Emirates Telecommunications Group Company PJSC

Review report and condensed consolidated interim financial information

for the period ended 30 June 2017

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Emirates Telecommunications Group Company PJSC

Management report on the condensed consolidated interim financial information for the period ended 30 June 2017

Financial Review

1. Changes to the provisions of the Federal Law no. 1 of 1991 and the Articles of Association

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

2. Revenue, profit and earnings per share

The Group's financial performance for the six month period ended 30 June 2017 is summarised in the financial metrics below:

i) Consolidated revenue amounted to AED 25,289 million, exhibiting a decrease of AED 889 million (3.4%) over the revenue of the corresponding period in the prior year.

ii) Profit attributable to the equity holders of the Company amounted to AED 4,061 million, exhibiting an decrease of AED 254 million (5.9%) when compared to the corresponding period in the prior year.

iii) Earnings per share decreased by AED 0.01 when compared to the corresponding period in the prior year.

3. Group net assets

As compared to 31 December 2016, the Group's net assets increased by AED 566 million to AED 56,481 million as at 30 June 2017.

4. Capital expenditure

The Group incurred AED 3,811 million on capital expenditure in the six month period ended 30 June 2017 (AED 3,472 million in the six month period ended 30 June 2016).

5. Dividends

A final dividend for the year 2016 at the rate of AED 0.40 per share was approved for distribution to the shareholders registered at the close of business on Wednesday, 19 April 2017. This brought the total dividend for the year 2016 to AED 0.80 per share.

On 26 July 2017, the Board of Directors declared the first interim dividend for the year 2017 at the rate of AED 0.40 per share.

6. International operations

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

During the period, EMTS defaulted on a facility agreement with a syndicate of Nigerian banks ("EMTS Lenders"), and discussions between EMTS and the EMTS Lenders did not produce an agreement on a debt-restructuring plan.

Accordingly, EMTS received a Default and Security Enforcement Notice on 9 June 2017 requiring EMTS BV to transfer 100% of its shares in EMTS to United Capital Trustees Limited (the "Security Trustee" of the EMTS Lenders) by 23 June 2017.

The transfer of all of EMTS shares held by EMTS BV to the Security Trustee has been made by EMTS BV, and the two Etisalat Group nominees resigned from the Board of Directors of EMTS on 22 June 2017. The legal formalities required under Nigerian law to give effect to the transfer of the shares are as of the date of this report not completed.

The existing management and technical support related agreements between Etisalat Group and EMTS have been terminated effective from 30 June 2017. The agreements governing the use of Etisalat's brand and related IP rights have also terminated effective from 21 July 2017.

Accordingly, since EMTS BV no longer controls EMTS, and the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the condensed consolidated interim financial information.

Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of
Emirates Telecommunications Group Company PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together, "the Group") as of 30 June 2017 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration No. 701
26 July 2017
Abu Dhabi
United Arab Emirates

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of profit or loss for the period ended 30 June 2017

		(Unaudited)			
		Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
	Notes	AED'000	AED'000	AED'000	AED'000
Continuing operations					
Revenue		12,830,534	13,325,627	25,288,735	26,178,233
Operating expenses	4	(8,234,031)	(8,388,313)	(16,207,264)	(17,012,628)
Impairment and other losses		(184,720)	(21,902)	(185,386)	(21,902)
Share of results of associates and joint ventures	5	(59,753)	(9,615)	(108,773)	(13,215)
Operating profit before federal royalty		**4,352,030**	**4,905,797**	**8,787,312**	**9,130,488**
Federal royalty	4	(1,610,212)	(1,788,055)	(3,268,951)	(3,468,472)
Operating profit		**2,741,818**	**3,117,742**	**5,518,361**	**5,662,016**
Finance and other income		307,529	184,996	502,611	527,497
Finance and other costs		(281,022)	(188,286)	(582,776)	(353,062)
Profit before tax		**2,768,325**	**3,114,452**	**5,438,196**	**5,836,451**
Taxation		(403,208)	(486,982)	(656,412)	(812,170)
Profit for the period from continuing operations		**2,365,117**	**2,627,470**	**4,781,784**	**5,024,281**
Discontinued operations					
Loss from discontinued operations	21	(39,923)	(25,245)	(71,975)	(41,779)
Profit for the period		**2,325,194**	**2,602,225**	**4,709,809**	**4,982,502**
Profit attributable to:					
The equity holders of the Company		1,969,961	2,314,862	4,061,458	4,315,599
Non-controlling interests		355,233	287,363	648,351	666,903
		2,325,194	**2,602,225**	**4,709,809**	**4,982,502**
Earnings per share					
From continuing and discontinued operations					
Basic and diluted	7	AED 0.23	AED 0.27	AED 0.47	AED 0.50
From continuing operations					
Basic and diluted	7	AED 0.24	AED 0.27	AED 0.49	AED 0.50

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of comprehensive income for the period ended 30 June 2017

