial position.

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

3.8.2 Non-derivative financial liabilities (continued)

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.8.3 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair value of the derivative financial instruments used for hedging purposes are disclosed in Note 10. Movement in the hedging reserve in shareholders' equity is shown in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

<u>Cash flow hedges</u>
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

3.8.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, 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.

3.8.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

3.8.6 Treasury shares

Own equity instruments of the Company which are acquired by the Company or any of its subsidiaries (treasury shares) are deducted from other reserves and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of own equity instruments.

3.8.7 Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Group's shareholders, but are included in a separate component of reserves once proposed by the Company's Board of Directors.

3.9 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.10 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3 Summary of significant accounting policies (continued)

3.10 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as finance costs in the consolidated statement of comprehensive income.

<u>Asset retirement obligations</u>
This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

3.11 Employee benefits

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. Accordingly, the accrued cost of contribution is charged to the consolidated statement of comprehensive income as incurred.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with UAE Labour Law. The provision is calculated in accordance with the Projected Unit Cost method as per IAS 19 'Employee Benefits' taking into consideration the UAE Labour Laws.

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.

Changes in the present value of the defined benefit obligation resulting from amendments or curtailments are recognised immediately in consolidated statement of comprehensive income as past service costs.

Provision is also made for the estimated liability for employees' unused entitlements to annual leave and flights as a result of services rendered by eligible employees up to the reporting date. The provision relating to annual leave and air passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

The Group also provides mobile allowances and discounted mobile telephone charges to employees for official and personal purposes. This benefit is not separately accounted for as staff costs.

3 Summary of significant accounting policies (continued)

3.12 Impairment

3.12.1 Financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

A provision for impairment against doubtful trade receivables is created in the period in which management becomes aware of the uncertainty. The calculation for the provision for impairment takes into consideration factors like service type, customer segment, aging of customer's accounts, customer collection trends, payment made by the customers, disputes and specific or individually identified receivables.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

Available-for-sale financial asset
For equity investments, a significant or prolonged decline in the fair value of security below its cost is an evidence that the assets are impaired. In addition, the Group considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance or changes in technology.

3.12.2 Non-financial assets

Intangible assets that have an indefinite useful life or intangible assets (including capital work in progress) not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

3 Summary of significant accounting policies (continued)

3.12 Impairment (continued)

3.12.2 Non-financial assets (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs'). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.13 Foreign currency translation

(a) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in AED which is the Company's and its subsidiaries functional and presentation currency. The figures have been rounded to the nearest thousand except when otherwise stated.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within finance income or costs.

3.14 Revenue recognition

Revenue comprises the invoiced or accrued amounts from the sale of goods and services (telecommunication and others) in the ordinary course of the Group's activities. Revenue is shown net of returns, discounts and rebates allowed.

Revenue from telecommunication services comprise 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 fixed line and mobile users to the Group's network.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Postpaid products with multiple deliverables that have value to a customer on standalone basis are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, subscriber identification module (SIM) card and a service package which mainly include voice, data and SMS/MMS. These arrangements (mainly the subsidy plans) are divided into separate performance obligations, and revenue is mainly recognised through application of the residual value method.

3 Summary of significant accounting policies (continued)

3.14 Revenue recognition (continued)

Revenue from sale of standalone handsets under separate contract is recognised when the handset is delivered to the end customer and the significant risks and rewards of ownership has been transferred.

In applying the residual value method, consideration is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

The Group operates loyalty programmes where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as deferred revenue at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

Access charges, airtime and other services used by postpaid 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.

Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit and is deferred as deferred revenue until such time as the customer uses the credit, expires or becomes unutilised. Un-used prepaid vouchers are recognised as revenue on expiry of 24 months.

Revenue from sale of SIM cards is recognised on the date of sale to the customer.

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. Contract revenue mainly comprises revenue from managed services provided by the Group.

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.

Incentives (promotions) are provided to customers in various forms and are usually offered on signing a new contract, sale of SIM card, sale of recharge or as part of a regular promotional offering. Incentives provided on the signing of contracts or sale of SIM cards to customers are recognised as an upfront discount against revenue. Incentives provided on the sale of recharge vouchers to prepaid customers are recognised as a deduction against revenue over the estimated period of usage of the respective recharge while incentives provided to postpaid customers are recorded over their billing period.

Incentives are also provided upon sale of SIM cards and vouchers to intermediaries. Where amounts paid upfront to intermediaries represent an amount contributed to enable the intermediaries to offer discounts to customers, they are recognised as a discount from revenue.

Rental income arising from mobile site sharing agreements is recognised as revenue over the period for which access rights are provided.

3 Summary of significant accounting policies (continued)

3.14 Revenue recognition (continued)

When the Group sells goods or services as a principal, revenue from customers and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported profits, assets, liabilities or cash flows.

