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شركة مجموعة الإمارات للاتصالات ش.م.ع
مجموعة اتصالات
المركز الرئيسي: ص.ب: ٣٨٣٨، أبوظبي
الإمارات العربية المتحدة
هاتف: ٦٢٨٣٣٣٣ ٢ (٩٧١+)
فاكس: ٦٣١٧٠٠٠ ٢ (٩٧١+)
الموقع الإلكتروني: www.etisalat.com

Ref. No.: HO/GCFO/152/56
Date : 08 March 2017

المرجع: م ر / ر ت ش م /56/152
التاريخ: 8 مارس 2017

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

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

Dear Sir,

بعد التحية،،

Consolidated Audited Financial Statements for the period ended 31 December 2016

البيانات المالية الموحدة المدققة عن السنة المالية المنتهية في 31 ديسمبر 2016

We would like to inform you that the Board of Directors of Emirates Telecommunications Group Company "Etisalat Group" PJSC has held a meeting on Wednesday 8 March 2017 at 9:00 am and approved the consolidated audited financial statements for the year ended 31 December 2016 (attached).

نحيطكم علما بأن مجلس إدارة شركة مجموعة الإمارات للإتصالات "مجموعة اتصالات" ش.م.ع قد عقد اجتماعه اليوم الأربعاء الموافق 8 مارس 2017 وذلك في تمام الساعة التاسعة صباحاً، حيث وافق على البيانات المالية الموحدة المدققة عن السنة المالية المنتهية في 31 ديسمبر 2016 (مرفقة).

The consolidated financial statements has been prepared in compliance with International Financial Reporting Standards (IFRS) and audited by independent external auditors.

تم إعداد البيانات المالية الموحدة طبقا للمعايير الدولية للتقارير المالية، كما تم تدقيقها من قبل المدققين الخارجيين المستقلين.

With warm regards,

وتقبلوا تحياتنا،

سركان أوكاندان
الـرئيس الـتنفيذي للشـؤون المـاليـة – مجموعة اتصالات
Serkan Okandan
Chief Financial Officer – Etisalat Group

Copy to :
The Chief Executive Officer
Securities & Commodities Authority

نسخة إلى:
الرئيس التنفيذي
هيئة الأوراق المالية والسلع

Emirates Telecommunications Group Company PJSC 'Etisalat Group'

Earnings Release Fourth Quarter 2016

08 March 2017

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Abu Dhabi, UAE

Investor Relations:
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Jon

Financial Highlights for FY 2016

- Aggregate subscriber base reached 162 million, representing a year over year decrease of 1%;;
- Consolidated revenues amounted to AED 52.4 billion and increased year over year by 2%;
- Consolidated EBITDA totaled AED 26.3 billion, resulting in EBITDA margin of 50%;
- Consolidated net profit after Federal Royalty amounted to AED 8.4 billion resulting in a net profit margin of 16% and increased year over year by 2%;
- Consolidated capital spending increased by 2% to AED 10.5 billion, representing 20% of the consolidated revenues; and
- Proposed final dividend payout of 40 fils per share for 2016, representing a total dividend payout of 80 fils for the full year and a dividend payout ratio of 83%.

Financial Highlights for Q4 2016

- Consolidated revenues for the fourth quarter amounted to AED 12.9 billion, representing an increase of 3% year over year;
- Consolidated EBITDA for the fourth quarter totaled AED 6.2 billion, representing a decline of 3% year over year and resulting in EBITDA margin of 48%;
- Consolidated net profit after Federal Royalty amounted to AED 2.2 billion resulting in a net profit margin of 17% and decreased year over year by 14%; and
- Consolidated capital spending increased 7% to AED 5.2 billion, representing 41% of the fourth quarter consolidated revenues.

Key Developments in FY2016

- Inclusion of Etisalat in the FTSE Russell Emerging Markets Index.
- Etisalat and Dubai Parks and Resorts collaborate in creating the region's first smart theme park resort.
- Etisalat Group named as one of a few major partners of Dubai's Expo 2020 mega event.
- Credit Ratings Agencies S&P Global and Moody's affirmed Etisalat Group's credit rating at AA-/Aa3;
- Etisalat Group completed the sale of its 92.3% shareholding in Canar Telecom in Sudan;
- Etisalat launched the UAE's first Voice over LTE (VoLTE) service;
- Maroc Telecom launched innovative and exclusive Smart Home services, Cloud and Google Apps Work.
- Launched a new Digital Business Unit that will help corporate clients to transform their businesses.
- Etisalat Misr acquired 4G license and Fixed line virtual license in Egypt;
- Acquired Universal licenses in Ivory Coast and renewed 3G licence in Togo.

Statement from Eissa Mohamed Al Suwaidi, Chairman of Etisalat Group

Etisalat Group Chairman, H.E. Eissa Mohamed Al-Suwaidi, said: "Etisalat Group continues to strengthen its position as one of the leading operators in emerging markets. In the face of global economic pressure, Etisalat Group has, once again, demonstrated strong performance, evidence of a business that is both robust and resilient.

"In terms of achievements, 2016 was a very important period for 'Etisalat Group' as we laid key foundational steps in our journey towards digital transformation. We also continued our relentless efforts to provide our customers with a wide portfolio of innovative products and services, integrated solutions, and smart platforms.

"Etisalat Group will continue to rise to the challenge and deliver against its digital transformation agenda, which will entail a change in the way we do business, for the ultimate endeavor of enhancing our customers' experience and bringing more value to them. Etisalat will also continue to leverage its portfolio and strong financial position to capture the opportunities and mitigate the challenges facing the sector."

"Etisalat Group has reached the position we are in today as a result of the support of the wise leadership of the UAE. I want to sincerely thank our leaders for their vision and continuous support of Etisalat, and to reiterate our commitment to lend our full potential in order to facilitate the realization of their strategic vision of delivering a smarter future."

"Our current and future success are a natural outcome of the long-standing relationship and support of our shareholders, loyal customers, hard work of our employees and strong commitment of our management team and their ability to translate our organizational goals into reality."

Statement from Saleh Al Abdooli, CEO of Etisalat Group

Engineer Saleh Al Abdooli, Group Chief Executive Officer, Etisalat Group, said: "Etisalat Group is in a stronger position today to seize the opportunities and overcome the challenges of our fast-evolving industry, and move forward with confidence as a leading provider in our operating markets. Our financial results are a testimonial of the Group resilience and ability to mitigate the pressures arising from the global economic slowdown."

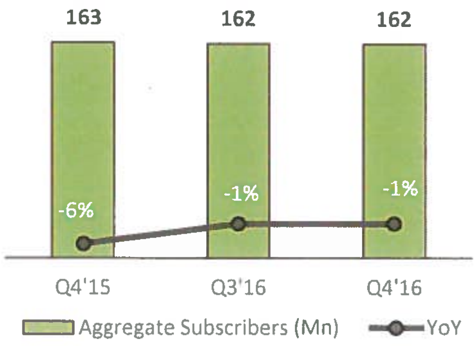
He added: "Etisalat Group has maintained its high ratings with international credit agencies, and is serving a large and strong customer base across its international footprint, with a considerable potential to grow further"

"In 2016 we have crossed another critical milestone in our journey as we started to pursue an ambitious agenda in the digital space; the same is a necessity in order to maintain our leadership position in local and international markets as digital becomes the next big thing. Our focus remains on providing governments, businesses and individuals with innovative, simple, and relevant solutions that harness the power of technology and maximizes their potential."

"I am confident that Etisalat Group will enable a smarter future, by capitalizing on its knowledge, capabilities, talent, assets, and its strong financial performance. We will continue to support the communities we serve and add value to the markets we operate. In addition, customer experience remains a key area of focus in which we will strive to provide our customers with a superior service level on top of our high quality products."

"We are grateful to our government and shareholders for their unwavering support; to our customers for their continued loyalty and trust, and to our engaged employees who are translating our aspirations into reality with their hard work and dedication"

Subscribers



Etisalat Group aggregate subscribers as at 31 December 2016 was 162 million reflecting a net loss of 1.2 million during the last 12 month period, due to subscriber disconnection in compliance with the regulatory mandated registration in various markets. However, we maintained strong subscriber growth in the UAE, Egypt, Morocco, Ivory Coast, Burkina Faso, Benin, Togo, Niger and Afghanistan. Quarter over quarter subscriber growth was flat.

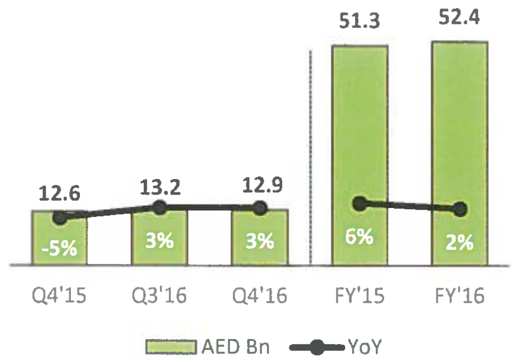
In the **UAE** the active subscriber base grew to 12.3 million subscribers in the fourth quarter of 2016 representing a year on year growth of 6% and quarter over quarter of 1%. Subscriber growth continued to be driven by strong performance of mobile and eLife segments. The mobile subscriber base grew year on year by 7% to over 10.4 million subscribers representing a net addition of 0.7 million subscribers of which 27% was in the high quality postpaid segment. Fixed line voice only subscriber segment contracted 7% year on year primarily due to migration of subscribers to the eLife segment that continued to drive consistent growth with 10% year on year increase. Total broadband segment grew by 5% year on year to 1.1 million subscribers.

For **Maroc Telecom** the subscriber base reached 54.0 million customers as at 31 December 2016, representing a year over year growth of 6%. This growth is mainly attributable to the operations in Morocco, Burkina Faso, Gabon, Ivory Coast, Benin, Togo and Niger.

Nigeria subscriber base reached 20.7 million as at December 2016, representing year over year decline of 7% attributed to sim disconnection in compliance with the regulator mandated registration process. Quarter over quarter subscriber base declined by 8% impacted by macro economic environment and regulatory challenges.

In **Pakistan**, subscriber base declined by 9% year over year and 3% quarter over quarter to 21.9 million. This decline is attributed to strategic shift to value in the mobile segment and fixed to mobile substitution in the fixed segment.

Revenue



Etisalat Group's consolidated revenue for the fourth quarter of 2016 amounted to AED 12.9 billion with growth of 3% in comparison to the same period last year and a decline of 2% quarter over quarter. Full year consolidated revenue increased by 2% to AED 52.4 billion driven by strong performance of domestic operations and Maroc Telecom Group. Fourth quarter and full year revenue were impacted by unfavourable exchange rate movements mainly in Egypt.

In the **UAE**, revenue in the fourth quarter increased year on year by 14% to AED 7.9 billion and 6% quarter over quarter. For the full year, revenue increased by 5% to AED 30.3 billion, as a result of growth of the subscriber base with increased bundled propositions (voice and data) to consumer and enterprise segments, strong performance of fixed broadband segment and increased offering of business solutions, digital and ICT services. In addition, we witnessed increase in wholesale segment.

Revenues of **International consolidated operations** for the fourth quarter of 2016 decreased year over year by 10% to AED 4.9 billion negatively impacted by the unfavourable exchange rate movements that continued to impact the financial performance of the countries of operations such as Egypt in addition to competitive pressure of mobile segment in Morocco and fixed segment in Pakistan. Revenues from International operations represented 38% of Group consolidated revenue. Full year revenue generated internationally declined year-on-year by 2% to AED 21.4 billion resulting in 41% contribution to Group revenue.

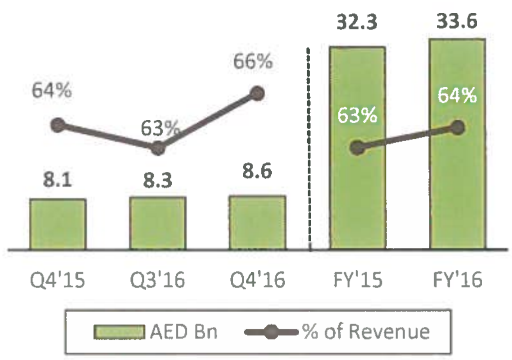
Maroc Telecom consolidated revenue for the fourth quarter of 2016 amounted to AED 3.0 billion representing a year over year decline of 2% attributed to stringent regulatory environment in mobile segment in the domestic market. In Morocco, revenue declined by 2% due to the competitiveness of the mobile segment. Revenue from international operations increased year over year by 2% in local currency, resulting in 45% contribution to Maroc Telecom Group's consolidated revenue, an increase of 1 points compared to fourth quarter of 2015.