		(Unaudited)			
		Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
	Note	AED'000	AED'000	AED'000	AED'000
Profit for the period		2,325,194	2,602,225	4,709,809	4,982,502
Other comprehensive income / (loss)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising during the period :					
Exchange differences on translation of foreign operations		917,835	(321,131)	1,335,765	(615,758)
(Loss)/gain on hedging instruments designated in hedges of the net assets of foreign operations	18	(450,378)	172,834	(591,313)	(150,702)
Available-for-sale financial assets :					
Gain/(loss) on revaluation of financial assets during the period		36,829	(17,175)	139,710	32,665
Items reclassified to profit or loss:					
Available-for-sale financial assets					
Reclassification adjustment relating to available-for-sale financial assets on disposal		(6)	1,781	(16)	1,513
Total other comprehensive income / (loss)		**504,280**	**(163,691)**	**884,146**	**(732,282)**
Total comprehensive income for the period		**2,829,474**	**2,438,534**	**5,593,955**	**4,250,220**
Attributable to:					
The equity holders of the Company		2,148,361	2,271,574	4,462,120	3,800,194
Non-controlling interests		681,113	166,960	1,131,835	450,026
		2,829,474	**2,438,534**	**5,593,955**	**4,250,220**

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim statement of financial position as at 30 June 2017

	Notes	As at (Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Non-current assets			
Goodwill	8	14,653,803	14,097,902
Other intangible assets	9	14,945,066	14,710,048
Property, plant and equipment	10	43,910,869	42,450,127
Investment property		27,806	27,230
Investments in associates and joint ventures		4,409,501	4,414,352
Other investments	25	1,517,584	879,207
Other receivables	11	346,180	156,612
Derivative financial instruments	18	217,187	331,313
Deferred tax assets		116,316	128,210
		80,144,312	**77,195,001**
Current assets			
Inventories		574,638	708,825
Trade and other receivables	11	18,989,910	18,999,651
Current income tax assets		639,444	593,270
Due from associates and joint ventures		197,774	379,765
Cash and bank balances	12	23,048,070	23,676,170
		43,449,836	**44,357,681**
Assets classified as held for sale	21	938,176	993,663
Total assets		**124,532,324**	**122,546,345**
Non-current liabilities			
Other payables	13	1,641,422	1,558,549
Borrowings	17	19,799,433	18,203,902
Payables related to investments and licenses	19	464,345	542,968
Derivative financial instruments	18	38,605	-
Deferred tax liabilities		3,283,018	3,255,952
Finance lease obligations		3,280	4,905
Provisions		162,855	149,143
Provision for end of service benefits	24	1,540,033	1,636,959
		26,932,991	**25,352,378**
Current liabilities			
Trade and other payables	13	28,859,242	30,798,177
Borrowings	17	6,044,923	4,074,738
Payables related to investments and licenses	19	3,096,031	3,255,327
Current income tax liabilities		244,860	257,491
Finance lease obligations		3,964	5,512
Provisions		2,443,685	2,488,839
Derivative financial instruments	18	-	2,830
		40,692,705	**40,882,914**
Liabilities directly associated with the assets classified as held for sale	21	425,859	396,275
Total liabilities		**68,051,555**	**66,631,567**
Net assets		**56,480,769**	**55,914,778**
Equity			
Share capital		8,696,754	8,696,754
Reserves		26,587,647	26,121,149
Retained earnings		8,399,505	7,883,502
Equity attributable to the equity holders of the Company		**43,683,906**	**42,701,405**
Non-controlling interests		12,796,863	13,213,373
Total equity		**56,480,769**	**55,914,778**

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of changes in equity for the period ended 30 June 2017 (Unaudited)

		Attributable to equity holders of the Company					
		Share capital	Reserves	Retained earnings	Owners' equity	Non-controlling interests	Total equity
	Notes	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2016		**8,696,754**	**27,583,414**	**7,506,616**	**43,786,784**	**15,886,048**	**59,672,832**
Total comprehensive income for the period		-	(515,405)	4,315,599	3,800,194	450,026	4,250,220
Other movements in equity		-	-	(2,187)	(2,187)	(2,246)	(4,433)
Transfer to reserves		-	140,935	(140,935)	-	-	-
Transaction with owners:							
Movements in non-controlling interests		-	-	47,486	47,486	(66,401)	(18,915)
Dividends	6	-	-	(3,477,197)	(3,477,197)	(1,596,014)	(5,073,211)
Balance at 30 June 2016		**8,696,754**	**27,208,944**	**8,249,382**	**44,155,080**	**14,671,413**	**58,826,493**
Balance at 1 January 2017		**8,696,754**	**26,121,149**	**7,883,502**	**42,701,405**	**13,213,373**	**55,914,778**
Total comprehensive income for the period		-	400,662	4,061,458	4,462,120	1,131,835	5,593,955
Other movements in equity		-	-	(2,422)	(2,422)	(2,049)	(4,471)
Transfer to reserves		-	65,836	(65,836)	-	-	-
Transaction with owners:							
Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary		-	-	-	-	(76,091)	(76,091)
Dividends	6	-	-	(3,477,197)	(3,477,197)	(1,470,205)	(4,947,402)
Balance at 30 June 2017		**8,696,754**	**26,587,647**	**8,399,505**	**43,683,906**	**12,796,863**	**56,480,769**

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

Emirates Telecommunications Group Company PJSC

Condensed consolidated interim statement of cash flows for the period ended 30 June 2017 (unaudited)