3.15 Commission to intermediaries

Intermediaries are paid commissions by the Group mainly in return for acquiring new customers and selling recharge credits. Such commissions are recognised as an expense in the period when the respective services are provided.

3.16 Recognition of finance income and costs

Finance income comprises interest income on short term investments and other bank deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs is mainly interest payable on borrowing facilities obtained from suppliers and financial institutions at normal commercial rates and is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

3.17 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 comprehensive income in the period in which they are incurred.

3.18 Cash dividend distribution to equity holders of the parent

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the UAE Federal Law No. 2 of 2015 ("Companies Law"), a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.19 Segmental information

Information regarding the Group’s operating segments is reported 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.

3 Summary of significant accounting policies (continued)

3.20 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 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 comprehensive income on a systematic basis over the expected useful life of the related asset upon capitalisation.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the following methods.

4.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

4.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4.3 Derivative financial instruments

Derivative financial instruments are initially measured at fair value at trade date, and are subsequently remeasured at fair value. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components from mark to market values provided by the bankers.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. The Group purchases derivatives only for hedging purposes.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board is responsible for developing and monitoring the Group’s risk management policies.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers.

Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer and the extent to which extended credit terms are offered. The demographics of the Group’s customer base has less of an influence on credit risk.

The management has established a credit policy under which each new customer is analysed for creditworthiness before the Group’s terms and conditions are offered. The Group’s review can include external ratings, when available, customer segmentation, and in some cases bank references. Credit limits are established for each customer in accordance with this policy, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed periodically.

In monitoring customer credit risk, customers are classified according to their credit characteristics, including whether they are an individual or legal entity, projected business volumes, new or established businesses and existence of previous financial relationships with the Group.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(a) Credit risk (continued)

The Group may require deposit or collateral in respect of granting credit for trade and other receivables, subject to results of risk assessment and the nature and volumes contemplated by the customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. All individually significant assets (such as receivables from broadcast customers and distributors etc.) are assessed for specific impairment. Receivables related to postpaid and broadband customers are assessed for impairment based on portfolio of similar assets while considering the aging of balances and portfolio collection history.

Information on the aging of trade and other receivables is given in Note 29.1.

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.

Short term investments and cash and bank balances

Cash is placed with reputable banks and the risk of default is considered remote. The table below presents the external credit ratings as at December 31 of the Group's short term investments and bank balances based on Fitch and Moody's rating scale.

Ratings	Short term investments		Cash and bank balances	
	2017 AED 000	2016 AED 000	2017 AED 000	2016 AED 000
AA	-	150,000	-	-
Aa3	-	-	82,774	62,586
A1	-	275,000	5,704	548
A+	350,000	700,000	-	957
A2	-	-	357	5,179
A	-	-	2,258	96,890
A3	1,475,000	400,000	16,338	25,214
A-	-	3,750,000	102	14,953
AA-	1,685,000	-	18,433	-
Baa1	1,115,000	875,000	234,612	6,779
Baa2	400,000	-	1,248	-
Others	-	-	99,299	26,392
	5,025,000	6,150,000	461,125	239,498

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's business and reputation. A major portion of the Group's funds are invested in short term investments which are readily available to meet expected operational expenses, including servicing of financial obligations. The table in Note 29.2 analyses the Group's non-derivative financial liabilities and derivative financial liabilities, if any, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities, if any, are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

- Foreign exchange risk
- Cash flow and fair value interest rate risks

(i) Foreign exchange risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency, primarily the Euro, other than the functional currency of the Company and its subsidiaries. In respect of the Group's transactions denominated in US Dollars (USD), the Group is not exposed to material currency risk as the AED is currently pegged to the USD at a fixed rate of exchange.

The Group's exposure and sensitivity analysis in respect to the foreign exchange risk is detailed in Note 29.3.

(ii) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2017 and 2016, the Group's borrowings at variable rate were denominated in the USD.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and interest rate swaps. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risks (continued)

The sensitivity analysis performed by the Group in respect to the interest rate risk is detailed in Note 29.4. The sensitivity analysis is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position, less cash and bank balances and short term investments. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2017 AED 000	2016 AED 000
Total borrowings (Note 16)	3,617,662	4,379,829
Less: Cash and bank balances/short term investments (Notes 13 and 14)	(5,486,125)	(6,389,498)
Net debt	(1,868,463)	(2,009,669)
Total equity	8,037,938	7,852,940
Total capital	6,169,475	5,843,271
Gearing ratio	(30%)	(34%)

5 Financial risk management (continued)

5.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximated their book amounts as reflected in these consolidated financial statements.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	In AED'000			
	Level 1	Level 2	Level 3	Total
At 31 December 2017				
Available-for-sale financial asset (Note 9)	-	-	18,368	18,368
Derivative financial instruments (Note 10)	-	13,594	-	13,594
	-	13,594	18,368	31,962
At 31 December 2016				
Available-for-sale financial asset (Note 9)	-	-	18,368	18,368
Derivative financial instruments (Note 10)		6,280	-	6,280
	-	6,280	18,368	24,648

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Due to the uncertain nature of cash flows arising from certain unquoted equity investments of the Group, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less any impairment losses. The fair value of interest rate swaps classified as derivative financial instruments in the table above is provided by the bank.