Full year revenue amounted to AED 12.6 billion, a year over year growth of 3% in local currency. This growth is attributed to 1% growth in Morocco driven by the Fixed-Line and Internet activities and 9% growth in International operations especially in Ivory Coast and Niger.

In **Egypt**, revenue for the fourth quarter of 2016 was AED 0.7 billion, a decrease of 42% year on year and 34% quarter over quarter. Revenue for the full year 2016 was AED 4.0 billion, decreasing by 11% from the prior year. Full year and fourth quarter year on year decline is attributed to unfavourable exchange rate movements of Egyptian Pound against AED. In local currency, revenue growth for the full year is 8% mainly attributed to growth in the data segment and higher subscriber base.

In **Pakistan** operations, revenue for the fourth quarter increased by 1% to AED 1.0 billion as compared to the same period in 2015, while it declined by 5% as compared to the third quarter of 2016. Revenue for the full year of 2016 was AED 4.1 billion, a decline of 3% from the prior year. Revenue continued to be impacted by a highly competitive pricing environment in the long distance international business. Revenue from mobile segment continued its growth for the fourth consecutive quarter driven by higher mobile data.

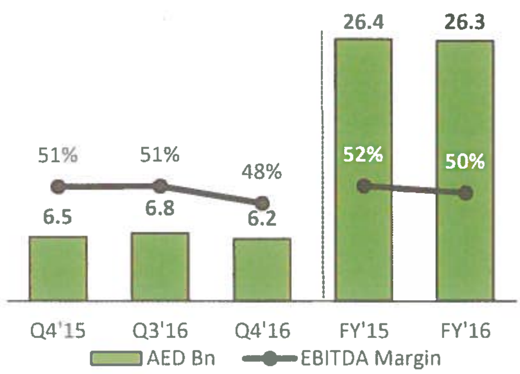
Operating Expenses



Consolidated operating expenses for the fourth quarter of 2016 was AED 8.6 billion, an increase of 6% from the same quarter of the previous year and 3% from the third quarter of 2016, mainly due to higher direct costs of sales, higher marketing and regulatory expenses and other operating expenses. For the full year, consolidated operating expenses increased by 4% from AED 32.3 billion in 2015 to AED 33.6 billion in 2016. This increase was mainly due to the higher direct costs of sales, higher depreciation and amortization expenses, higher regulatory expenses and other operating expenses. Key components of operating expenses are:

- **Direct cost of Sales** increased year over year by 11% to AED 2.9 billion in the fourth quarter of 2016, while increased by 6% to AED 11.6 billon for the full year. As a percentage of revenues it increased by 2 points to 23% of revenues in the fourth quarter and by 1 point to 22% for the full year.
- **Staff expenses** decreased 4% to AED 1.2 billion for the fourth quarter of 2016 as compared to the same period of last year. For the full year 2016, staff expenses decreased by 4% to AED 5.2 billion. As a percentage of revenue staff costs declined 1 points in the fourth quarter to 9% and to 10% for the full year.
- **Depreciation and Amortization expenses** declined year over year by 5% to AED 1.9 billion in the fourth quarter of 2016 as compared to the same period in 2015, and increased by 1% to AED 7.5 billion for the full year. As a percentage of revenues, depreciation and amortization expenses declined 1 point to 15% in the fourth quarter and remained flat at 14% for full year.
- **Network costs** increased 3% to AED 0.7 billion in the fourth quarter of 2016 as compared to the same period in 2015 and represented 5% of revenues, same level as prior year. Full year network costs increased 2% to AED 2.9 billion and represented 6% of revenues.
- **Marketing expenses** increased by 19% to AED 0.3 billion in the fourth quarter of 2016 as compared to the same period in 2015 and represented 2% of the fourth quarter revenues, similar to prior year. Full year marketing expenses decreased 1% to AED 0.9 billion and represented 2% of revenues for 2016.
- **Other operating expenses** increased 14% to AED 1.2 billion in the fourth quarter as compared to the same quarter of last year and represented 9% of the quarter revenues, 1 points higher than prior year. Full year other operating expenses increased by 16% to AED 3.7 billion, while as a percentage of revenues it increased by 1 point to 7% for 2016.

EBITDA



Group Consolidated EBITDA for the fourth quarter of 2016 decreased by 3% year on year and 8% quarter on quarter to AED 6.2 billion, resulting in EBITDA margin of 48%, 3 points lower than prior year and prior quarter. EBITDA was impacted by currency devaluation, higher regulatory charges, and higher interconnection and termination costs and higher marketing costs.

For the full year, EBITDA amounted to AED 26.3 billion representing a year-over-year decline of 1% in 2016, while EBITDA margin decreased 1 point to 50%. EBITDA growth is negatively impacted by unfavourable exchange rate movements in Egypt, competitiveness pressure in Morocco and non-telecom operations.

In the **UAE**, EBITDA in the fourth quarter of 2016 was AED 4.0 billion increasing year-over-year by 3% leading to an EBITDA margin of 51% in comparison to 56% in the previous year. EBITDA declined 2% with EBITDA margin down by 4 point in comparison to the third quarter of 2016 mainly attributed to higher regulatory charges, interconnection and termination costs, terminal costs and marketing expenses. Full year EBITDA in 2016 remained flat at AED 16.3 billion resulting in EBITDA margin of 54%, 3 point lower than prior year.

EBITDA of **International** consolidated operations decreased year over year by 6% to AED 2.1 billion in the fourth quarter, resulting in a 33% contribution to

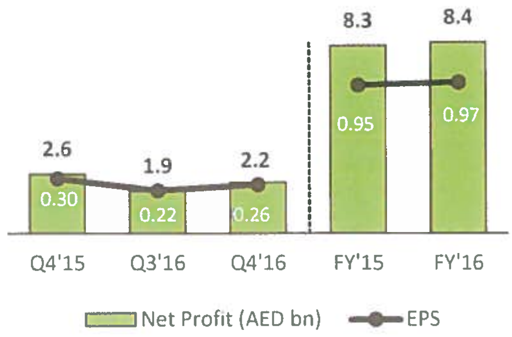
Group consolidated EBITDA. For the full year, EBITDA decreased by 1% to AED 9.4 billion contributing 36% to Group Consolidated EBITDA. This decrease is attributed to unfavorable movement in the Egyptian Pound against Dirham and competitiveness of the Moroccan operations.

Maroc Telecom's consolidated EBITDA for the fourth quarter of 2016 amounted to AED 1.5 billion, resulting in EBITDA margin of 49%. Full year EBITDA amounted to AED 6.3 billion with EBITDA margin declining 1 points to 50%. In local currency, EBITDA in absolute terms increased by 1% due to international operations that grew by 5% offsetting the 1% decline in Morocco.

For Egypt, EBITDA in the fourth quarter declined year on year by 36% to AED 0.3 billion and EBITDA margin increased 3 points to 35%. Quarter over quarter, EBITDA declined by 48% and EBITDA margin by 9 points. EBITDA in the fourth quarter was impacted by unfavourable foreign exchange rate movements, higher marketing costs and provision for staff costs. EBITDA for the full year was AED 1.6 billion with an EBITDA margin of 39%, 2 points higher than 2015. The fourth quarter and full year EBITDA continued to improve in local currency driven by enhanced revenue trend.

In **Pakistan** EBITDA in the fourth quarter of 2016 increased year on year by 15% to AED 0.3 billion with EBITDA margin increasing by 4 points to 32%. This increase is mainly due to cost control initiatives in addition to improved performance of mobile segment revenue as compared to prior year. Quarter over quarter EBITDA decreased by 10% and EBITDA margin by 2 points attributed to lower revenue and higher marketing costs. EBITDA for the full year increased year over year by 8% to AED 1.4 billion with EBITDA margin increasing by 3 points to 34%.

Net Profit & EPS



Consolidated net profit after Federal Royalty decreased year over year by 14% to AED 2.2 billion in the fourth quarter of 2016 resulting in lower profit margin of 3 points to 17%. The decline in fourth quarter profit is attributed to lower EBITDA level, higher finance costs, higher forex losses, and higher impairment charges.

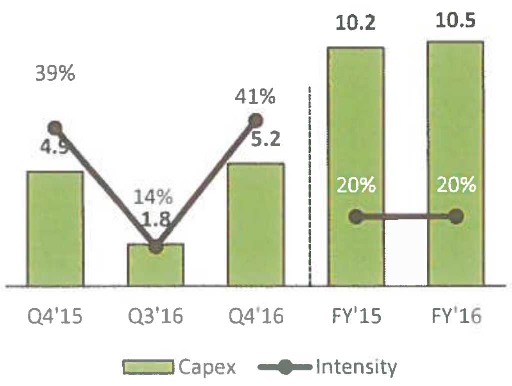
Full year net profit increased by 2% to AED 8.4 billion resulting in profit margin of 16%. The increase in profit is attributed to lower royalty charges and lower share of losses from associates.

Earnings per share (EPS) amounted to AED 0.26 in the fourth quarter of 2016 and AED 0.97 for the full year of 2016.

On 8 March 2017, the Board of Directors has resolved to propose a final dividend for the second half of 2016 at the rate of 40 fils per share, bringing the full year dividend to 80 fils per share. This proposal is subject to shareholder approval at the Annual General Meeting scheduled for the 09 April 2017. Final dividend to be paid to the shareholders registered as at the closing of the register on Wednesday, 19 April 2017.

Von

Capex



Consolidated capital expenditure increased year over year by 7% to AED 5.2 billion in the fourth quarter of 2016 resulting in a capital intensity ratio of 41%. This increase is attributed to 4G license acquisition in Egypt. Full year capital expenditure increased by 2% to AED 10.5 billion resulting in capital intensity ratio of 20% similar to prior year. This increase in capital spending is impacted by the license acquisitions in Egypt , Ivory Coast and Togo. Adjusting for cost of licenses, capital expenditures would have been AED 8.1 billion and capital intensity ratio of 15%.

In the **UAE,** capital expenditure in the fourth quarter was committed to mobile network modernization, coverage improvement and building digital and ICT capabilities. Capital expenditure during the quarter amounted to AED 1.6 billion, a 41% decline in comparison to the same period last year. Capital intensity ratio was 20%, representing 19 points lower than the same quarter of the prior year and 7 points higher as compared to the third quarter of 2016. Full year capital expenditure amounted to AED 3.6 billion, a 28% decrease from prior year. Capital intensity ratio was 12%, 5 points lower than prior year.

Capital expenditures in consolidated **international operations** in the fourth quarter of 2016 increased by 65% to AED 3.7 billion compared to the same period last year and represented 70% of total Group capital expenditure. Full year capital expenditures in consolidated international operations amounted to AED 6.9 billion, an increase of 30% from year 2015 level.

In **Maroc Telecom**, capital expenditure for the fourth quarter declined by 32% year over year to AED 1.0 billion resulting in a capital intensity ratio of 34%. This increase is attributed to prior year 3G licence renewal in Niger as well as 50% fees towards acquisition of universal licence in Ivory Coast. Adjusting for licenses, capital expenditure increased by 5%. Full year capital expenditure declined by 10% to AED 3.0 billion resulting in a capital intensity ratio of 24%. Adjusting for the costs of licenses renewal and acquisition in 2015 and 2016, capital expenditure increased by 2%.

In **Egypt** capital expenditure for the fourth quarter increased by 551% year over year to AED 2.2 billion resulting in a capital intensity ratio of 307%, 279 points higher than the same period of prior year. Full year capital expenditure amounted to AED 2.8 billion resulting in a capital intensity ratio of 69%. The increase in capital spending is attributed to awarding Etisalat Misr a 15 years' 4G License with allocated spectrum of 10 Mega Hertz in return for a consideration of USD 546m paid as 50% in EGP & 50% in USD. This include a virtual fixed-line service license.