	Notes	Six months ended 30 June 2017 AED'000	2016 AED'000
Operating profit including discontinued operations		5,452,959	5,637,779
Adjustments for:			
Depreciation		2,828,440	2,918,269
Amortisation		740,412	904,894
Impairment and other losses		187,463	21,902
Share of results of associates and joint ventures		108,773	13,215
Provisions and allowances		14,799	596,820
Unrealised currency translation gain		289,887	104,889
Other non-cash movements		236,807	153,071
Operating profit before changes in working capital		**9,859,540**	**10,350,839**
Changes in working capital:			
Inventories		142,283	141,149
Due from associates and joint ventures		(5,301)	63,522
Trade and other receivables		86,749	(1,393,447)
Trade and other payables		(2,638,505)	(2,964,415)
Cash generated from operations		**7,444,766**	**6,197,648**
Income taxes paid		(804,249)	(1,043,949)
Payment of end of service benefits		(233,647)	(186,531)
Net cash generated from operating activities		**6,406,870**	**4,967,168**
Cash flows from investing activities			
Proceeds from disposal of held-to-maturity investments		328,216	213,794
Acquisition of held-to-maturity investments		-	(910,469)
Acquisition of investment classified as fair value through profit or loss		(789,910)	-
Proceeds from disposal of investment classified as fair value through profit or loss		4,675	-
Acquisition of other investments		(24,932)	(75,804)
Proceeds from disposal of other investments		-	19,448
Acquisition of interest in associates		(106,449)	-
Purchase of property, plant and equipment		(3,531,011)	(2,893,974)
Proceeds from disposal of property, plant and equipment		8,651	29,577
Purchase of other intangible assets		(280,281)	(577,585)
Proceeds from disposal of other intangible assets		206	116
Movement in term deposits with maturities over three months	12	5,106,105	4,231,439
Dividend income received from associates and other investments		22,239	15,878
Proceeds from unwinding of derivative financial instruments		-	282,898
Finance and other income received		491,310	412,374
Net cash generated from investing activities		**1,228,819**	**747,692**
Cash flows from financing activities			
Proceeds from borrowings and finance lease obligations		6,169,683	3,582,360
Repayments of borrowings and finance lease obligations		(3,767,226)	(1,689,816)
Equity repayment to non-controlling interests for acquisition of a subsidiary		(76,091)	-
Dividends paid		(4,905,879)	(5,077,201)
Finance and other costs paid		(537,532)	(407,865)
Net cash used in financing activities		**(3,117,045)**	**(3,592,522)**
Net increase in cash and cash equivalents		**4,518,644**	**2,122,338**
Cash and cash equivalents at the beginning of the period		3,022,907	5,553,300
Effect of foreign exchange rate changes		(47,570)	35,366
Cash and cash equivalents at the end of the period	12	**7,493,981**	**7,711,004**

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

During the period, the Group concluded swap of certain property, plant and equipment having non-cash impact of AED 234.8 million.

The accompanying notes on pages 8 to 25 form an integral part of the condensed consolidated interim financial information.

1. General information

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

In accordance with the Decree by Federal Law no. 3 of 2015 amending certain provisions of the Federal Law No. 1 of 1991 (the "New Law") and the new articles of association of Emirates Telecommunications Group Company PJSC (the "New AoA"), Emirates Telecommunications Corporation has been converted from a corporation to a public joint stock company and made subject to the provisions of UAE Federal Law no. 2 of 2015 on Commercial Companies (the "Companies Law") unless otherwise stated in the New Law or New AoA. Accordingly, the name of the corporation has been changed to Emirates Telecommunications Group Company PJSC. The New Law introduces two new types of share, ie ordinary shares and one Special Share held by the Government of the United Arab Emirates and carries certain preferential rights related to the passing of certain decisions by the company or the ownership of the UAE telecommunication network. Under the New Law, the Company may issue different classes of shares, subject to the approval of the Special Shareholder. The New Law reduces the minimum number of ordinary shares held by any UAE government entity in the Company from owning at least 60% shares in the Company's share capital to an ownership of not less than 51%, unless the Special Shareholder decides otherwise. Under the New Law, shareholders who are not public entities of the UAE, citizens of the UAE, or corporate entities of the UAE wholly controlled by citizens of the UAE, (which includes foreign individuals, foreign or UAE free zone corporate entities, or corporate entities of the UAE that are not fully controlled by UAE citizens) may own up to 20% of the Company's ordinary shares, however the shares owned by such persons / entities shall not hold any voting rights in the Company's general assembly (however, holders of such shares may attend such meeting). The Company has undertaken the procedures required to implement and align its status with the provisions of the New Law. The address of the registered office is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

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

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 26 July 2017.

2. Significant accounting policies

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

Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting.

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

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for the revaluation of certain financial instruments that have been recorded at fair value.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's latest annual audited consolidated financial statements.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016.

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new or amended accounting policies and new standards and interpretations effective as of 1 January 2017.

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

- IAS 7 Statement of cash flows relating to disclosure initiatives
- Amendments to IFRS 12 resulting from Annual Improvements 2014–2016 Cycle regarding clarifying the scope of the standard.
- IAS 12 amendments regarding the recognition of deferred tax assets for unrealised losses

2. Significant accounting policies (continued)

New and amended standards in issue but not yet effective

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

	Effective date
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
Amendment to IFRS 7 Financial Instruments: Disclosures relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely
Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014–2016 Cycle.	1 January 2018
Amendments to IAS 40 clarifying transfers of property to, or from, investment property.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 uncertainty over tax treatments	1 January 2019

IFRS 9 Financial Instruments:

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:
• Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
• Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

2. Significant accounting policies (continued)

New and amended standards in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should 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. Specifically, the standard introduces a 5-step approach to revenue recognition:
- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

1. Provision of service or equipment: Where the contract with customer contains multiple performance obligations or bundled products revenue recognition is expected to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and over the period of time when the services are delivered over the contract period.
2. Contract Costs: 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 over expected contract period and tested for impairment regularly.
3. 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.
4. Financing Component: Some contracts with customers contain payments terms which do not match with the timing of delivery of services or equipment to the customer (e.g., under some contracts, consideration is paid in monthly instalments after the equipment 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 is continuing to assess the impact of these and other changes on the consolidated financial statements.