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include available-for-sale financial asset, cash and bank balances, trade and other receivables, due from related parties and short term investments. Financial liabilities of the Group include borrowings, trade payables and accruals, due to other telecommunication operators, customer deposits, retention payable, accrued royalty, due related parties and other payables. The fair values of these financial assets and liabilities are not materially different from their carrying values unless stated otherwise (Note 29).

6 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2016	47,208	13,859,401	254,756	1,536	934,321	15,097,222
Additions	4,752	555,514	12,839	-	907,891	1,480,996
Addition: asset retirement obligations	-	10,160	-	-	-	10,160
Transfers	-	824,263	5,108	-	(829,371)	-
Disposals	-	(60,448)	(2,131)	(117)	-	(62,696)
At 31 December 2016	51,960	15,188,890	270,572	1,419	1,012,841	16,525,682
Additions	354	509,102	25,554	-	912,793	1,447,803
Addition: asset retirement obligations	-	7,923	-	-	-	7,923
Transfers	(4,745)	916,440	6,075	-	(917,770)	-
Disposals	-	(25,628)	(1,404)	(35)	(747)	(27,814)
At 31 December 2017	47,569	16,596,727	300,797	1,384	1,007,117	17,953,594
Depreciation / impairment						
At 1 January 2016	21,974	6,509,020	226,680	1,480	4,588	6,763,742
Charge for the year	2,233	1,314,713	18,009	22	-	1,334,977
Disposals/write-off	-	(52,349)	(2,110)	(117)	(1,358)	(55,934)
Impairment charge	-	30,974	-	-	2,726	33,700
At 31 December 2016	24,207	7,802,358	242,579	1,385	5,956	8,076,485
Charge for the year	2,244	1,358,600	15,581	22	-	1,376,447
Disposals/write-off	-	(23,875)	(1,306)	(35)	(1,629)	(26,845)
Impairment charge	-	1,245	-	-	5,396	6,641
At 31 December 2017	26,451	9,138,328	256,854	1,372	9,723	9,432,728
Net book value						
At 31 December 2017	21,118	7,458,399	43,943	12	997,394	8,520,866
At 31 December 2016	27,753	7,386,532	27,993	34	1,006,885	8,449,197

The carrying amount of the Group's buildings include a nominal amount of AED 1 (2016: AED 1) in relation to land granted to the Group by the UAE Government.

7 Intangible assets and goodwill

	2017 AED 000	2016 AED 000
Goodwill	549,050	549,050
Intangible assets	581,282	624,419
	1,130,332	1,173,469

Goodwill

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

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

	2017 AED 000	2016 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	549,050	549,050

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

The estimated recoverable amount of the broadcasting CGU exceeded the carrying amount of its net assets including goodwill, by approximately 53% and that of the fixed line business exceeded its carrying amount by approximately 150%.

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

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

The fixed line model calculations are particularly sensitive to the revenue growth assumptions, including expectations around the impact of future competition in the Group's existing network zones. However, management considers that it would require a significant decline in revenue growth before any impairment of the fixed line CGU was required. The headroom in respect of the broadcasting CGU is lower than prior year, significantly above the carrying amount and will be monitored closely going forward.

7 Intangible assets and goodwill (continued)

Intangible assets

	Software in use AED 000	Capital work in progress AED 000	Telecomm-unications license fees AED 000	Rights of use AED 000	Total AED 000
Cost					
At 1 January 2016	1,345,962	137,875	124,500	365,354	1,973,691
Additions	12,675	290,145	-	-	302,820
Adjustments*	-	-	-	(171,364)	(171,364)
Transfers	89,216	(89,216)	-	-	-
Write off	(2,461)	-	-	-	(2,461)
At 31 December 2016	1,445,392	338,804	124,500	193,990	2,102,686
Additions	59,701	35,309	-	-	95,010
Transfers	93,633	(93,633)	-	-	-
Write off	(4,434)	-	-	-	(4,434)
At 31 December 2017	1,594,292	280,480	124,500	193,990	2,193,262
Amortisation/impairment					
At 1 January 2016	1,085,302	-	61,397	175,081	1,321,780
Charge for the year	130,637	-	6,225	8,571	145,433
Adjustments*	-	-	-	(49,277)	(49,277)
Impairment charge	62,792	-	-	-	62,792
Write off	(2,461)	-	-	-	(2,461)
At 31 December 2016	1,276,270	-	67,622	134,375	1,478,267
Charge for the year	127,987	-	6,225	7,300	141,512
Release of impairment	(12,280)	-	-	-	(12,280)
Impairment charge	8,915	-	-	-	8,915
Write off	(4,434)	-	-	-	(4,434)
At 31 December 2017	1,396,458	-	73,847	141,675	1,611,980
Net book value					
At 31 December 2017	197,834	280,480	50,653	52,315	581,282
At 31 December 2016	169,122	338,804	56,878	59,615	624,419

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

Telecommunication license fees represent charge by the Telecommunications Regulatory Authority to the Group to grant the license to operate as a telecommunications service provider in the UAE. The fees are being amortised on a straight-line basis over a period of 20 years which is the term of the license, from the date of granting the license.