In **Pakistan**, capital expenditure for the fourth quarter increased by 12% year over year to AED 0.4 billion resulting in a capital intensity ratio of 41%. For the full year, capital expenditure was AED 1.1 billion, up 6% year on year and capital intensity ratio of 26%, 2 points higher than prior year. Capital spending focused on enhancing capacity of the mobile network and stores modernization.

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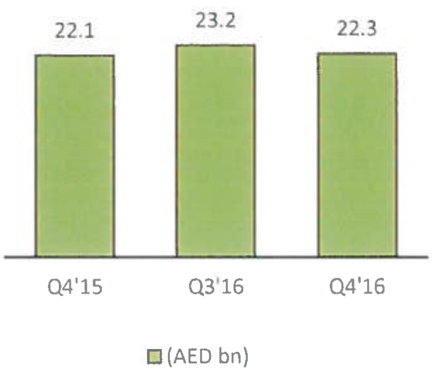
Debt



Total consolidated debt amounted AED 22.3 billion as of December 2016, as compared to AED 22.1 billion as at 31 December 2015; an increase of AED 0.2 billion

As at 31 December 2016, the total amounts issued under the global medium term note (GMTN) programme split by currency are US$ 1.4 billion and Euro 2.4 billion, representing a total amount of AED 14.2 billion.

Consolidated debt breakdown by operations as of 31 December 2016 is as following:

- Etisalat Group (AED 14.8 billion)
- Maroc Telecom (AED 3.6 billion)
- Etisalat Misr (AED 2.6 billion)

PTCL Group (AED 1.3 billion) More than 76% of the debt balance is of long-term maturity that is due beyond 2018.

Currency mix for external borrowings is 41% in Euros, 31% in US Dollars, 11% in MAD and 17% in various currencies.

Consolidated cash balance amounted to AED 23.7 billion as of 31 December 2016 leading to a net cash position of AED 1.4 billion.

Profit & Loss Summary

(AED m)	Q4'15	Q3'16	Q4'16	*QoQ*	*YoY*	FY'15	FY'16	*YoY*
Revenue	12,596	13,244	12,937	-2%	+3%	51,329	52,360	+2%
EBITDA	6,465	6,816	6,245	-8%	-3%	26,436	26,283	-1%
EBITDA Margin	51%	51%	48%	-3pp	-3pp	52%	50%	-1pp
Federal Royalty	(415)	(1,661)	119	-107%	-129%	(6,055)	(5,010)	-17%
Net Profit	2,604	1,870	2,235	+20%	-14%	8,263	8,421	+2%
Net Profit Margin	21%	14%	17%	*+3pp*	*-3pp*	16%	16%	*0pp*

Balance Sheet Summary

(AED m)	December 2015	December 2016
Cash & Bank Balances	21,422	23,676
Total Assets	127,235	122,546
Total Debt	22,080	22,279
Net Cash / (Debt)	(658)	1,398
Total Equity	59,673	55,915

Cash Flow Summary

(AED m)	FY 2015	FY 2016
Operating	20,425	18,637
Investing	(9,349)	(9,361)
Financing	(8,108)	(7,292)
Net change in cash	2,967	1,983
Effect of FX rate changes	*(9)*	*211*
Reclassified as held for sales	(78)	60
Ending cash balance	21,422	23,676

	Average Rates			Closing Rates		
Foreign Exchange Rates	Q4'15	Q4'16	YOY	Q4'15	Q4'16	YOY
EGP - Egyptian Pounds	0.4652	0.2692	*-42.13%*	0.4691	0.1913	*-59.22%*
SAR - Saudi Riyals	0.9788	0.9792	*0.04%*	0.9787	0.9791	*0.04%*
CFA - Central African Francs	0.0061	0.0060	*-0.83%*	0.0061	0.0059	*-4.00%*
NGR - Nigerian Naira	0.0184	0.0017	*-36.60%*	0.0184	0.0117	*-36.41%*
PKR - Pakistani Rupees	0.0349	0.0117	*0.62%*	0.035	0.0350	*0.00%*
AFA - Afghanistan Afghani	0.0558	0.0554	*-0.72%*	0.0537	0.0550	*2.42%*
LKR – Sri Lankan Rupees	0.0258	0.0248	*-3.82%*	0.0255	0.0245	*-3.92%*
SDG - Sudanese Pounds	0.5755	0.5756	*0.02%*	0.5755	0.5756	*0.02%*
MAD - Moroccan Dirham	0.3706	0.3688	*-0.48%*	0.371	0.3614	*-2.59%*

Reconciliation of non-IFRS Financial Measurements

We believe that EBITDA is a measurement commonly used by companies, analysts and investors in the telecommunications industry, which enhances the understanding of our cash generation ability and liquidity position, and assists in the evaluation of our capacity to meet our financial obligations. We also use EBITDA as an internal measurement tool and, accordingly, we believe that the presentation of EBITDA provides useful and relevant information to analysts and investors.

Our EBITDA definition includes revenue, staff costs, direct cost of sales, regulatory expenses, operating lease rentals, repairs and maintenance, general financial expenses, and other operating expenses.

EBITDA is not a measure of financial performance under IFRS, and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity. The following table provides a reconciliation of EBITDA, which is a non-IFRS financial measurement, to Operating Profit before Federal Royalty, which we believe is the most directly comparable financial measurement calculated and presented in accordance with IFRS.

(AED m)	Q4'15	Q3'16	Q4'16	FY'15	FY'16
EBITDA	6,465	6,816	6,245	26,436	26,283
Depreciation & Amortization	(1,978)	(1,913)	(1,879)	(7,449)	(7,543)
Exchange Gain/ (Loss)	(17)	(46)	(633)	(231)	(985)
Share of Associates and JV's results	(48)	(57)	(31)	(316)	(101)
Impairment and other losses	(953)	(7)	(1,048)	(994)	(1,077)
Operating Profit before Royalty	3,469	4,792	2,654	17,446	16,576

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Disclaimer

Emirates Telecommunications Group Company PJSC and its subsidiaries ("Etisalat Group" or the "Company") have prepared this presentation (" Presentation") in good faith, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions or estimates, or other information contained in this Presentation.

The information contained in this Presentation is an overview, and should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

Where this Presentation contains summaries of documents, those summaries should not be relied upon and the actual documentation must be referred to for its full effect.

This Presentation includes certain "forward-looking statements". Such forward looking statements are not guarantees of future performance and involve risks of uncertainties. Actual results may differ materially from these forward looking statements.

About Etisalat Group

Etisalat Group is an international, blue-chip organisation with operations in 17 countries across the Middle East, Africa and Asia. It is one of the leading telecom operators with one of the largest market capitalization among Middle East, African and Asian telcos. It is a highly rated telecom company with ratings from Standard & Poor's and Moody's (AA-/Aa3).

Etisalat Group's shareholding structure consists of 60% held by the Emirates Investment Authority and 40% free float. Etisalat *(Ticker: Etisalat)* is quoted on the Abu Dhabi Stock Exchange (ADX).

Investors:

Investor Relations

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Emirates Telecommunications Group Company PJSC

Reports and consolidated financial statements for the year ended 31 December 2016

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATIONS AND REMUNERATION COMMITTEE

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

INVESTMENT AND FINANCE COMMITTEE

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

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REGIONAL OFFICES:	Abu Dhabi, Dubai, Northern Emirates

Reports and consolidated financial statements for the year ended 31 December 2016

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Emirates Telecommunications Group Company PJSC ("the Company") and its subsidiaries (together, the "Group") set out on pages 14 to 67, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Accuracy and completeness of revenue recognised and related IT systems</td><td></td></tr>
<tr><td>The Group reported revenue of AED 52,360 million from telecommunication and related activities.

The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship.

Due to the estimates and judgement involved in the application of the revenue recognition accounting standards and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.

The Group's accounting policies with regards to revenue recognition are presented in note 2 to the consolidated financial statements.</td><td>Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:

▪ understanding the significant revenue processes including performance of an end to end walkthrough of the revenue assurance process and identifying the relevant controls (including IT systems, interfaces and reports);
▪ involving our internal IT specialists to test IT general controls, system interfaces, data/information reporting and application specific controls surrounding relevant revenue systems;
▪ performing data analysis and analytical reviews of significant revenue streams;
▪ reviewing key reconciliations performed by the Revenue Assurance team;
▪ performing specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and
▪ performing procedures to ensure that the revenue recognition criteria adopted by each group entity for all major revenue streams is appropriate and in line with the Group's accounting policies.

Through our instructions, supervision and review, the auditors of the Group's significant entities performed consistent audit procedures on revenue.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Federal royalty computation	
In accordance with the UAE Cabinet of Ministers decision 320/15/23 of 2012, the UAE Ministry of Finance ("MOF") guidelines dated 25 February 2015 (the "Guidelines") and subsequent correspondence with the UAE MOF received up to the date of issuance of the 2016 consolidated financial statements, the Group has a total of AED 5.01 billion of federal royalty payable as of 31 December 2016. As stated in note 3 to the consolidated financial statements, the Company had made certain judgments for the computation of federal royalty. Accordingly, the computation of the federal royalty for the year ended 31 December 2016 is considered to be a key audit matter.	In responding to this risk, our key audit procedures included: ▪ meeting with management and reviewing correspondence exchanged between management and the MOF; ▪ assessing the reasonableness of the judgements made in the computation of the federal royalty for the current year based on the Guidelines and subsequent correspondence; ▪ evaluating the classification of regulated and non-regulated revenues in the computation for the federal royalty on the UAE telecom operations; ▪ testing the allocation of indirect costs on non-regulated activities based on clarifications received from MOF; ▪ evaluating the exclusion of items which are not subject to the computation of federal royalty payable based on the Guidelines and clarifications received; ▪ evaluating the accumulated annual accounting losses which have been offset from the profit for the year used in computing the federal royalty payable; and ▪ reviewing the arithmetical accuracy of the computation of the federal royalty for the year.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill, the Company's investments and loan to a related party	
The Group's goodwill amounting to AED 14,098 million represents 11.5% of its total assets. The Group also has a loan receivable from one of its related parties as disclosed in note 16. The evaluation of the recoverable amount of these assets requires significant estimates in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets. Please refer to note 9 to the consolidated financial statements for details of management's impairment test and assumptions.	We focused our testing on impairment of goodwill, investments and loan to the related party on the key assumptions made by management which are long term forecast cash flows, working capital estimates, discount rates and capital expenditure. Our audit procedures involved engaging our internal specialists and carrying out the below procedures: ▪ Evaluating whether the model used by management to calculate the value in use of each CGU complies with IAS 36 Impairment of Assets. ▪ Obtained and analysed the business plans provided by management for each subject asset to determine whether they are reasonable and supportable based on historical performance; ▪ Analysed the discount rates calculated by management and calculated Weighted Average Cost of Capital (WACC) independently and compared with management's calculations; ▪ Assessed long term growth rates for reasonableness by reference to growth in GDP and projected inflation rates; ▪ Cross checked values with market multiples where applicable; and ▪ Assessed the reasonableness of key cash flow assumptions based on historical performance and industry information. We performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment charge. We also assessed the appropriateness of the related disclosures of goodwill, investments and loan to related party.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities	
The Group operates across a large number of jurisdictions and is subject to a number of legal, regulatory and tax cases. The high level of judgement required to establish the level of provisioning, increases the risk that provisions and contingent liabilities may not be appropriately provided against or adequately disclosed. Accordingly, this matter is considered to be a key audit matter. Management's disclosures with regards to contingent liabilities and key judgements are presented in notes 3 (ix), 31 and 36 to the consolidated financial statements respectively.	We assessed how the Group monitors legal, tax and regulatory developments and their assessment of the potential impact on the Group. We read the summary of litigation matters provided by the Group's Legal Counsel Team and discussed each of the material cases noted in the report to determine the Group's assessment of the likelihood and magnitude of any liability that may arise. We reviewed the reports from the auditors of the significant group entities and held discussions regarding the material cases with their auditors and their management. We read, where applicable, external legal or regulatory advice sought by the Group and reviewed related correspondence and minutes of executive meetings. In light of the above, we reviewed the level of provisions recorded and assessed the adequacy of disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the UAE Federal Law No. (2) of 2015, and for such internal control as the 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 intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

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

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

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

iii. The Group has maintained proper books of account;

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

v. As disclosed in note 12 to the consolidated financial statements, the Group has further invested in shares in subsidiaries during the financial year ended 31 December 2016;

vi. Note 16 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii. Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 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 2016; and

viii. Note 5 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2016.