2. Significant accounting policies (continued)

New and amended standards in issue but not yet effective (continued)

IFRS 16 Leases:

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

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

Management anticipates that the application of the above Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application with the exception of IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases which management is currently assessing. However, it is not practicable to provide a reasonable estimate of the effects of the application of these standards until the Group performs a detailed review.

Associates and joint ventures

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

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

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

2. Significant accounting policies (continued)

Associates and joint ventures (continued)

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

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

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment loss.

Investment properties are depreciated on a straight-line basis over the lesser of 20 years and the period of the lease.

Financial assets

i) Held-to-maturity investments

Bonds and Sukuk bonds with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. The Group considers the credit risk of counterparties in its assessment of whether such financial instruments are impaired.

ii) Available-for-sale financial assets ("AFS")

Listed securities held by the Group that are quoted in an active market are classified as being AFS and are stated at fair value at the end of each reporting period. Gains and losses arising from changes in fair value are recognised directly in equity in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the consolidated statement of profit or loss.

Dividends on AFS equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate prevailing at the end of each reporting period. The foreign exchange gains/losses that are recognised in the consolidated statement of profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains/losses are recognised in other comprehensive income.

2. Significant accounting policies (continued)

Financial assets (continued)

ii) Available-for-sale financial assets ("AFS") (continued)

The Group assesses at the end of each reporting period whether there is objective evidence that AFS assets are impaired. In the case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. When an AFS financial asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Impairment losses previously recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

iii) Financial asset at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a. It is classified as held for trading, i.e. it is:

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

b. Upon initial recognition it is designated by the entity as "at fair value through profit or loss" (FVTPL). An entity may use this designation only when doing so results in more relevant information (i.e. it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities and their gains and losses on different basis; or a group of financial assets and/or financial liabilities is both managed and its performance is evaluated on a fair value basis; or if the instrument contains one or more embedded derivatives.

3. Segmental information

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

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

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

- Pakistan
- Egypt
- Morocco
- International - others

Revenue is attributed to an operating segment based on the location of the Group subsidiary reporting the revenue. Inter-segment sales are charged at arms' length prices.

b) Segment revenues and results

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

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

c) Segment assets

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

The segment information has been provided on the following page.

3. Segmental information (continued)

		International					
	UAE	Morocco	Egypt	Pakistan	Others	Eliminations	Consolidated
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Six months ended 30 June 2017							
Revenue							
External sales	15,772,679	3,718,273	1,092,909	2,048,563	2,656,311	-	25,288,735
Inter-segment sales	135,716	12,983	22,968	1,340	71,158	(244,165)	-
Total revenue	**15,908,395**	**3,731,256**	**1,115,877**	**2,049,903**	**2,727,469**	**(244,165)**	**25,288,735**
Segment result	**7,001,004**	**1,048,919**	**209,129**	**35,923**	**492,337**	**-**	**8,787,312**
Federal royalty							(3,268,951)
Finance and other income							502,611
Finance and other costs							(582,776)
Profit before tax							**5,438,196**
Taxation							(656,412)
Profit for the period from continuing operations							**4,781,784**
Total assets at 30 June 2017	59,913,515	32,678,228	7,477,703	19,973,620	18,884,307	(14,395,049)	124,532,324
Six months ended 30 June 2016							
Revenue							
External sales	15,337,655	3,957,728	2,200,488	2,036,803	2,645,559	-	26,178,233
Inter-segment sales	174,972	36,799	16,498	30,234	130,401	(388,904)	-
Total revenue	**15,512,627**	**3,994,527**	**2,216,986**	**2,067,037**	**2,775,960**	**(388,904)**	**26,178,233**
Segment result	**7,214,308**	**1,125,974**	**299,352**	**80,483**	**410,371**	**-**	**9,130,488**
Federal royalty							(3,468,472)
Finance and other income							527,497
Finance and other costs							(353,062)
Profit before tax							**5,836,451**
Taxation							(812,170)
Profit for the period from continuing operations							**5,024,281**
Total assets at 31 December 2016	60,055,024	31,226,594	6,814,677	20,100,018	18,286,911	(13,936,879)	122,546,345

4. Operating expenses and federal royalty

a) Operating expenses (before federal royalty)	Three months ended 30 June 2017 AED'000	Three months ended 30 June 2016 AED'000	Six months ended 30 June 2017 AED'000	Six months ended 30 June 2016 AED'000
Direct cost of sales	3,104,895	3,011,832	5,949,617	5,854,689
Staff costs	1,284,108	1,335,924	2,579,359	2,702,289
Depreciation	1,397,848	1,441,966	2,770,309	2,854,431
Network and other related costs	642,478	726,598	1,242,178	1,441,806
Amortisation	338,086	450,996	733,389	896,427
Marketing expenses	204,937	212,732	431,133	451,797
Regulatory expenses	306,329	369,197	594,048	665,744
Operating lease rentals	85,723	110,310	170,434	224,353
Foreign exchange gain/(loss)	266,569	(31,551)	365,206	305,909
Other operating expenses	603,058	760,309	1,371,591	1,615,183
Operating expenses (before federal royalty)	**8,234,031**	**8,388,313**	**16,207,264**	**17,012,628**

Regulatory expenses:

Regulatory expenses include ICT contributions required to be paid by the Company to the UAE Telecommunication Regulatory Authority (TRA) at 1% of its revenues annually. In the computation of the regulatory expenses, the Company had made certain critical judgments and assumptions relating mainly to the interpretation of revenues, which the Company contends to include UAE regulated revenues only and not revenues in other UAE entities as well as overseas subsidiaries.