7 Intangible assets and goodwill (continued)

Intangible assets (continued)
*During the year 2016, the Group received determination No (1) of 2016 dated 13 November 2016 from Telecommunications Regulatory Authority (TRA) regarding charges for indoor mobile site sharing with the other telecom operator. This determination clarified the charges for obtaining right to use Indoor Building Solutions (IBS) relating to sites in the UAE. The schedule above includes the changes applied to reflect the above determination, whereby passive indoor mobile site sharing charges are now recognised as annual rental costs included in network operations and maintenance costs. The remaining capitalised active site sharing costs are amortised on a straight-line basis over 10 years.

Also included in the balance is an amount charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees are amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

8 Investments accounted for using the equity method

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

Khazna Data Center Limited
The Group has 26% ownership shares in Khazna Data Center Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

	2017 AED 000	2016 AED 000
At 1 January	113,935	110,867
Investments during the year*	18,666	-
Share of profit for the year	9,485	3,068
At 31 December	142,086	113,935

Summarised financial information for the Associate is as follows:

Associate's statement of financial position as of 31 December:

	2017	2016
Non-current assets	686,725	671,964
Current assets	157,183	87,835
Current liabilities	(80,905)	(74,055)
Non-current liabilities	(297,089)	(318,197)
Net assets	465,914	367,547

8 Investments accounted for using the equity method (continued)

Associate's income statement for the year ended 31 December:

	2017 AED 000	2016 AED 000
Revenue	128,207	77,915
Profit for the year	36,481	11,800

*The investments during the year 31 December 2017, represent payment made for acquisition of 23.5% shares in Dubai Smart City Accelerator FZCO amounting to AED 1,835 thousand and additional funding to Khazna Data Center Limited amounting to AED 16,831 thousand.

9 Available-for-sale financial asset

	2017 AED 000	2016 AED 000
Unlisted shares		
Anghami	18,368	18,368

During the year 2016, the Group acquired 4.8% shares in Anghami, a Cayman Islands exempted company registered in the Cayman Islands (unlisted company). The company is involved in the provision of media related content. The Group classified the investment as available-for-sale financial asset at the date of acquisition.

Due to the uncertain nature of cash flows arising from investments by the Group in unlisted shares of Anghami, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost.

10 Derivative financial instruments

During the year 2015, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. The terms of the loans include quarterly interest payments, at a rate of LIBOR + 0.95% on the outstanding principal amount (Note 16).

The hedge covers the risk in variability of LIBOR over the entire term of the loans. The hedging instruments match the actual terms of the related interest payments on the loans in all respects, including LIBOR rate used, reset dates and notional amounts outstanding.

As of 31 December, the fair value of derivative financial instruments was as follows:

	2017 AED 000	2016 AED 000
Interest rate swap contracts – cash flow hedges	13,594	6,280

The related movement in derivative financial instruments is shown under hedge reserve (Note 21.2).

11 Trade and other receivables

	2017 AED 000	2016 AED 000
Trade receivables	1,774,659	1,212,677
Unbilled receivables	562,725	600,012
Due from other telecommunications operators	648,489	373,408
Less: payable balances set off where right to set off exists	(533,238)	(277,232)
Less: provision for impairment of trade receivables and due from other telecommunications operators	(691,113)	(439,793)
Trade and other receivables, net	1,761,522	1,469,072
Prepayments	245,054	228,246
Advances to suppliers	125,911	143,715
Other receivables	101,999	159,857
Total trade and other receivables	2,234,486	2,000,890
Non-current	94,631	32,373
Current	2,139,855	1,968,517
	2,234,486	2,000,890

The Group's normal credit terms ranges between 15 and 150 days (2016: 15 and 150 days). No interest is charged on the trade and other receivable balances.