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registered Auditor Number 701
8 March 2017
Abu Dhabi
United Arab Emirates

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	Notes	2016 AED'000	2015 (Restated) AED'000
Continuing operations			
Revenue	4	52,360,037	51,328,919
Operating expenses	5	(34,605,422)	(32,572,913)
Impairment and other losses	9	(1,077,131)	(993,749)
Share of results of associates and joint ventures	13	(101,350)	(315,929)
Operating profit before federal royalty		16,576,134	17,446,328
Federal royalty	5	(5,010,127)	(6,054,976)
Operating profit		11,566,007	11,391,352
Finance and other income	6	1,020,105	881,238
Finance and other costs	7	(1,461,626)	(1,184,114)
Profit before tax		11,124,486	11,088,476
Taxation	8	(1,205,513)	(1,259,083)
Profit for the year from continuing operations		9,918,973	9,829,393
Discontinued operations			
Loss from discontinued operations	34	(431,911)	(318,475)
Profit for the year		9,487,062	9,510,918
Profit attributable to:			
The equity holders of the Company		8,421,185	8,262,756
Non-controlling interests		1,065,877	1,248,162
		9,487,062	9,510,918
Earnings per share			
From continuing and discontinuing operations			
Basic and diluted	33	AED 0.97	AED 0.95
From continuing operations			
Basic and diluted	33	AED 1.02	AED 0.98

Chairman

Board Member

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Notes	2016 AED'000	2015 (Restated) AED'000
Profit for the year		9,487,062	9,510,918
Other comprehensive (loss) / income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations - net of tax		(2,275)	(55,432)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year			
Exchange differences on translation of foreign operations		(5,159,212)	(3,248,799)
Gain on hedging instruments designated in hedges of the net assets of foreign operations	22	250,656	1,255,830
Available-for-sale financial assets			
Loss on revaluation of financial assets during the year		(142,520)	(172,162)
Items reclassified to profit or loss:			
Available-for-sale financial assets			
Reclassification adjustment relating to available-for-sale financial assets impaired during the year	28	194,759	295,964
Reclassification adjustment relating to available-for-sale financial assets on disposal	28	(2,838)	(16,076)
Cumulative loss/ (gain) transferred to profit or loss on disposal of foreign operation	35	505,820	(162,993)
Total other comprehensive loss		**(4,355,610)**	**(2,103,668)**
Total comprehensive income for the year		**5,131,452**	**7,407,250**
Attributable to:			
The equity holders of the Company		5,826,390	7,511,515
Non-controlling interests		(694,938)	(104,265)
		5,131,452	**7,407,250**

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

Consolidated statement of financial position as at 31 December 2016

	Notes	2016 AED'000	2015 (Restated) AED'000	2014 (Restated) AED'000
Non-current assets				
Goodwill	9	14,097,902	14,577,512	15,690,382
Other intangible assets	9	14,710,048	17,193,072	19,094,776
Property, plant and equipment	10	42,450,127	46,269,981	45,972,612
Investment property	11	27,230	39,357	41,378
Investments in associates and joint ventures	14	4,414,352	4,528,974	4,849,130
Other investments	15	879,207	812,338	983,997
Other receivables	18	156,612	213,645	240,066
Derivative financial instruments	22	331,313	675,412	293,584
Loans to related party	16	-	1,232,884	2,390,194
Deferred tax assets	8	128,210	308,734	317,383
		77,195,001	85,851,909	89,873,502
Current assets				
Inventories	17	708,825	774,089	624,652
Trade and other receivables	18	18,796,545	17,305,934	16,943,110
Current income tax assets		593,270	703,089	637,299
Due from related parties	16	582,871	565,804	459,855
Cash and bank balances	19	23,676,170	21,422,354	18,542,859
		44,357,681	40,771,270	37,207,775
Assets classified as held for sale	34	993,663	612,230	532,757
Total assets		122,546,345	127,235,409	127,614,034
Non-current liabilities				
Other payables	20	1,558,549	1,533,176	1,075,481
Borrowings	21	18,203,902	17,880,525	18,619,459
Payables related to investments and licenses	23	542,968	693,661	936,699
Derivative financial instruments	22	-	1,607	-
Deferred tax liabilities	8	3,255,952	4,015,579	4,702,839
Finance lease obligations	24	4,905	10,934	17,283
Provisions	25	149,143	207,808	126,736
Provision for end of service benefits	26	1,636,959	1,910,480	2,044,540
		25,352,378	26,253,770	27,523,037
Current liabilities				
Trade and other payables	20	30,798,177	31,358,842	29,977,736
Borrowings	21	4,074,738	4,199,637	3,609,711
Payables related to investments and licenses	23	3,255,327	3,213,147	3,133,794
Current income tax liabilities		257,491	320,115	369,379
Derivative financial instruments	22	2,830	-	-
Finance lease obligations	24	5,512	7,070	6,983
Provisions	25	2,488,839	1,918,844	1,976,404
		40,882,914	41,017,655	39,074,007
Liabilities directly associated with the assets classified as held for sale	34	396,275	291,152	504,785
Total liabilities		66,631,567	67,562,577	67,101,829
Net assets		55,914,778	59,672,832	60,512,205
Equity				
Share capital	27	8,696,754	8,696,754	7,906,140
Reserves	28	26,121,149	27,583,414	27,440,371
Retained earnings		7,883,502	7,506,616	7,171,574
Equity attributable to the equity holders of the Company		42,701,405	43,786,784	42,518,085
Non-controlling interests	12	13,213,373	15,886,048	17,994,120
Total equity		55,914,778	59,672,832	60,512,205

Chairman

Board Member

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of changes in equity for the year ended 31 December 2016

	Notes	Attributable to equity holders of the Company: Share capital AED'000	Reserves AED'000	Retained earnings AED'000	Owners' equity AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2015 (as previouly reported)		**7,906,140**	**27,440,371**	**6,873,841**	**42,220,352**	**17,994,120**	**60,214,472**
Effects of restatement	37	-	-	297,733	297,733	-	297,733
Balance at 1 January 2015 (as restated)		**7,906,140**	**27,440,371**	**7,171,574**	**42,518,085**	**17,994,120**	**60,512,205**
Total comprehensive income for the year		-	(738,270)	8,249,785	7,511,515	(104,265)	7,407,250
Other movements in equity		-	-	770	770	16,362	17,132
Transfer to reserves	28	-	881,313	(881,313)	-	-	-
Transactions with owners:							
Disposal of a subsidiary	35	-	-	-	-	115,450	115,450
Acquisition of non-controlling interests	12	-	-	(434)	(434)	(5,664)	(6,098)
Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary	12	-	-	-	-	(209,094)	(209,094)
Bonus issue of 790.614 million fully paid shares of AED 1	27	790,614	-	(790,614)	-	-	-
Dividends	32	-	-	(6,243,152)	(6,243,152)	(1,920,861)	(8,164,013)
Balance at 31 December 2015		**8,696,754**	**27,583,414**	**7,506,616**	**43,786,784**	**15,886,048**	**59,672,832**
Balance at 1 January 2016		**8,696,754**	**27,583,414**	**7,506,616**	**43,786,784**	**15,886,048**	**59,672,832**
Total comprehensive income for the year		-	(2,593,846)	8,420,236	5,826,390	(694,938)	5,131,452
Other movements in equity		-	-	(4,704)	(4,704)	(4,854)	(9,558)
Transfer to reserves	28	-	1,131,581	(1,131,581)	-	-	-
Transactions with owners:							
Disposal of a subsidiary	35	-	-	-	-	(27,477)	(27,477)
Movements in non-controlling interests	12	-	-	47,331	47,331	(66,843)	(19,512)
Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary	12	-	-	-	-	(78,843)	(78,843)
Dividends	32	-	-	(6,954,396)	(6,954,396)	(1,799,720)	(8,754,116)
Balance at 31 December 2016		**8,696,754**	**26,121,149**	**7,883,502**	**42,701,405**	**13,213,373**	**55,914,778**

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

Emirates Telecommunications Group Company PJSC

Consolidated statement of cash flows for the year ended 31 December 2016

	Notes	2016 AED'000	2015 (Restated) AED'000
Operating profit including discontinued operations		11,507,596	11,087,406
Adjustments for:			
Depreciation	10, 11	5,895,574	5,837,793
Amortisation	9	1,783,013	1,828,310
Impairment and other losses	9,10	1,077,123	995,330
Share of results of associates and joint ventures	13	101,350	315,929
Provisions and allowances		1,211,792	886,759
Other non-cash movements		153,071	(84,654)
Operating profit before changes in working capital		**21,729,519**	**20,866,873**
Changes in working capital:			
Inventories		166,661	(176,155)
Due from associates and joint ventures		168,447	(104,283)
Trade and other receivables		(2,516,489)	(1,372,078)
Trade and other payables		1,275,358	3,419,825
Cash generated from operations		**20,823,496**	**22,634,182**
Income taxes paid		(1,650,564)	(1,762,003)
Payment of end of service benefits	26	(536,426)	(447,258)
Net cash generated from operating activities		**18,636,506**	**20,424,921**
Cash flows from investing activities			
Acquisition of other investments		(76,845)	(33,792)
Proceeds from disposal of held-to-maturity investments		363,845	-
Acquisition of held-to-maturity investments		(949,956)	-
Purchase of property, plant and equipment		(7,728,741)	(8,779,322)
Proceeds from disposal of property, plant and equipment		387,315	196,558
Purchase of other intangible assets		(2,829,037)	(1,529,228)
Proceeds from disposal of other intangible assets		168	127,329
Movement in term deposits with maturities over three months	19	(4,724,667)	(3,457,471)
Dividend income received from associates and other investments		17,451	7,800
Net cash inflow/(outflow) on disposal of a subsidiary		279,033	(22,756)
Acquisition of subsidiary		-	(99,956)
Proceeds from unwinding of derivative financial instruments		282,898	-
Finance and other income received		892,571	783,982
Net cash used in investing activities		**(14,085,965)**	**(12,806,856)**
Cash flows from financing activities			
Proceeds from borrowings and finance lease obligations		7,043,199	5,694,619
Repayments of borrowings and finance lease obligations		(4,352,263)	(4,186,981)
Equity repayment to non-controlling interests for acquisition of a subsidiary		(78,843)	(209,094)
Dividends paid		(8,754,090)	(8,164,013)
Finance and other costs paid		(1,149,801)	(1,242,993)
Net cash used in financing activities		**(7,291,798)**	**(8,108,462)**
Net decrease in cash and cash equivalents		**(2,741,257)**	**(490,397)**
Cash and cash equivalents at the beginning of the period		5,553,300	6,052,923
Effects of foreign exchange rate changes		210,863	(9,226)
Cash and cash equivalents at the end of the year	19	**3,022,906**	**5,553,300**

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

During the previous year, the Group concluded the swap of its entire stake in one of the available for sale financial assets with the stake of one of the minority shareholders in Canar and the derecognition of the spectrum in PTCL, having a non cash impact of AED 6.1 million and AED 80 million respectively, which have been reflected as non-cash transactions in the consolidated statement of cash flows for the year ended 31 December 2015.

The accompanying notes on pages 14 to 67 form an integral part of these consolidated financial statements.
The Independent Auditor's report is set out on pages 1 to 8

1. General information

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

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.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 March 2017.

2. Significant accounting policies

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

Basis of preparation

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

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

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

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new or amended accounting policies and new standards and interpretations effective as of 1 January 2016.