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

b) Federal Royalty

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

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

On 25 February 2015, UAE Ministry of Finance ("MOF") issued revised guidelines (which was received by the Company on 1 March 2015) for the computation of federal royalty for the financial years ending 31 December 2014, 2015 and 2016 ("Guidelines").

In accordance with the Guidelines, the royalty rate for 2016 was reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues. During the previous year, the Company finalised discussions with MOF and agreed on the basis of allocation of indirect costs between regulated and non-regulated services and the resulting federal royalty amount for the year ended 31 December 2016 was paid.

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

The mechanism for computation of federal royalty for the period ended 30 June 2017 was in accordance with the new royalty scheme.

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

5. Share of results of associates and joint ventures

In the prior years, the Group had reassessed its accounting treatment for share of results of one of its associates. Consequently, the Group has discontinued the recognition of the share of the results of that associate with effect from 1 January 2013.

In February 2017, the Group invested an additional amount of USD 6 million (AED 22 million) in EMTS Holding BV ("EMTS") as its contribution for the issuance of the new class of preference shares. During the period, the Group recognised share of losses from EMTS for an amount of AED 22 million against the additional investment.

On 22 June 2017, the transfer of the EMTS shares from EMTS BV to the Security Trustee has been made by EMTS BV, and the two Etisalat Group nominees resigned from the Board of Directors of EMTS; later a new Board for EMTS was appointed. Accordingly, since EMTS BV no longer controls, and the Group does not have significant influence on EMTS, the investment in the associate has been derecognised in the condensed consolidated interim financial information.

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

6. Dividends

Amounts recognised as distribution to equity holders:	AED'000
Six months ended 30 June 2016	
Final dividend for the year ended 31 December 2015 of AED 0.40 per share	3,477,197
Six months ended 30 June 2017	
Final dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,197

7. Earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Earnings (AED'000)				
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	1,969,961	2,314,862	4,061,458	4,315,599
Number of shares ('000)				
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,696,754	8,696,754	8,696,754	8,696,754
Earnings per share				
From continuing and discontinued operations				
Basic and diluted	AED 0.23	AED 0.27	AED 0.47	AED 0.50
From continuing operations				
Basic and diluted	AED 0.24	AED 0.27	AED 0.49	AED 0.50

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

8. Goodwill

The movement in the Goodwill is provided below:	Note	30 June 2017 AED'000	31 December 2016 AED'000
Opening balance		14,097,902	14,577,512
Reclassified as held for sale	21	-	(206,122)
Exchange difference		555,901	(273,488)
Closing balance		14,653,803	14,097,902

9. Other intangible assets

The movement in other intangible assets is provided below:	Note	30 June 2017 AED'000	31 December 2016 AED'000
Opening balance		14,710,048	17,193,072
Additions		280,281	766,279
Advance against licenses		-	2,053,942
Disposals		(206)	(169)
Amortisation and impairment losses		(740,412)	(1,783,178)
Reclassified as held for sale	21	7,504	(26,416)
Exchange difference		687,851	(3,493,482)
Closing balance		14,945,066	14,710,048

10. Property, plant and equipment

	Note	30 June 2017 AED'000	31 December 2016 AED'000
Opening balance		**42,450,127**	**46,269,981**
Additions		3,530,435	7,840,807
Transfer to inventory		-	(128,371)
Transfer from asset held for sale		39,422	-
Transfer from investment property		-	12,154
Disposals		(251,549)	(472,979)
Depreciation		(2,828,440)	(5,884,725)
Impairment losses		(3,763)	(142,111)
Reclassified as held for sale	21	58,990	(559,638)
Exchange difference		915,647	(4,484,991)
Closing balance		**43,910,869**	**42,450,127**

11. Trade and other receivables

	30 June 2017 AED'000	31 December 2016 AED'000
Amount receivable for services rendered	10,914,647	9,934,519
Allowance for doubtful debts	(2,542,348)	(2,118,831)
Net trade receivables	**8,372,299**	**7,815,688**
Amounts due from other telecommunication operators/carriers	5,718,948	6,182,091
Prepayments	737,870	572,451
Accrued income	1,585,698	1,408,833
Finance lease receivables	151,742	3,204
Other receivables	2,769,533	3,173,996
Net trade and other receivables	**19,336,090**	**19,156,263**
Total trade and other receivables	**19,336,090**	**19,156,263**
of which current trade and other receivables	18,989,910	18,999,651
of which non-current other receivables	346,180	156,612