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

	2017 AED 000	2016 AED 000
At 1 January	439,793	482,797
Provision for impairment	307,256	134,729
Release of provision for impairment during the year	-	(37,441)
Write-off during the year	(55,936)	(140,292)
At 31 December	691,113	439,793

Trade and other receivables are considered for impairment based on collection trends resulting in provisions against current and older balances. Ageing analysis of trade and other receivables and provision thereon is provided in Note 29. The Group had no significant concentration of credit risk. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

12 Related party balances and transactions

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

Related party balances

	2017 AED 000	2016 AED 000
Due from a related party		
Axiom Telecom LLC (Entity under common shareholding)	186,196	220,147
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	6,951	6,940
Khazna Data Center Limited (Associate)	13,343	5,796
	20,294	12,736

Related party transactions

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

	2017 AED 000	2016 AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and broadcasting services	34,576	36,933
- Infrastructure cost	1,202	14,821
Axiom Telecom LLC – Authorised distributor – net sales	1,968,032	2,149,557
Injazat Data Systems LLC – Data Centre - rent and telecom services	2,351	9,239
Associates		
Khazna Data Center Limited – rent and telecom services	93,017	66,648
Dubai Smart City Accelerator FZCO- acquisition of shares	1,835	-
Khazna Data Center Limited- additional funding	16,831	-

Key management compensation

Short term employee benefits	33,107	33,879
Employees' end of service benefits	699	663
Post-employment benefits	1,985	1,434
Long term incentives	9,618	7,029
	45,409	43,005

The fee paid to Board of Directors during the year was AED 11,400 thousand (2016: AED 12,255 thousand).

12 Related party balances and transactions (continued)

No loan has been provided to Directors, their spouses, children and relatives of the second degree and any corporates in which they own 20% or more.

The Group also provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. 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.

13 Short term investments

	2017 AED 000	2016 AED 000
Short term investments	5,025,000	6,150,000

Short term investments represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. Management does not have any intention to hold these short term investments for more than 1 year from the reporting date. These short term investments denominated primarily in UAE Dirham, with banks. Interest is earned on these short term investments at prevailing market rates. The carrying amount of these short term investments approximates to their fair value.

14 Cash and bank balances

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

	2017 AED 000	2016 AED 000
Cash at bank (on deposit and call accounts)	460,494	238,880
Cash on hand	631	618
	461,125	239,498
Less: margin on guarantees (Note 27)	(63,046)	(10,793)
Cash and cash equivalents	398,079	228,705

15 Trade and other payables

Trade payables and accruals	2,075,235	2,027,736
Due to other telecommunications operators	1,323,279	1,006,089
Less: receivable balances set off where right to set off exists	(533,238)	(277,232)
Accrued royalty (Note 24)	2,054,019	2,110,809
Deferred revenue	593,773	638,594
Other payables and accruals	295,478	332,214
	5,808,546	5,838,210

The carrying amounts of trade and other payables approximate their fair value.

16 Borrowings

	Current		Non-current	
	2017	2016	2017	2016
	AED 000	AED 000	AED 000	AED 000
Bank borrowings	1,432,665	716,332	2,148,997	3,581,663
Buyer credit arrangements	28,653	67,141	7,347	14,693
	1,461,318	783,473	2,156,344	3,596,356

The details of borrowings are as follows:

	Currency	**Nominal interest rate**	**Year of maturity**	**Opening balance**	**Drawn**	**Settled**	**Closing balance**
				AED 000	**AED 000**	**AED 000**	**AED 000**
Bank borrowings							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	2,644,920	-	(440,820)	2,204,100
Unsecured term loan 2	USD	LIBOR+0.95%	2020	1,102,050	-	(183,675)	918,375
Unsecured term loan 3	USD	LIBOR+0.95%	2020	551,025	-	(91,838)	459,187
				4,297,995	-	(716,333)	3,581,662
Buyer credit arrangements							
Buyer credit arrangement 1	USD	LIBOR+1.20%	2017	59,793	-	(59,793)	-
Buyer credit arrangement 2	USD	Nil	2019	22,041	21,306	(7,347)	36,000
				81,834	21,306	(67,140)	36,000

17 Provision for employees' end of service benefits

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out as at 31 December 2017 by a registered actuary in the UAE. The present value of defined benefit obligations and the related current and past service cost, were measured using the Projected Unit Credit Method. Changes in the present value of defined benefit obligations is as follows:

	2017 AED 000	2016 AED 000
At 1 January	225,627	186,887
Current service cost	38,013	33,906
Interest cost (Note 23)	8,447	6,900
Benefits paid during the year	(28,929)	(15,318)
Actuarial loss/(gain) recognised in other comprehensive income	(7,086)	13,252
At 31 December	236,072	225,627

The provision is recognised based on the following significant actuarial assumptions:

	2017	2016
Average period of employment (years)	7.58	7.87
Average annual rate of salary increase	3.00%	3.00%
Discount rate	3.70%	4.00%

18 Provisions

Asset retirement obligations

In the course of the Group's activities a number of sites and other commercial premises are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are expected to occur at the dates of exit of the assets to which they relate. These assets are long-term in nature, primarily in period up to 10 years from when the asset is brought into use.