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

- Amendments to IFRS 10, IFRS 12 and IAS 28 - relating to applying the consolidation exception for investment entities.
- Amendments to IFRS 11 - Accounting for acquisitions of Interests in Joint operations.
- Ammendments to IAS 1 - relating to the disclosure initiative.
- Amendments to IAS 16 and IAS 38 - clarification of acceptable methods of depreciation and amortisation.
- Amendment to IAS 27 (as amended in 2011) - relating to reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- Annual Improvements to IFRSs 2012 - 2014 - Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

2. Significant accounting policies (continued)

New and amended standards in issue but not yet effective

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

	Effective date
IFRS 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
IAS 12 amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7 Statement of cash flows relating to disclosure initiatives	1 January 2017
Amendments to IFRS 1 and IAS 28 resulting from Annual Improvements 2014–2016 Cycle.	1 January 2018
Amendments to IFRS 12 resulting from Annual Improvements 2014–2016 Cycle regarding clarifying the scope of the standard.	1 January 2017
Amendments to IAS 40 clarifying transfers of property to, or from, investment property.	1 January 2018

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.

2. Significant accounting policies (continued)

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

IFRS 9 Financial Instruments (continued):

• 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 recognised

• 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.

2. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued):

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 installments 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.

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 15 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.

Basis of consolidation

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

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

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

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

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

2. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

Business combinations

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

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

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

Step acquisition

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

2. Significant accounting policies (continued)

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.

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

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

2. Significant accounting policies (continued)

Revenue

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

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

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

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

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

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

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

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

Leasing

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

2. Significant accounting policies (continued)

Leasing (continued)

i) The Group as lessor

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

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

ii) The Group as lessee

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

Foreign currencies

i) Functional currencies

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

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

ii) Consolidation

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

2. Significant accounting policies (continued)

Foreign currencies (continued)

iii) Foreign exchange differences

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

Borrowing costs

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

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

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

Government grants

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

End of service benefits

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

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

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

2. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

Plant and equipment:	**Years**
Submarine – fibre optic cables	15 – 20
– coaxial cables	10 – 15
Cable ships	15 – 25
Coaxial and fibre optic cables	15 – 25
Line plant	10 – 25
Exchanges	5 – 15
Switches	8 – 15
Radios/towers	10 – 25
Earth stations/VSAT	5 – 15
Multiplex equipment	10 – 15
Power plant	5 – 10
Subscribers' apparatus	3 – 15
General plant	2 – 25

Other assets:	
Motor vehicles	3 – 5
Computers	3 – 5
Furniture, fittings and office equipments	4 – 10

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

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

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

2. Significant accounting policies (continued)

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.

Intangible assets

(i) Goodwill

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

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

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

(ii) Licenses

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

(iii) Internally-generated intangible assets

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

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

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

2. Significant accounting policies (continued)

Intangible assets (continued)

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

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

(v) Other intangible assets

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

2. Significant accounting policies (continued)

Inventory

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

Financial instruments

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

i) Fair value

Financial assets and financial liabilities are initially measured at fair value The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

ii) Financial assets

Financial assets are classified into the following specified categories: ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

iii) Effective interest method

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

Income is recognised on an effective interest rate basis for debt instruments that are held-to-maturity, are available-for-sale, or are loans and receivables.

2. Significant accounting policies (continued)

Financial instruments (continued)

iv) 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.

v) 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.

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

vi) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of profit or loss where there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The allowance for doubtful debts reflects estimates of losses arising from the failure or inability of the Group's customers to make required payments. The estimates are based on the ageing of customer's accounts and the Group's historical write-off experience.

vii) Cash and cash equivalents

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

viii) Financial asset at fair value through profit or loss

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:
    1. acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
    2. 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
    3. 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.

c. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interst earned on the financial asset and is included in the 'other gains and losses' line item.

2. Significant accounting policies (continued)

Financial instruments (continued)

ix) Financial liabilities

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

x) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

xi) Financial liabilities at FVTPL

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

xii) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

xiii) Derecognition of financial liabilities

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

xiv) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

2. Significant accounting policies (continued)

Financial instruments (continued)

xv) Embedded derivatives

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

xvi) Hedge accounting

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

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

xvii) Derecognition of financial assets

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

Provisions

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

2. Significant accounting policies (continued)

Transactions with non-controlling interests

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Dividends

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

Disposal of Assets/ Assets Held for Sale

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

i) Fair value of other intangible assets

On the acquisition of mobile network operators, the identifiable intangible assets may include licenses, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

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

ii) Business combinations

The recognition of business combinations requires the purchase price of acquisitions to be allocated to the identifiable assets acquired and the liabilities assumed measured at their acquisition-date fair values. The Group makes judgments and estimates in relation to the fair value determination of the assets acquired and liabilities assumed and allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the statement of profit or loss.

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

iii) Impairment of goodwill and associates

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

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

Further, in assessing the recoverability of its loans to associate, management has taken into consideration the estimation of the value-in-use of that related party in determining its ability to repay the loans and the resulting impairment amount, if any.

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

iv) Impairment of intangibles

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

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

v) Property, plant and equipment

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

vi) Impairment of trade receivables

The Group determines the impairment of trade receivables based on their ageing when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the trade receivables. Management exercises significant judgments in assessing the impact of adverse indicators and events on recoverability of trade receivables.

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

vii) Classification of associates, joint ventures and subsidiaries

The appropriate classification of certain investments as subsidiaries, associates and joint ventures requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these investments. This may involve consideration of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of defacto control. Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results.

viii) Federal royalty

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

During the 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 2015 was paid. The mechanism for computation of federal royalty for the year ended 31 December 2016 was in accordance with the Guidelines.

ix) Regulatory expenses

The Company is required to pay the UAE Telecommunication Regulatory Authority (TRA) 1% of its revenues annually as regulatory expenses towards ICT contributions. In the computation of the regulatory expenses, the Company has 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.

x) Valuation of derivative financial instruments

The fair values of derivative financial instruments measured at fair value or generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate. Information about the valuation techniques and inputs used in determining the fair value of derivative are disclosed in note 22.

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

xi) Impairment of Available-for-sale financial assets ("AFS")

The Group determines the impairment of AFS financial assets based on the objective evidence of significant and prolonged decline in the share market price below its cost.

xii) Recognition of deferred tax asset

The recognition of deferred tax asset is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits, which are estimated using the latest available profit forecasts. Prior to recording deferred tax assets for tax losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profit.

4. Segmental information

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

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

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

- Pakistan
- Egypt
- Morocco
- International - others

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

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

4. Segmental Information (Continued)

b) Segment revenues and results

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

c) Segment assets

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the total and non-curremt assets attributable to each segment. All assets are allocated to reportable segments. Goodwill is allocated based on separately identifiable CGUs as further disclosed in Note 9. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

The segment information has been provided on the following page.

4. Segmental information (continued)

	UAE	International				Eliminations	Consolidated
		Morocco	Egypt	Pakistan	Others		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2016							
Revenue							
External sales	31,076,789	7,652,270	3,992,859	4,060,663	5,577,456	-	52,360,037
Inter-segment sales	343,992	71,902	40,522	51,173	187,729	(695,318)	-
Total revenue	31,420,781	7,724,172	4,033,381	4,111,836	5,765,185	(695,318)	52,360,037
Segment result	**13,400,118**	**1,963,963**	**223,805**	**85,350**	**902,898**	**-**	**16,576,134**
Federal royalty							**(5,010,127)**
Finance and other income							1,020,105
Finance and other costs							(1,461,626)
Profit before tax							**11,124,486**
Total assets	60,055,024	31,226,594	6,814,677	20,100,018	18,286,911	(13,936,879)	122,546,345
Non-current assets *	24,679,138	28,160,103	5,781,992	16,955,576	13,633,360	(12,474,691)	76,735,478
Depreciation and amortisation	2,130,795	2,156,917	750,264	1,244,699	1,260,586	-	7,543,261
Impairment and other losses	1,025,948	-	258	45,352	5,573	-	1,077,131
31 December 2015 (as restated)							
Revenue							
External sales	29,474,199	7,629,195	4,509,866	4,178,315	5,537,344	-	51,328,919
Inter-segment sales	380,799	78,901	33,636	58,053	168,900	(720,289)	-
Total revenue	**29,854,998**	**7,708,096**	**4,543,502**	**4,236,368**	**5,706,244**	**(720,289)**	**51,328,919**
Segment result	**14,065,038**	**2,155,718**	**774,019**	**41,383**	**410,170**	**-**	**17,446,328**
Federal royalty							(6,054,976)
Finance and other income							881,238
Finance and other costs							(1,184,114)
Profit before tax							**11,088,476**
Total assets	56,817,002	32,604,589	12,982,700	19,909,477	19,773,636	(14,851,995)	127,235,409
Non-current assets *	25,299,915	29,643,138	11,062,738	17,151,841	14,740,594	(13,030,463)	84,867,763
Depreciation and amortisation	1,930,585	2,045,383	870,844	1,188,459	1,413,749	-	7,449,020
Impairment and other losses	947,274	-	-	5,627	40,848	-	993,749

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

Breakdown of external revenue

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

	UAE	International				Consolidated
		Morocco	Egypt	Pakistan	Others	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2016						
Revenue from rendering of services	28,971,495	7,536,542	3,874,555	4,003,032	5,533,708	49,919,332
Revenue from sale of telecom and other equipment	1,284,167	115,728	116,343	16,237	20,307	1,552,782
Other revenues	821,127	-	1,961	41,395	23,440	887,923
	31,076,789	**7,652,270**	**3,992,859**	**4,060,663**	**5,577,456**	**52,360,037**
31 December 2015 (as restated)						
Revenue from rendering of services	27,099,305	7,546,660	4,402,961	4,138,653	5,502,463	48,690,042
Revenue from sale of telecom and other equipment	1,599,118	82,534	104,461	24,764	5,985	1,816,862
Other revenues	775,776	-	2,444	14,898	28,896	822,015
	29,474,199	**7,629,194**	**4,509,866**	**4,178,315**	**5,537,344**	**51,328,918**

UAE Segment revenue breakup:	2016	2015
	AED'000	AED'000
UAE Revenue - TRA regulated	25,781,146	24,724,284
UAE Revenue - Non-regulated	5,639,635	5,130,714
	31,420,781	**29,854,998**

Impairment details	2016	2015
	AED'000	AED'000
of which relating to intangible assets and property, plant and equipment	147,943	6,433
of which relating to other financial assets	-	40,042
of which relating to available-for-sale financial assets (quoted equity instruments) (Note 28)	194,759	295,964
of which relating to loans to related party	734,429	651,310
	1,077,131	**993,749**

5. Operating expenses and federal royalty

a) Operating expenses (before federal royalty)	2016 AED'000	2015 (Restated) AED'000
Direct cost of sales	11,629,331	11,011,722
Staff costs	5,171,889	5,395,159
Depreciation	5,773,460	5,648,532
Network and other related costs	2,881,139	2,835,364
Amortisation	1,769,801	1,800,488
Marketing expenses	943,144	952,277
Regulatory expenses	1,604,105	1,013,150
Operating lease rentals	441,051	468,107
Foreign exchange losses	985,062	230,882
Other operating expenses	3,406,440	3,217,232
Operating expenses (before federal royalty)	**34,605,422**	**32,572,913**

Operating expenses include an amount of AED 37.86 million (2015: AED 10.48 million), relating to social contributions made during the year.

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 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 has been reduced to 30% of net profit after deduction of the 15% royalty fee on the UAE regulated revenues.

During the 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 2015 was paid. The mechanism for computation of federal royalty for the year ended 31 December 2016 was in accordance with the Guidelines.

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

6. Finance and other income

	2016 AED'000	2015 (Restated) AED'000
Interest on bank deposits and held-to-maturity investments	627,517	403,231
Other income	392,588	478,007
	1,020,105	**881,238**

7. Finance and other costs

	2016 AED'000	2015 (Restated) AED'000
Interest on bank overdrafts, loans and other financial liabilities	382,088	416,146
Interest on other borrowings	524,529	501,652
Other costs	525,676	233,019
Unwinding of discount	29,333	33,297
	1,461,626	**1,184,114**
Total borrowing costs	1,499,332	1,189,554
Less: amounts included in the cost of qualifying assets (Note 9, 10)	(37,706)	(5,440)
	1,461,626	**1,184,114**

All interest charges are generated on the Group's financial liabilities measured at amortised cost. Borrowing costs included in the cost of qualifying assets during the year arose on specific and general borrowing pools. Borrowing costs attributable to general borrowing pools are calculated by applying a capitalisation rate of 3.44% to 16.20% (2015: 8.50%) for expenditure on such assets. Borrowing costs have been capitalised in relation to loans by certain of the Group's subsidiaries.