12. Cash and cash equivalents

	Note	30 June 2017 AED'000	31 December 2016 AED'000
of which maintained locally		20,304,428	20,794,417
of which maintained overseas, unrestricted in use		2,699,201	2,786,320
of which maintained overseas, restricted in use		65,237	123,159
Cash and bank balances		**23,068,866**	**23,703,896**
Reclassified as held for sale	21	(20,796)	(27,726)
Cash and bank balances from continuing operations		**23,048,070**	**23,676,170**
Less: Deposits with maturities exceeding three months from the date of deposit		(15,574,885)	(20,680,990)
Cash and cash equivalents from continuing operations		**7,473,185**	**2,995,180**

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

13. Trade and other payables

	30 June 2017 AED'000	31 December 2016 AED'000
Current		
Federal royalty	2,967,658	5,010,268
Trade payables	7,882,462	8,034,553
Amounts due to other telecommunication administrators	4,755,233	5,250,963
Deferred revenue	2,268,156	2,129,470
Other payables and accruals	10,985,733	10,372,923
	28,859,242	**30,798,177**
Non-current		
Other payables	1,641,422	1,558,549
	1,641,422	**1,558,549**

14. Contingent liabilities

a) Foreign exchange regulations

On 23 July 2011, Etisalat DB Telecom Pvt Limited ("Etisalat DB") received a show cause notice from the Directorate of Enforcement (the ED) of India alleging certain breaches of the Foreign Exchange Management Act 1999 (FEMA), by Etisalat DB and its Directors (at the time of the alleged breach). Etisalat DB and its Directors have filed their response(s) to the notice and the cases of each of the notices have been part heard by the ED. There is a stay of the hearings, pending the outcome of an appeal to the Supreme Court of India by two of the former Etisalat DB directors and the ED, on the right to cross examine some or all of the witnesses who have given statements to the ED. Should there be an adverse finding by the ED, the penalty for a breach of FEMA carries a theoretical exposure in excess of US$1.0 billion; however, there is no clarity on how such a fine would be apportioned between the notices. The proceedings of the case are stayed as at the end of the reporting period.

b) Other contingent liabilities

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

ii) The Honorable Supreme Court of Pakistan (Apex Court) disposed the Review Petitions filed by PTCL, a subsidiary of the Group, the Pakistan Telecommunication Employees Trust (“PTET”) and the Federal Government (collectively, the Review Petitioners) vide the order dated 17th May 2017. Through the said order, the Apex Court directed the Review Petitioners to seek remedy under section 12(2) CPC (Civil Procedure Code) which shall be decided by the concerned Court in accordance with the law, and to pursue all grounds of law and fact in other cases pending before the High Courts. The Review Petitioners have filed the applications under section 12(2) CPC before respective High Courts. Under the circumstances, management of PTCL is of the view, that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the referred decision of the Apex Court which could be disclosed in these condensed consolidated interim financial information.

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

Multiple legal cases were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC’s committee in accordance with the Telecommunication regulations. The status of these legal cases as of 30 June 2017, was as follows:

• There are 361 legal cases filed by Mobily against CITC amounting to approximately Saudi Riyals 653 million;

• The Board of Grievance has issued 22 preliminary verdicts in favor of Mobily voiding 22 resolutions of the CITC’s violation committee with total penalties amounting to approximately Saudi Riyals 41 million; and
• There are also final verdicts that have been issued in favor of Mobily (after they were affirmed by the appeal court) resulting in cancellation of 147 penalty resolutions with an approximate total amount of Saudi Riyals 411 million.

In addition, 20 legal cases were filed by Mobily against CITC in relation to the mechanism of calculating the governmental fees and other subjects in which 13 of them are specifically related to the govenmental fees as of 30 June 2017, out of which Mobily received 7 preliminary judgements and 5 final judgements in its favour. The remaining cases are still being adjudicated before the Board of Grievance. It is difficult to determine the amount of claims due to the difference in the calculation method. Although Mobily believes that these claims have no legal basis, they may have a material impact on Mobily's business in case of retroactive change in the regulatory framework which is difficult to assess.

Mobily received additional claims from CITC during 2017 and has reassessed the provisions required against the claims for the period ended 30 June 2017 and has recorded an appropriate estimate of the amount that it may ultimately have to pay to settle such claims.

14. Contingent liabilities (continued)

b) Other contingent liabilities (continued)

iv) Furthermore, there are 167 lawsuits filed by some of the shareholders against Mobily before the Committee for the Resolutions of Security Disputes with some still being adjudicated by such committee. Mobily has received (37) preliminary verdicts and (107) final verdicts in its favor in these lawsuits at the first instance and (12) cases have been either dismissed or abandoned and (11) cases are on-going as of 30 June 2017.

Out of the 107 verdicts received by Mobily, 20 decisions were appealed and the Appeals Committee of the CRSD redirected that the lower bench of the CRSD review such cases taking into account the role of Mobily as a Company and that of its management. Mobily management and Directors are currently evaluating the implications of the appeal decisions arising from the 20 cases reviewed and believe that the likelihood of additional material liabilities arising from these lawsuits is not probable from the 87 cases finally determined so far.

36 shareholder claims have been made against the 2013/2014 members of the Board of Mobily and others, and these have been filed with the CRSD. These proceedings have been suspended by the CRSD pending its final determination of Saudi Capital Market Authority ("CMA") claims against members of the 2013/14 Board of Mobily.