	2017 AED 000	2016 AED 000
At 1 January	102,021	88,318
Additions during the year	7,923	10,160
Adjustment for change in discount rate	(3,157)	-
Unwinding of discount	4,137	3,543
At 31 December	110,924	102,021

18 Provisions (continued)

The provision is recognised based on the following significant assumptions:

	2017	2016
Average period of restoration (years)	10	10
Inflation rate	2.40%	3.00%
Discount rate	3.76%	3.88%

19 Share capital

	2017 No of shares	2016 No of shares
Authorised, issued and fully paid up share capital (par value AED 1 each)	4,532,905,989	4,571,428,571

19.1 Treasury shares: During 2016, the Group bought back 38,522,582 ordinary shares from founding shareholders under Executive Share Option Plan ("ESOP") at a total consideration of AED 199,695 thousand. Subsequently in 2017, the cancellation of these treasury shares were approved by the shareholders on 11 January 2017. Related amendments to Articles of Association have been approved and notarized as of 27th December 2017 (Note 21.3).

20 Share premium

	2017 AED 000	2016 AED 000
Premium on issue of common share capital	232,332	393,504

21 Other reserves, net of treasury shares

	Share based payment reserve AED 000	Statutory reserve (Note 21.1) AED 000	Hedge reserve (Note 21.2) AED 000	Proposed dividend AED 000	Treasury shares (Note 21.3) AED 000	Total AED 000
At 1 January 2016	1,194	1,069,291	3,033	914,286	-	1,987,804
Transfer to statutory reserve	-	175,256	-	-	-	175,256
Transfer to retained earnings	(1,194)	-	-	-	-	(1,194)
Interim cash dividend	-	-	-	594,286	-	594,286
Final cash dividend proposed	-	-	-	951,910	-	951,910
Cash dividends paid	-	-	-	(1,508,572)	-	(1,508,572)
Fair value changes on cash flow hedge	-	-	3,247	-	-	3,247
Acquisition of treasury shares	-	-	-	-	(199,695)	(199,695)
At 31 December 2016	-	1,244,547	6,280	951,910	(199,695)	2,003,042
At 1 January 2017	-	1,244,547	6,280	951,910	(199,695)	2,003,042
Transfer to statutory reserve	-	171,179	-	-	-	171,179
Interim cash dividend	-	-	-	589,278	-	589,278
Final cash dividend proposed	-	-	-	997,239	-	997,239
Cash dividends paid	-	-	-	(1,541,188)	-	(1,541,188)
Fair value changes on cash flow hedge	-	-	7,314	-	-	7,314
Cancellation of treasury shares	-	-	-	-	199,695	199,695
At 31 December 2017	-	1,415,726	13,594	997,239	-	2,426,559

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

21.2 Hedge reserve is related to derivative financial instrument (Note 10).

21.3. Treasury shares represent ordinary shares bought back from founding shareholders under Executive Share Option Plan (“ESOP”) and the cancellation of these treasury shares were approved by the shareholders on 11 January 2017. Related amendments to Articles of Association have been approved and notarized as of 27th December 2017 (Note 19.1).

22 Other expenses

	2017 AED 000	2016 AED 000
Provision for impairment of receivables	304,433	133,912
Consulting and legal expenses	75,035	111,879
Office expenses	67,421	74,510
Others	31,610	39,214
	478,499	359,515

During the year ended 31 December 2017, the Group has paid AED 19,785 thousand (2016: AED 8,750 thousand) for various social contribution purposes.

23 Finance income and costs

	2017 AED 000	2016 AED 000
Finance income		
Interest income	164,048	143,060
Finance costs		
Interest expense*	107,956	114,147
Exchange (gain)/loss, net	(5,295)	3,737
	102,661	117,884

*Interest expense includes interest cost on defined benefit obligations amounted to AED 8,447 thousand (2016: AED 6,900 thousand) (Note 17).

24 Royalty

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

	2017 AED 000	2016 AED 000
Total revenue for the year (Note 31)	13,004,372	12,726,648
Broadcasting revenue for the year (Note 31)	(159,161)	(167,719)
Other allowable deductions	(3,892,359)	(3,306,805)
Total adjusted revenue	8,952,852	9,252,124
Profit before royalty	3,749,357	3,863,997
Allowable deductions	(96,532)	(83,252)
Total regulated profit	3,652,825	3,780,745

24 Royalty (continued)

	2017 AED 000	2016 AED 000
Charge for royalty: 15% (2016:15%) of the total adjusted revenue plus 30% (2016: 30%) of net regulated profit for the year before distribution after deducting 15% (2016: 15%) of the total adjusted revenue.	2,035,897	2,105,697
Adjustments to charge	(5,113)	-
Charge for the year	2,030,784	2,105,697
Royalty reimbursement (net)*	6,787	5,744
Total royalty charge for the year	2,037,571	2,111,441

Movement in the royalty accruals is as follows:

	2017 AED 000	2016 AED 000
At 1 January	2,110,809	1,952,569
Payment made during the year	(2,087,574)	(1,947,457)
Charge for the year	2,030,784	2,105,697
At 31 December (Note 15)	2,054,019	2,110,809

*During the year 2016, the Group received a determination No (1) of 2016 dated 13 November 2016 from Telecommunications Regulatory Authority (TRA) regarding charges for indoor mobile site sharing with the other telecom operator. This determination included a requirement to add revenue based royalty charges for site sharing between the two operators. The Group based on current understanding of the determination, has treated this as a reimbursement of royalty. The net position as at 31 December 2017 is a net payable of AED 6,787 thousands (2016: AED 5,744 thousand) after considering the royalty reimbursement receivable from the other operator.