8. Taxation

	2016 AED'000	2015 (Restated) AED'000
Current tax expense	1,683,002	1,768,096
Deferred tax credit	(477,489)	(509,013)
	1,205,513	**1,259,083**

a) Current tax

Corporate income tax is not levied in the UAE for telecommunication companies and accordingly the effective tax rate for the Company is 0% (2015: 0%). The table below reconciles the difference between the expected tax expense, (based on the UAE effective tax rate) and the Group's tax charge for the year.

	2016 AED'000	2015 (Restated) AED'000
Profit before tax	11,124,486	11,088,476
Tax at the UAE corporate tax rate of 0% (2015: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,683,002	1,768,096
Current tax expense for the year	**1,683,002**	**1,768,096**

b) Current income tax assets and liabilities

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

c) Deferred tax

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

	2016 AED'000	2015 AED'000
Deferred tax assets	128,210	308,734
Deferred tax liabilities	(3,255,952)	(4,015,579)
	(3,127,742)	**(3,706,845)**

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

Deferred tax liabilities	Accelerated tax depreciation AED'000	Deferred tax on overseas earnings AED'000	Others AED'000	Total AED'000
At 1 January 2015	4,965,787	120,908	103,510	5,190,205
(Credit)/charge to the consolidated statement of profit or loss	(335,484)	(14,838)	(19,762)	(370,084)
Exchange differences	(365,000)	-	(25,856)	(390,856)
At 31 December 2015	**4,265,303**	**106,070**	**57,892**	**4,429,265**
Charge to the consolidated statement of profit or loss	(292,039)	(8,812)	(7,065)	(307,916)
(Credit)/charge to other comprehensive income	-	-	409	409
Reclassified from deferred tax liability to deferred tax asset	1,328	-	-	1,328
Reclassified as held for sale (Note 34)	(67,201)	-	-	(67,201)
Exchange differences	(203,850)	-	(2,270)	(206,120)
At 31 December 2016	**3,703,541**	**97,258**	**48,966**	**3,849,765**

Deferred tax assets	Retirement benefit obligations AED'000	Tax losses AED'000	Others AED'000	Total AED'000
At 1 January 2015	257,823	293,466	253,460	804,749
(Credit)/charge to the consolidated statement of profit or loss	(13,970)	52,502	81,890	120,422
Charge to other comprehensive income	(133,657)	-	-	(133,657)
Exchange differences	(11,720)	(38,017)	(19,357)	(69,094)
At 31 December 2015	**98,476**	**307,951**	**315,993**	**722,420**
(Credit)/charge to the consolidated statement of profit or loss	(2,781)	60,906	111,447	169,572
Credit to other comprehensive income	(2,760)	-	2,298	(462)
Reclassified from deferred tax liability to deferred tax asset	-	-	1,328	1,328
Reclassified as held for sale (Note 34)	(737)	(63,116)	(4,640)	(68,493)
Exchange differences	(8)	2,777	(105,113)	(102,344)
At 31 December 2016	**92,190**	**308,518**	**321,313**	**722,022**

Unused tax losses	2016 AED million	2015 AED million
Total unused tax losses	1,443	1,369
of which deferred tax assets recognised for	1,349	1,147
of which no deferred tax asset recognised, due to unpredictability of future taxable profit streams	94	221
of the unrecognized tax losses, losses that will expire in the next three years	-	1

9. Goodwill, other intangible assets, impairment and other losses

	Goodwill	Other intangible assets			
		Licenses	Trade names	Others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2015	17,844,589	19,476,840	2,225,979	4,717,136	26,419,955
Additions	47,496	1,004,996	-	439,172	1,444,168
Transfer from assets under construction	-	-	-	125,681	125,681
Reclassified as held for sale (Note 34)		(88,390)	-	(47,774)	(136,164)
Disposals	(4,412)	(167,499)	-	(788,534)	(956,033)
Exchange differences	(1,160,311)	(1,524,948)	(192,373)	(422,988)	(2,140,309)
At 31 December 2015	**16,727,362**	**18,700,999**	**2,033,606**	**4,022,693**	**24,757,298**
Amortisation and impairment					
At 1 January 2015	2,154,207	5,410,585	70,383	1,844,211	7,325,179
Charge for the year	-	820,342	94,246	902,529	1,817,117
Elimination on items reclassified as held for sale (Note 34)	-	(55,307)	-	(7,240)	(62,547)
Disposals	-	(91,712)	-	(661,900)	(753,612)
Exchange differences	(4,357)	(374,079)	(10,075)	(377,757)	(761,911)
At 31 December 2015	**2,149,850**	**5,709,829**	**154,554**	**1,699,843**	**7,564,226**
Carrying amount					
At 31 December 2015	**14,577,512**	**12,991,170**	**1,879,052**	**2,322,850**	**17,193,072**
Cost					
At 1 January 2016	16,727,362	18,701,001	2,033,606	4,022,691	24,757,298
Additions	-	340,985	-	425,294	766,279
Advance against licenses *				2,053,942	2,053,942
Reclassified as held for sale (Note 34)	(206,122)	(71,251)	-	(4,861)	(76,112)
Disposals	-	-	-	(4,121)	(4,121)
Exchange differences	(273,488)	(5,383,747)	(48,268)	(299,846)	(5,731,861)
At 31 December 2016	**16,247,752**	**13,586,988**	**1,985,338**	**6,193,099**	**21,765,425**
Amortisation and impairment					
At 1 January 2016	2,149,850	5,709,827	154,554	1,699,845	7,564,226
Charge for the year	-	780,321	89,219	907,807	1,777,347
Impairment losses	-	5,831	-	-	5,831
Elimination on items reclassified as held for sale (Note 34)	-	(44,942)	-	(4,754)	(49,696)
Disposals	-	-	-	(3,952)	(3,952)
Exchange differences	-	(2,059,459)	(3,908)	(175,012)	(2,238,379)
At 31 December 2016	**2,149,850**	**4,391,578**	**239,865**	**2,423,934**	**7,055,377**
Carrying amount					
At 31 December 2016	**14,097,902**	**9,195,410**	**1,745,473**	**3,769,165**	**14,710,048**

Others - net book values	2016	2015
	AED'000	AED'000
IRU	414,596	526,212
Computer software	611,277	713,175
Customer relationships	139,800	568,859
Others *	2,603,492	514,604
	3,769,165	**2,322,850**

An amount of AED 31.8 million (2015: AED Nil) is included in intangible assets on account of capitalisation of borrowing costs for the year.

* Included in others is an amount of AED 2,054 million relating to advance paid by Etisalat Misr for acquisition of 4G license and virtual fixed line service in Egypt, for which the spectrum/frequency has not been received yet.

9. Goodwill, other intangible assets, impairment and other losses (continued)

a) Impairment and other losses

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

	2016 AED'000	2015 (Restated) AED'000
Pakistan Telecommunication Company Limited (PTCL)	**45,352**	**5,627**
of which relating to property, plant and equipment (Note 10)	45,352	5,627
Etisalat UAE	**96,760**	**-**
of which relating to property, plant and equipment (Note 10)	96,760	-
Atlantique Telecom S.A (AT)	**-**	**40,318**
of which relating to goodwill	-	-
of which relating to property, plant and equipment (Note 10)	-	276
of which relating to other financial assets	-	40,042
Others	**935,019**	**947,804**
of which relating to loans to related party	734,429	651,310
of which relating to available-for-sale financial assets (quoted equity instruments) (Note 28)	194,759	295,964
of which relating to intangible assets	5,831	530
Total impairment and other losses for the year	**1,077,131**	**993,749**

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

b) Cash generating units

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

Cash generating units (CGU) to which goodwill is allocated :	2016 AED'000	2015 AED'000
Maroc Telecom	8,179,359	8,425,822
Maroc Telecom International Subsidiaries	1,782,528	1,812,985
Pakistan Telecommunication Company Limited (PTCL)	4,126,218	4,108,560
Etisalat Misr (Etisalat) S.A.E.	9,797	24,023
Etisalat Lanka (Pvt) Limited (Etisalat Lanka)	-	206,122
	14,097,902	**14,577,512**

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

c) Key assumptions for the value in use calculations :

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

Long term cash flows and working capital estimates

The Group prepares cash flow forecasts and working capital estimates derived from the most recent annual business plan approved by the Board of Directors for the next five years. The business plans take into account local market considerations such as the revenues and costs associated with future customer growth, the impact of local market competition and consideration of the local macro-economic and political trading environment. This rate does not exceed the average long-term growth rate for the relevant markets and it ranges between 1.8% to 5.5% (2015: 1.8% to 6.5%).

Discount rates

The discount rates applied to the cash flows of each of the Group's operations are based on an internal study conducted by the management. The study utilized market data and information from comparable listed mobile telecommunications companies and where available and appropriate, across a specific territory. The pre-tax discount rates use a forward looking equity market risk premium and ranges between 6.4% to 18% (2015: 7.01% to 17.7%).

Capital expenditure

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

10. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles, computer, furniture AED'000	Assets under construction AED'000	Total AED'000
Cost					
At 1 January 2015	10,468,956	62,151,131	5,152,258	4,578,421	82,350,766
Additions	228,156	1,831,213	73,328	6,773,730	8,906,427
Transfer to Intangibles	-	-	-	(125,681)	(125,681)
Transfers	396,964	5,135,194	703,258	(6,235,416)	-
Disposals	(170)	(1,086,142)	(76,992)	(28,565)	(1,191,869)
Reclassified as held for sale (Note 34)	(25,549)	(248,025)	(23,365)	381	(296,558)
Exchange differences	(595,148)	(4,261,389)	(279,069)	(128,890)	(5,264,496)
At 31 December 2015	**10,473,209**	**63,521,982**	**5,549,418**	**4,833,980**	**84,378,589**
Depreciation and impairment					
At 1 January 2015	2,570,844	30,340,846	3,406,697	59,767	36,378,154
Charge for the year	221,132	4,926,138	648,808	-	5,796,078
Impairment losses	-	8,014	-	-	8,014
Disposals	(61)	(860,879)	(106,088)	-	(967,028)
Elimination on items reclassified as held for sale (Note 34)	(16,121)	(141,355)	(19,861)	-	(177,337)
Exchange differences	(158,129)	(2,562,792)	(208,352)	-	(2,929,273)
At 31 December 2015	**2,617,665**	**31,709,972**	**3,721,204**	**59,767**	**38,108,608**
Carrying amount					
At 31 December 2015	**7,855,544**	**31,812,010**	**1,828,214**	**4,774,213**	**46,269,981**
Cost					
At 1 January 2016	10,473,209	63,521,982	5,549,418	4,833,980	84,378,589
Additions	88,533	2,366,058	259,087	5,127,129	7,840,807
Transfer to inventory	-	-	-	(128,371)	(128,371)
Transfer from investment property	-	-	-	12,154	12,154
Transfers	290,925	4,131,362	752,627	(5,174,914)	-
Disposals	(152,746)	(1,820,796)	(80,747)	(5,910)	(2,060,199)
Reclassified as held for sale (Note 34)	(844)	(1,238,165)	(56,255)	(87,276)	(1,382,540)
Exchange differences	(265,458)	(4,862,619)	(902,578)	(1,041,537)	(7,072,192)
At 31 December 2016	**10,433,619**	**62,097,822**	**5,521,552**	**3,535,255**	**81,588,248**
Depreciation and impairment					
At 1 January 2015	2,617,665	31,709,972	3,721,204	59,767	38,108,608
Charge for the year	204,280	4,965,675	714,770	-	5,884,725
Impairment losses	-	142,111	-	-	142,111
Disposals	(114,227)	(1,395,659)	(77,334)	-	(1,587,220)
Elimination on items reclassified as held for sale (Note 34)	(183)	(780,981)	(41,738)	-	(822,902)
Exchange differences	(70,637)	(1,796,080)	(720,484)	-	(2,587,201)
At 31 December 2016	**2,636,898**	**32,845,038**	**3,596,418**	**59,767**	**39,138,121**
Carrying amount					
At 31 December 2016	**7,796,721**	**29,252,784**	**1,925,134**	**3,475,488**	**42,450,127**

The carrying amount of the Group's land and buildings includes a nominal amount of AED 1 (2015: AED 1) in relation to land granted to the Group by the Federal Government of the UAE. There are no contingencies attached to this grant and as such no additional amounts have been included in the consolidated statement of profit or loss or the consolidated statement of financial position in relation to this.