As noted above, the CMA has launched claims against members of the 2013/2014 Board of Mobily in January 2016. These proceedings are currently underway and at this stage it is not possible to qualify their legal standing or quantify the potential liability, if any, arising thereunder. In case of an adverse decision, the Board members will seek D&O insurance cover.

v) In the prior years, Atlantique Telecom SA, a subsidiary of the Group, has been engaged in arbitration proceedings against SARCI Sarl ("SARCI"), a minority shareholder of one of its subsidiaries, Telecel Benin where SARCI was seeking compensation for alleged damages caused to Telecel Benin by Atlantique Telecom during the period from 2002 till 2007. Two arbitration proceedings on the same issue had been cancelled upon Atlantique Telecom's request in 2008 and 2013. In November 2015, the Arbitral Tribunal of a third proceeding launched in 2013 has awarded Sarci damages amounting to approximately EURO 416 million (AED 1.6 billion). Sarci has started execution proceedings in several African countries which with the exception of Togo were denied or have been stalled by the local Courts while the execution measures allowed by a first instance court in Togo have been appealed and suspended and are still under dispute. On the substance of the award itself, Atlantique Telecom has initiated legal proceedings before the Appeal Court of Cotonou in order to obtain the cancellation of the award of this third arbitration process and the suspension of any execution thereof. The court decision on the request for stay of execution was granted in June 2017, the decision on the cancellation of the award of this arbitration is being regularly postponed for reasons of procedure or constitutional challenges by of Sarci (which have been rejected) and also for reasons inherent to the organization of the Beninese justice system. There is currently no certain date for such a decision.

vi) In April 2016, Etisalat Misr received notice of arbitration proceedings initiated by Vodafone Egypt Telecommunication Company (Vodafone). Vodafone is seeking to recover outstanding interconnection fees payable as a result of principle set by Court's decision nullifying the National Telecommunication Regulatory Authority (NTRA) set tariffs imposed on operators plus interest dues. The arbitration proceedings are still in preliminary stages. Given the early stages of this arbitration and based on the submitted arguments and supported documents presented, management believes that the recorded interconnection transactions have been fairly recognized in the condensed consolidated interim financial information as at 30 June 2017.

15. Capital Commitments

The Group has approved capital projects and investments commitments to the extent of AED 5,405 million (2016: AED 5,711 million).

16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

a) Federal Government and state controlled entities

As stated in Note 1, in accordance with Federal Law No. 267/10 for 2009, the Federal Government of the UAE transferred its 60% holding in the Company to the Emirates Investment Authority with effect from 1 January 2008, which is ultimately controlled by the UAE Federal Government. The Group provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 90 to 120 days. Trade receivables include an amount of AED 1,455 million (2016: AED 1,414 million), which are net of allowance for doubtful debts of AED 187 million (2016: AED 156 million), receivable from Federal Ministries and local bodies. See Note 4 for disclosure of the royalty payable to the Federal Government of the UAE.

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

16. Related party transactions (continued)

b) Joint ventures and associates	Associates		Joint Ventures	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Trading transactions for the six months ended 30 June				
Telecommunication services – sales	66,551	71,600	-	-
Telecommunication services – purchases	44,879	75,800	-	-
Management and other services	68,678	77,300	850	900
Net amount due from/(to) related parties as at 30 June 2017 / 31 December 2016	293,543	443,438	(1,276)	2,000

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

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

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

17. Borrowings

	Note	Carrying Amounts	
		30 June 2017 AED'000	31 December 2016 AED'000
Bank borrowings			
Bank overdrafts		5,072,823	3,318,881
Bank loans		4,898,186	3,934,047
Other borrowings			
Bonds		15,018,368	14,217,614
Loans from non-controlling interest		-	3,500
Vendor financing		409,527	345,595
Others		3,915	3,601
		25,402,819	**21,823,238**
Advances from non-controlling interest		552,027	552,027
Total Borrowings as at 30 June 2017/ 31 December 2016		**25,954,846**	**22,375,265**
Reclassified as held for sale	21	(110,490)	(96,625)
Borrowings from continuing operations as at 30 June 2017/ 31 December 2016		**25,844,356**	**22,278,640**
of which due within 12 months		6,044,923	4,074,738
of which due after 12 months		19,799,433	18,203,902

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

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

The Group has listed a USD 7 billion (AED 25.7 billion) medium-term note programme which will be used to meet medium to long-term funding requirements. In 2014, the Group issued the inaugural bonds under the GMTN programme in USD and Euro tranches amounting to USD 1 billion and Euro 2.4 billion in total respectively. Further, in May 2015, the Group issued additional bonds amounting to USD 400 million under the existing USD 5 year tranches. As at 30 June 2017, the total amounts in issue under this programme split by currency are USD 1.4 billion (AED 5.14 billion) and Euro 2.4 billion (AED 10.01 billion) as follows:

17. Borrowings (continued)

	Nominal Value 2017 AED'000	Fair Value 2017 AED'000	Carrying Value 2017 AED'000
Bonds			
2.375% US dollar 900 million notes due 2019	3,306,600	3,322,174	3,306,573
3.500% US dollar 500 million notes due 2024	1,837,000	1,869,515	1,819,097
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	5,006,040	5,259,195	4,966,886
2.750% Euro 1,200 million notes due 2026	5,006,040	5,550,847	4,925,812
At 30 June	**15,155,680**	**16,001,731**	**15,018,368**
of which due within 12 months			-
of which due after 12 months			15,018,368

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

18. Net investment hedge relationships

The Group has Euro bonds (refer to note 17) and cross currency swaps which are designated as net investment hedges.