25 Earnings per share

	2017	2016
Profit for the year (AED 000)	1,711,786	1,752,556
Weighted average number of shares (‘000’)*	4,532,906	4,565,324
Basic and diluted earnings per share (AED)	0.38	0.38

*The weighted average number of shares for last year 2016 took into account the weighted average effect of changes in treasury shares acquired during last year 2016 (Note 19.1).

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

26 Changes in working capital

	2017 AED 000	2016 AED 000
Change in:		
Inventories	(59,804)	43,658
Trade and other receivables	(559,077)	(579,905)
Trade and other payables	157,248	498,457
Due from related parties	33,951	(22,697)
Due to related parties	7,558	(15,335)
Net changes in working capital	(420,124)	(75,822)

27 Contingent liabilities

The Group has outstanding bank guarantees amounting to AED 75,204 thousand (2016: AED 10,793). Bank guarantees are secured against margin of AED 63,046 thousand (2016: AED 10,793 thousand) (Note 14).

28 Commitments

28.1 Capital commitments

The Group has outstanding capital commitments amounting to AED 908,656 thousand (2016: AED 784,634 thousand).

28.2 Operating leases commitments

Non-cancellable operating lease rentals are payable as follows:

	2017 AED 000	2016 AED 000
Less than one year	440,682	263,589
Between one and five years	631,785	572,062
More than five years	632,942	530,686
	1,705,409	1,366,337

The Group leases a number of warehouses, premises and sites to operate its network. The leases typically run for a period of 5 to 20 years with an option to renew the lease upon expiry. Lease contracts contain terms to allow for annual increase to reflect market rentals.

29 Financial instruments and risk management

29.1 Credit risk

Exposure to credit risk

The carrying amount and the fair value of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount		Fair value	
		2017	2016	2017	2016
		AED 000	AED 000	AED 000	AED 000
Derivatives					
Interest rate swap contracts – cash flow hedges	10	13,594	6,280	13,594	6,280
Non-derivatives					
Available-for-sale financial asset	9	18,368	18,368	18,368	18,368
Trade and other receivables	11	1,989,432	1,628,929	1,989,432	1,628,929
Due from a related party	12	186,196	220,147	186,196	220,147
Short term investments	13	5,025,000	6,150,000	5,025,000	6,150,000
Cash and bank balances	14	461,125	239,498	461,125	239,498
		7,680,121	8,256,942	7,680,121	8,256,942

For the purpose of the exposure to credit risk on financial assets disclosure, non-financial assets amounting to AED 245,054 thousand (2016: AED 228,246 thousand) have been excluded from trade and other receivables.

Impairment of trade and other receivables

The ageing of trade and other receivables is as follows:

	Gross 2017 AED 000	Impaired 2017 AED 000	Gross 2016 AED 000	Impaired 2016 AED 000
Not past due	1,087,577	(40,111)	1,002,001	(29,644)
Past due 0-30 days	362,563	(20,303)	251,656	(13,930)
Past due 31-180 days	444,122	(106,147)	273,769	(53,868)
More than 180 days	1,091,611	(524,552)	658,671	(342,351)
	2,985,873	(691,113)	2,186,097	(439,793)

The impairment provision in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off.

29 Financial instruments and risk management (continued)

29.2 Liquidity risk

The following are the contractual maturities of financial liabilities along with fair values:

31 December 2017

	Fair value AED 000	Carrying amount AED 000	Total AED 000	Contractual cash flows: 6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	3,617,662	3,617,662	3,735,189	772,969	763,568	1,477,620	721,032
Trade payables and accruals	2,075,235	2,075,235	2,075,235	2,075,235	-	-	-
Due to other telecommunication operators	790,041	790,041	790,041	790,041	-	-	-
Accrued royalty	2,054,019	2,054,019	2,054,019	2,054,019	-	-	-
Other payables and accruals	295,478	295,478	295,478	295,478	-	-	-
Due to related parties	20,294	20,294	20,294	20,294	-	-	-
	8,852,729	8,852,729	8,970,256	6,008,036	763,568	1,477,620	721,032

31 December 2016

	Fair value AED 000	Carrying amount AED 000	Total AED 000	Contractual cash flows: 6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	4,379,829	4,379,829	4,547,570	105,678	758,362	1,495,803	2,187,727
Trade payables and accruals	2,027,736	2,027,736	2,027,736	2,027,736	-	-	-
Due to other telecommunication operators	728,857	728,857	728,857	728,857	-	-	-
Accrued royalty	2,110,809	2,110,809	2,110,809	2,110,809	-	-	-
Other payables and accruals	332,214	332,214	332,214	332,214	-	-	-
Due to related parties	12,736	12,736	12,736	12,736	-	-	-
	9,592,181	9,592,181	9,759,922	5,318,030	758,362	1,495,803	2,187,727