An amount of AED 5.9 million (2015: AED 5.4 million) is included in property, plant and equipment on account of capitalisation of borrowing costs for the year.

Borrowings are secured against property, plant and equipment with a net book value of AED 3,148 million (2015: AED 3,190 million).

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

11. Investment property

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

	2016 AED'000	2015 AED'000
Cost		
At 1 January	60,025	59,425
Additions	1,960	600
Transfer to property plant and equipment	(12,154)	-
At 31 December	**49,831**	**60,025**
Depreciation		
At 1 January	20,668	18,047
Additions	1,932	2,621
At 31 December	**22,600**	**20,668**
Carrying amount at 31 December	**27,230**	**39,357**
Fair value at 31 December	**50,266**	**72,211**

Investment property rental income and direct operating expenses	2016 AED'000	2015 AED'000
Property rental income	8,224	7,933
Direct operating expenses	1,022	1,203

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

12. Subsidiaries

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

Name	Country of incorporation	Principal activity	Percentage shareholding 2016	2015
Emirates Telecommunications and Marine Services FZE	UAE	Telecommunications services	100%	100%
Emirates Cable TV and Multimedia LLC	UAE	Cable television services	100%	100%
Etisalat International Pakistan LLC	UAE	Holds investment in Pakistan Telecommunication Co. Ltd	90%	90%
E-Marine PJSC	UAE	Submarine cable activities	100%	100%
Etisalat Services Holding LLC	UAE	Infrastructure services	100%	100%
Etisalat Software Solutions (Private) Limited	India	Technology solutions	100%	100%
Canar Telecommunications Co. Limited	Republic of Sudan	Telecommunications services	-	92%
Etisalat International Nigeria Limited	UAE	Holds investment in EMTS B.V. (Netherlands)	100%	100%
Etisalat Afghanistan	Afghanistan	Telecommunications services	100%	100%
Etisalat Misr S.A.E.	Egypt	Telecommunications services	66%	66%
Atlantique Telecom S.A.	Togo	Telecommunications services	100%	100%
Etisalat Lanka (Pvt.) Limited	Sri Lanka	Telecommunications services	100%	100%
Pakistan Telecommunication Company Limited	Pakistan	Telecommunications services	23% *	23% *
Etisalat Investment North Africa LLC	UAE	Holds investment Société de Participation dans les Télécommunications (SPT)	91.3%	91.3%
Société de Participation dans les Télécommunications (SPT)	Kingdom of Morocco	Holds investment in Maroc Telecom	91.3%	91.3%
Etisalat Al Maghrib S.A (Maroc Telecom)	Kingdom of Morocco	Telecommunications services	48% *	48% *
Etisalat Mauritius Private Limited	Mauritius	Holds investment in Etisalat DB Telecom Private Limited	100%	100%

12. Subsidiaries (continued)

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

Current year changes in shareholdings

The Group completed the sale of its 92.3% shareholding in Canar to Bank of Khartoum on 7 August 2016 after securing all regulatory approvals from the Sudanese National Telecommunications Corporation and the Sudanese competition authorities. (note 35).

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

Previous years' changes in shareholdings

On 1 April 2015, PTCL acquired 100% ownership of DVCOM Data. The entity has Wireless Local Loop (WLL) License of 1900 MHz spectrum in nine telecom regions of Pakistan.

On 12 October, 2015, PTCL incorporated a wholly owned new entity, Smart Sky as a private Limited company to provide Direct-to-Home (DTH) television service throughout the country under the license from the authorities. However the said license is yet to be auctioned by the authorities and the entity has not yet started commercial operations.

On 4 May 2014, the Group announced the signing of an agreement with Maroc Telecom for the sale of the Group's shareholdings in its operations in Benin, CAR, Gabon, Cote d'Ivoire, Niger and Togo to Maroc Telecom, for a total consideration of EUR 474 million. The transaction was closed on 26 January 2015 and has been accounted for by the Group as a transaction under common control.

On 22 October 2015, the Group completed the sale of its 85% shareholdings in Zanzibar Telecom Limited (Zantel) to Millicom after securing all regulatory approvals from the Tanzanian Communication Regulatory Authority and the Fair Competition Commission (Note 35).

a) Disclosures relating to subsidiaries

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

	Maroc Telecom consolidated	PTCL consolidated	Etisalat Misr consolidated
AED'000		**2016**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit/(loss)	1,099,664	(13,408)	(22,551)
Total comprehensive (loss)/profit	(197,216)	7,396	(1,565,021)
Dividends	(1,480,334)	(264,935)	(54,052)
Non-controlling interests as at 31 December	6,662,429	5,620,189	935,446
Summarised information relating to subsidiares:			
Current assets	5,437,055	3,144,443	994,486
Non-current assets	31,774,638	16,955,576	5,820,191
Current liabilities	13,072,614	6,048,884	2,060,273
Non-current liabilities	3,576,966	5,159,971	1,997,694
AED'000		**2015**	
Information relating to non-controlling interests:			
Non-controlling interest (shareholding %)	51.6%	76.6%	34%
Profit	1,112,165	28,367	149,254
Total comprehensive loss	(763,259)	(370,002)	(239,802)
Dividends	(1,530,453)	(338,811)	(51,585)
Non-controlling interests as at 31 December	7,397,153	5,891,136	2,577,070
Summarised information relating to subsidiaries:			
Current assets	6,613,092	2,757,637	1,919,962
Non-current assets	33,217,963	17,151,841	11,062,738
Current liabilities	12,588,260	5,420,384	3,924,046
Non-current liabilities	4,299,232	5,390,308	1,441,883

12. Subsidiaries (continued)

b) Movement in non-controlling interests

The movement in non-controlling interests is provided below:

	2016 AED'000	2015 AED'000
As at 1 January	**15,886,048**	**17,994,120**
Total comprehensive income:		
Profit for the year	1,065,877	1,248,162
Remeasurement of defined benefit obligations - net of tax	(1,325)	(42,461)
Exchange differences on translation of foreign operations	(1,759,489)	(1,300,678)
Loss on revaluation of available-for-sale financial assets	(1)	(9,288)
Other movement in equity	(4,854)	16,362
Transaction with owners:		
Disposal of a subsidiary	(27,477)	115,450
Movements in non-controlling interests	(66,843)	(5,664)
Repayment of equity contribution to non-controlling interests for acquisition of a subsidiary	(78,843)	(209,094)
Dividends	(1,799,720)	(1,920,861)
As at 31 December	**13,213,373**	**15,886,048**

13. Share of results of associates and joint ventures

	2016 AED'000	2015 AED'000
Associates excluding EMTS (Note 14 b)	(109,017)	(327,904)
Joint ventures (Note 14 f)	7,667	11,975
Total	**(101,350)**	**(315,929)**

In prior years, the Group had reassessed its accounting treatment for the share of results of one of its associates. Consequently, the Group had discontinued the recognition of the share of results of that associate with effect from 1 January 2013. Accordingly, no share of losses have been offset against loans due from associates as the investment in associate has already been fully written down by prior year losses. The amount receivable towards interest on loan to the associate of AED 927 million (2015: AED 817 million) has been impaired during the year. The net unrecognised share of losses in the associate for the year ended 31 December 2016 amounted to AED 3,409 million (2015: AED 779 million). The cumulative net unrecognised share of losses as at 31 December 2016 amounted to AED 7,361 million (2015: AED 3,952 million).

14. Investment in associates and joint ventures

a) Associates

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

b) Movement in investments in associates

	Mobily		All Associates	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Carrying amount at 1 January	4,306,333	4,600,247	4,450,754	4,778,884
Share of results (Note 13)	(64,807)	(293,914)	(109,017)	(327,904)
Other movements	1,727	-	1,728	(226)
Carrying amount at 31 December	**4,243,253**	**4,306,333**	**4,343,465**	**4,450,754**

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

	Mobily		All Associates	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Net assets	14,562,923	14,792,822	(936,434)	1,532,055
Our share in net assets of associates *	3,998,833	4,061,961	4,298,656	4,406,536
Others **	244,420	244,372	244,809	244,218
Impairment	-	-	(200,000)	(200,000)
	4,243,253	**4,306,333**	**4,343,465**	**4,450,754**

* Our share in the net assets of associates does not include the share of results of EMTS effective from 1 January 2013 (refer note 13).

** "Others" include an amount of AED 150 million (2015: AED 150 million) relating to premium paid on rights issue in prior years.

d) Aggregated amounts relating to associates

	Mobily		All Associates	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Current assets	7,617,255	8,219,218	8,813,364	10,322,709
Non-current assets	32,492,274	33,077,396	36,204,962	38,768,991
Current liabilities	(17,771,976)	(26,203,474)	(20,455,104)	(29,604,399)
Non-current liabilities	(7,774,630)	(300,318)	(25,499,656)	(17,955,246)
Net assets	**14,562,923**	**14,792,822**	**(936,434)**	**1,532,055**
Revenue	12,307,325	14,112,564	15,541,666	18,811,004
Loss	(235,954)	(1,069,514)	(8,139,574)	(3,886,080)
Total comprehensive loss	(235,954)	(1,069,514)	(8,139,574)	(3,886,080)

Contingent liabilities relating to the associates are disclosed in note 31.

In the prior year borrowings amounting to AED 8,247 million classified as non current liabilities in the financial statements of Mobily have been reclassified to current liabilities in the above table, to comply with the requirements of IFRS.

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

14. Investment in associates and joint ventures (continued)

e) Market value of an associate

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

	2016 AED'000	2015 AED'000
Etihad Etisalat Company ("Mobily")	4,966,376	4,920,891

f) Joint ventures

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

f) Movement in investment in joint ventures

	2016 AED'000	2015 AED'000
Carrying amount at 1 January	**78,220**	**70,245**
Share of results	7,667	11,975
Dividends	(15,000)	(4,000)
Carrying amount at 31 December	**70,887**	**78,220**

g) Aggregated amounts relating to joint ventures

	2016 AED'000	2015 AED'000
Current assets	206,964	245,962
Non-current assets	15,099	13,610
Current liabilities	(79,830)	(103,136)
Net assets	**142,233**	**156,436**
Revenue	193,940	185,294
Profit or loss	15,796	23,949

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

15. Other investments	Fair value through profit and loss AED'000	Available for sale AED'000	Held to maturity AED'000	Total AED'000
At 1 January 2015	44,625	747,381	191,991	983,997
Additions	-	30,671	13,428	44,099
Disposal	(7,616)	(8,793)	(2,114)	(18,523)
Investment revaluation	-	(181,297)	-	(181,297)
Impairment	-	(516)	-	(516)
Exchange differences	(3,984)	(11,438)	-	(15,422)
At 31 December 2015	**33,025**	**576,008**	**203,305**	**812,338**
Additions	16,774	98,753	949,956	1,065,483
Disposal	-	(30,500)	(363,845)	(394,345)
Investment revaluation	-	(154,361)	(454,721)	(609,082)
Unwinding of interest	-	-	13,942	13,942
Exchange differences	(1,616)	(7,513)	-	(9,129)
At 31 December 2016	**48,183**	**482,387**	**348,637**	**879,207**

The held to maturity investment includes Sukuk which is the bond structured to conform with the principles of Islamic Sharia law. At 31 December 2016, the market value of the investment in Sukuk was AED 147 million (2015: AED 203 million). The held to maturity investments also includes investment in treasury bills.

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. There were no material transactions with the members of the Board of Directors of the Company during the year.
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 1,414 million (2015: AED 1,231 million), which are net of allowance for doubtful debts of AED 156 million (2015: AED 125 million), receivable from Federal Ministries and local bodies. See Note 5 for disclosure of the royalty payable to the Federal Government of the UAE.
In accordance with IAS 24 (revised 2009) Related Party Disclosures the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence. The nature of the transactions that the Group has with such related parties is the provision of telecommunication services.