	Three months ended 30 June		Six months ended 30 June	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Effective part directly recognised in other comprehensive (loss) / income	**(450,378)**	**172,834**	**(591,313)**	**(150,702)**

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

	30 June 2017 AED'000	31 December 2016 AED'000
Fair value of swaps designated as net investment hedge (Derivative financial assets)	217,187	331,313
Fair value of swaps designated as net investment hedge (Derivative financial liabilities)	(38,605)	(2,830)

During previous year, the Group executed the unwinding of a USD - EUR cross currency swap and received cash of AED 283 million.

19. Payables related to investments and licenses

As at period end, payables related to investments and licenses include an amount of AED 454 million (2016: AED 551 million) payable towards acquisition of 3G license and renewal of 2G license in Pakistan and during the previous year an amount of AED 312 million payable towards acquisition of global license in Ivory Coast.

20. Other significant event

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

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

An Appeal was filed by the largest shareholder of Etisalat DB against the Winding Up Order, along with a Notice of Motion for stay of the operation of the order on 15 May 2015. That appeal was not served on EML at that time and no further steps were taken at that time to pursue the appeal. On 29 March 2016 the appeal was heard before the Division Bench (Court of Appeal) of the High Court. At that hearing, preliminary objections were made by Counsel on behalf of EML as to the inordinate delay in pursuing the appeal and submissions were made that the appeal should be dismissed. No order was made and the matter was adjourned to a further hearing on 4 May 2016. EML was subsequently served with a copy of the Appeal, Compilation of Documents, Notice of Motion and supporting Affidavit on 1 April 2016. The appeal is yet to be heard, as at the end of the reporting period.

21.Disposal Group held for sale/ Discontinued operations

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

21.1 Analysis of loss for the period from discontinued operations

	Three months ended 30 June		Six months ended 30 June	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Revenue	61,569	158,109	133,160	330,983
Operating expenses	(97,861)	(174,584)	(198,562)	(355,220)
Operating loss before tax	**(36,292)**	**(16,475)**	**(65,402)**	**(24,237)**
Finance and other income	316	444	700	1,203
Finance costs	(3,947)	(6,173)	(7,273)	(11,104)
Loss before tax	**(39,923)**	**(22,204)**	**(71,975)**	**(34,138)**
Taxation	-	(3,041)	-	(7,641)
Loss for the period from discontinued operations	**(39,923)**	**(25,245)**	**(71,975)**	**(41,779)**

21.2 The disposal group comprised the following assets and liabilities :

	As at	
Assets classified as held for sale	30 June 2017 AED'000	31 December 2016 AED'000
Goodwill	206,122	206,122
Other intangible assets	18,912	26,416
Property, plant and equipment	461,226	559,638
Deferred tax assets	67,092	68,491
Inventories	1,214	1,645
Trade and other receivables	162,814	103,625
Cash and bank balances	20,796	27,726
Assets classified as held for sale	**938,176**	**993,663**

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

21.2 The disposal group comprised the following assets and liabilities (continued):

	As at	
	30 June 2017	31 December 2016
Liabilities classified as held for sale	AED'000	AED'000
Trade and other payables	221,509	204,251
Borrowings	110,490	96,625
Provision for end of service benefits	2,624	2,631
Provision	15,675	15,614
Deferred tax liabilities	65,830	67,201
Finance lease obligation	9,731	9,953
Liabilities associated with assets classified as held for sale	**425,859**	**396,275**
Net assets classified as held for sale	**512,317**	**597,388**

	Six months ended 30 June	
	2017	2016
Cash flows from discontinued operations	AED'000	AED'000
Net cash inflows from operating activities	6,398	133,609
Net cash outflows inflows from investing activities	(21,677)	(40,097)
Net cash inflow / (outflows) from financing activities	8,955	(182,002)
Net cash outflows	(6,324)	(88,490)

Cumulative income or expense recognised in other comprehensive income

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

22. Seasonality and cyclicality of interim operations

There are no items of seasonal or cyclical nature in the interim operations during the period ended 30 June 2017 and 2016.

23. Fair value disclosures

The Group has Euro bonds and cross currency swaps which are designated as net investment hedges. The Group has in place cross currency USD-EUR swaps which are designated as hedges of net investment. The fair value of the cross currency swaps are calculated by discounting the future cash flows to the net present value using appropriate market interest and prevailing foreign currency rates. The fair value of cross currency swaps represent Level 2 fair values. The Group has quoted equity investments in listed equity securities. The fair values of these equity securities are derived from quoted prices in active markets for identical assets, which in accordance with the fair value hierarchy with IFRS 7 Financial Instruments : Disclosure, represent Level 1 fair values. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period.

24. Provision for end of service benefits

		30 June 2017	31 December 2016
The movement in the provision for end of service benefits is provided below:	Note	AED'000	AED'000
Opening balances		**1,636,959**	**1,910,480**
Additions		130,198	264,107
Payments		(241,706)	(546,872)
Exchange difference		11,998	(6,157)
Unwinding of discounts		2,577	6,043
Remeasurement		-	11,989
Reclassified as held for sale	21	7	(2,631)
Closing balances		**1,540,033**	**1,636,959**

25. Other investments

During the period, the Group invested in overseas hedged funds for an amount of AED 790 million which was classified as fair value through profit or loss.