29 Financial instruments and risk management (continued)

29.3 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

	31 December 2017		31 December 2016	
	Thousand		Thousand	
	EUR	GBP	EUR	GBP
Trade receivables	4,772	2,385	6,463	835
Trade payables	(375)	(1,186)	(2,758)	(1,952)
Net exposure	4,397	1,199	3,705	(1,117)

The following significant exchange rates against AED have been applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
EUR 1	4.1334	4.0594	4.4076	3.8640
GBP 1	4.7249	5.0207	4.9648	4.5333

Sensitivity analysis

A 10 percent strengthening of the AED against the following currencies at 31 December would have increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2017	2016
	AED 000	AED 000
Increase/(decrease) in profit		
EURO	(1,817)	(1,504)
GBP	(567)	561

Conversely a 10 percent weakening of the AED against the above currencies at 31 December will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

29.4 Interest rate risk

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments was:

	Carrying Amount	
	2017	2016
	AED 000	AED 000
Variable interest rate instruments		
Bank borrowings	3,581,662	4,297,995
Buyer credit arrangements	36,000	81,834
	3,617,662	4,379,829

29 Financial instruments and risk management (continued)

29.4 Interest rate risk (continued)

Sensitivity analysis
An increase of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2017 AED 000	2016 AED 000
Decrease in profit		
Variable interest rate instruments	20,779	22,943

Conversely a decrease in interest rates by 100 basis points will have had the exact reverse effect. In each of the above cases the impact on equity would have the same values as the above amounts.

During the year, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. Hedged portion of the bank term loans is not included in the sensitivity analysis (Note 10).

29.5 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2017 AED 000	2016 AED 000
Derivative financial instruments	13,594	6,280
Available-for-sale financial asset	18,368	18,368
Loans and receivables		
Trade and other receivables	1,989,432	1,628,929
Due from a related party	186,196	220,147
Short term investments	5,025,000	6,150,000
Cash and bank balances	461,125	239,498
	7,661,753	8,238,574
Borrowings	3,617,662	4,379,829
Trade and other payables	5,214,773	5,199,616
Due to related parties	20,294	12,736
	8,852,729	9,592,181

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to AED 245,054 thousand and AED 593,773 thousand, respectively (2016: AED 228,246 thousand and AED 638,594 thousand, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

30 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, 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 following table presents the recognised financial instruments that are offset in the statement of financial position, as at 31 December 2017 and 31 December 2016.

	31 December 2017			31 December 2016		
	Gross amounts AED 000	Gross amounts set off AED 000	Net amount presented AED 000	Gross amounts AED 000	Gross amounts set off AED 000	Net amount presented AED 000
Financial assets						
Trade and other receivables	2,767,724	(533,238)	2,234,486	2,278,122	(277,232)	2,000,890
Total	2,767,724	(533,238)	2,234,486	2,278,122	(277,232)	2,000,890
Financial liabilities						
Trade and other payables	6,341,784	(533,238)	5,808,546	6,115,442	(277,232)	5,838,210
Total	6,341,784	(533,238)	5,808,546	6,115,442	(277,232)	5,838,210

31 Segment analysis

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

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI. Mobile handset sales, including instalment sales, are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and data services to national and international carriers and operators. Services include termination of inbound international voice traffic, international roaming agreements, international hubbing and point-to-point leased line connectivity.
- Broadcasting segment delivers integrated satellite and broadcasting services to broadcasters and media companies.

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

31 Segment analysis (continued)

31 December 2017

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	9,732,325	2,286,207	826,679	159,161	13,004,372
Segment contribution	6,432,231	1,940,476	90,888	57,476	8,521,071
Unallocated costs					(4,846,814)
Finance income and costs, other income and share of profit of investments accounted for using equity method					75,100
Profit before royalty					3,749,357
Royalty					(2,037,571)
Profit for the year					1,711,786

31 December 2016

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	9,618,022	2,171,644	769,263	167,719	12,726,648
Segment contribution	6,554,116	1,851,419	116,725	64,927	8,587,187
Unallocated costs					(4,801,503)
Finance income and costs, other income and share of profit of investments accounted for using equity method					78,313
Profit before royalty					3,863,997
Royalty					(2,111,441)
Profit for the year					1,752,556

31 Segment analysis (continued)

The Group's assets and liabilities have not been identified to any of the reportable segments as the majority of the operating fixed assets are fully integrated between segments. The Group believes that it is not practical to provide segment disclosure relating to total assets and liabilities since a meaningful segregation of available data is not feasible.

32 Comparatives

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