16. Related party transactions (continued)

b) Joint ventures and associates

	Associates		Joint Ventures	
	2016	2015	2016	2015
	AED '000	AED '000	AED '000	AED '000
Trading transactions				
Telecommunication services – sales	110,369	76,834	-	-
Telecommunication services – purchases	123,420	93,497	-	-
Management and other services	199,747	219,720	1,710	7,342
Net amount due from related parties as at 31 December	601,864	562,900	829	2,939
Loans to a related party				
Loans due from a related party as at 31 December, net	-	1,232,884	-	-

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

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

i. Etihad Etisalat Company

Pursuant to the Communications and Information Technology Commission's (CITC) licensing requirements, Mobily entered into a management agreement ("the Agreement") with the Company as its operator from 23 December 2004. Amounts invoiced by the Company relate to annual management fees, fees for staff secondments and other services provided under the Agreement. The term of the Agreement was for a period of seven years and could be automatically renewed for successive periods of five years unless the Company served a 12 month notice of termination or Mobily served a 6 month notice of termination prior to the expiry of the applicable period. Refer to note 39 (iii) for a subsequent event.

ii. Thuraya Telecommunications Company PJSC

The Company provides a primary gateway facility to Thuraya including maintenance and support services. The Company receives annual income from Thuraya in respect of these services.

iii. Emerging Markets Telecommunications Services B.V.

Amounts invoiced by the Company relate to annual management fees, fees for staff secondments, interest on loan and other services. Refer to note 39 (i) for a subsequent event.

c) Remuneration of key management personnel

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

	2016	2015
	AED'000	AED'000
Short-term benefits	**57,969**	**54,066**

17. Inventories

	2016	2015
	AED'000	AED'000
Subscriber equipment	404,038	470,501
Maintenance and consumables	354,797	340,039
Obsolescence allowances	(50,010)	(36,451)
Net Inventories	**708,825**	**774,089**

Movement in obsolescence allowances	2016	2015
	AED'000	AED'000
At 1 January	36,451	43,857
Net increase / (decrease) in obsolescence allowances	24,700	(4,065)
Exchange differences	(10,259)	(3,341)
Reclassified as held for sale (Note 34)	(882)	-
At 31 December	**50,010**	**36,451**
Inventories recognised as an expense during the year in respect of continuing operations	**2,288,817**	**2,744,308**

18. Trade and other receivables

	2016	2015 (Restated)
	AED'000	AED'000
Amount receivable for services rendered	9,707,082	9,254,726
Allowance for doubtful debts	(2,118,831)	(1,954,665)
Net trade receivables	**7,588,251**	**7,300,061**
Amounts due from other telecommunication operators/carriers	6,409,532	6,089,727
Prepayments	572,451	566,460
Accrued income	1,408,833	1,143,078
Other receivables	2,974,090	2,420,253
At 31 December	**18,953,157**	**17,519,579**
Total trade and other receivables	**18,953,157**	**17,519,579**
of which current trade and other receivables	18,796,545	17,305,934
of which non-current other receivables	156,612	213,645

The Group's normal credit terms ranges between 30 and 120 days (2015: 30 and 120 days).

18. Trade and other receivables (continued)

Ageing of net trade receivables, including amounts due from other telecommunication operators/carriers :	2016	2015 (Restated)
	AED'000	AED'000
Upto 60 days	7,189,252	9,044,490
61-90 days	662,172	572,987
90-365 days	2,431,059	1,902,223
Over one year	3,715,300	1,870,088
Net trade receivables	**13,997,783**	**13,389,788**

Movement in allowance for doubtful debts :	2016	2015
	AED'000	AED'000
At 1 January	1,954,665	1,646,120
Net increase in allowance for doubtful debts	319,809	319,011
Exchange differences	(139,958)	8,254
Reclassified as held for sale (Note 34)	(15,685)	(18,720)
At 31 December	**2,118,831**	**1,954,665**

No interest is charged on the trade receivable balances. With respect to the amounts receivable from the services rendered the Group holds AED 234 million (2015: AED 424 million) of collateral in the form of cash deposits from customers. Amounts due from other telecommunication operators/carriers include interconnect balances with related parties.

19. Cash and cash equivalents

	2016	2015
	AED'000	AED'000
Maintained locally	20,794,417	17,746,449
Maintained overseas, unrestricted in use	2,786,320	3,487,184
Maintained overseas, restricted in use	123,159	275,990
Cash and bank balances	**23,703,896**	**21,509,623**
Reclassified as held for sale (Note 34)	(27,726)	(87,269)
Cash and bank balances from continuing operations	**23,676,170**	**21,422,354**
Less: Deposits with maturities exceeding three months from the date of deposit	(20,680,990)	(15,956,323)
Cash and cash equivalents from continuing operations	**2,995,180**	**5,466,031**

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.

20. Trade and other payables

	2016	2015 (Restated)
	AED'000	AED'000
Current		
Federal royalty	5,010,268	5,847,678
Trade payables	8,034,553	8,036,622
Amounts due to other telecommunication administrators	5,250,963	4,378,893
Deferred revenue	2,129,470	2,378,793
Other payables and accruals	10,372,923	10,716,856
At 31 December	**30,798,177**	**31,358,842**
Non-current		
Other payables and accruals	1,558,549	1,533,176
At 31 December	**1,558,549**	**1,533,176**

Amounts due to other telecommunication administrators include interconnect balances with related parties.

Federal royalty for the year ended 31 December 2016 is to be paid as soon as the consolidated financial statements have been approved but not later than 4 months from the year ended 31 December 2016.

21. Borrowings

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

	Fair Value		Carrying Value	
	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000
Bank borrowings				
Bank overdrafts	3,318,881	3,055,377	3,318,881	3,055,377
Bank loans	3,871,520	3,441,325	3,934,047	3,511,765
Other borrowings				
Bonds	15,059,387	15,139,036	14,217,614	14,608,777
Loans from non controlling interest	3,182	7,803	3,500	8,584
Vendor financing	345,595	271,950	345,595	271,950
Others	3,335	62,577	3,602	63,488
	22,601,900	**21,978,068**	**21,823,239**	**21,519,941**
Advances from non controlling interest			552,027	560,221
Total Borrowings			**22,375,266**	**22,080,162**
Reclassified as held for sale (Note 34)			(96,626)	-
Borrowings from continuing operations			**22,278,640**	**22,080,162**
of which due within 12 months			4,074,738	4,199,637
of which due after 12 months			18,203,902	17,880,525

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

External borrowings of AED 3,129 million (2015: AED 1,320 million) are secured by property, plant and equipment.

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

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

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

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

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

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

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

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

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

As at 31 December 2016, 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 9.22 billion) as follows:

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

21. Borrowings (continued)

	Nominal Value	Fair Value	Carrying Value
	2015	2015	2015
	AED'000	AED'000	AED'000
Bonds			
2.375% US dollar 500 million notes due 2019	3,306,600	3,294,696	3,306,574
3.500% US dollar 500 million notes due 2024	1,837,000	1,859,595	1,815,817
Bonds in net investment hedge relationship			
1.750% Euro 1,200 million notes due 2021	4,816,800	4,901,576	4,761,356
2.750% Euro 1,200 million notes due 2026	4,816,800	5,083,169	4,725,030
At 31 December 2015	**14,777,200**	**15,139,036**	**14,608,777**
of which due within 12 months			-
of which due after 12 months			14,608,777

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

	Year of maturity	Currency	Interest rate	Carrying Value 2016 AED'000	Carrying Value 2015 AED'000
Variable interest borrowings					
Unsecured Bank Loans	2018	EGP	Mid Corridor +1.4%	-	1,643,573
Secured Bank Loans	2023	USD	LIBOR + 2.9%	956,626	-
Secured Bank Loans	2023	EGP	Lending Corridor 0.5%-0.75%	936,990	-
Unsecured Vendor Financing	2021	PKR	Bill discout rate-0.7%	345,595	-
Unsecured Overdrafts	2017	EGP	Mid Corridor +0.75%	574,217	423,672
Secured bank loan	2018	LKR	3M SLIBOR+4%	15,452	188,407
Secured Bank Loans	2023	PKR	3 moth Kibor+0.25%	944,125	735,000
Secured Bank Loans	2019	USD	6M LIBOR + 1.6%	68,216	-
Unsecured Bank Loans	2018	USD	3M Libor + 1.9%	169,901	-
Secured Bank Overdrafts	2020	PKR	1 month KIBOR + 30BP	-	271,950
Fixed interest borrowings					
Unsecured bank overdrafts	2017	MAD	10%	2,552,857	2,489,855
Unsecured Bank Loans	2017	FCFA	4.45%	272,476	-
Secured Bank Loans	2018	FCFA	4.68%	141,845	
Secured Bank Loans	2018	FCFA	8%	140,432	-
Secured Other Financing	2017	USD	0%	-	53,185
Secured Bank Loans	2017	EUR	2%	-	233,959
Unsecured loans from non-controlling interests	2015	EGP	10%	3,500	8,584
Secured Bank Loans	2017	0	9.69%	-	57,387
Unsecured Overdrafts	2017	FCFA	7%	162,945	-
Other borrowings					
Advances from non-controlling interests	N/A	USD	Interest free	552,027	560,221
Bonds	2019	USD	2.375%	1,830,443	1,827,933
Bonds	2019	USD	2.375%	1,476,128	1,478,641
Bonds	2024	USD	3.500%	1,817,984	1,815,817
Bonds	2021	EUR	1.750%	4,564,684	4,761,356
Bonds	2026	EUR	2.750%	4,528,375	4,725,030
Others	Various	Various	Various	320,448	805,592
Total Borrowings				**22,375,266**	**22,080,162**
Reclassified as held for sale (Note 34)				(96,626)	-
Borrowings from continuing operations				**22,278,640**	**22,080,162**

a) Interest rates

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

	2016	2015
Bank borrowings	6.6%	6.0%
Other borrowings	2.6%	2.7%

b) Available facilities

At 31 December 2016, the Group had AED 2,794 million (2015: AED 4,832 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

22. Net investment hedge relationships

In prior years, Euro bonds issued (refer to note 21) and cross currency swaps have been designated as net investment hedges. There was no material ineffectiveness of these hedges recorded as at the end of the reporting period.

	2016 AED'000	2015 AED'000
Effective part directly recognised in other comprehensive income	250,656	1,255,830

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

	2016 AED'000	2015 AED'000
Fair value of swaps designated as net investment hedge (Derivative financial assets)	331,313	675,412
Fair value of forward contract/swaps designated as net investment hedge (Derivative financial liabilities)	(2,830)	(1,607)

The fair value of bonds designated as hedge is disclosed in note 21.

23. Payables related to investments and licenses

	Current AED'000	Non-current AED'000	Total AED'000
At 31 December 2016			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Maroc Telecom	149,981	149,981	299,962
Pakistan Telecommunication Company Limited	157,671	392,987	550,658
	3,255,327	**542,968**	**3,798,295**
At 31 December 2015			
Investments			
Etisalat International Pakistan LLC	2,936,653	-	2,936,653
Atlantique Telecom S.A.	11,022	-	11,022
Licenses			
Pakistan Telecommunication Company Limited	265,472	693,661	959,133
	3,213,147	**693,661**	**3,906,808**

According to the terms of the share purchase agreement between Etisalat International Pakistan LLC and the Government of Pakistan ("GOP") payments of AED 6,612 million (2015: AED 6,612 million) have been made to GOP with the balance of AED 2,937 million (2015: AED 2,937 million) to be paid. The amounts payable are being withheld pending completion of certain conditions in the share purchase agreement related to the transfer of certain assets to PTCL.

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

24. Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Amounts payable under finance lease				
Within one year	6,196	7,230	5,512	7,070
Between 2 and 5 years	5,252	11,253	4,905	10,934
	11,448	**18,483**	**10,417**	**18,004**
Less: future finance charges	(1,031)	(479)	-	-
Present value of lease obligations	**10,417**	**18,004**	**10,417**	**18,004**
of which due within 12 months	5,512	7,070	5,512	7,070
of which due after 12 months	4,905	10,934	4,905	10,934

It is the Group policy to lease certain of its plant and machinery under finance leases. For the year ended 31 December 2016, the average effective borrowing rate was 19% (2015: 20%). The fair value of the Group's lease obligations is approximately equal to their carrying value.

25. Provisions	Asset retirement obligations AED'000	Other AED'000	Total AED'000
At 1 January 2015	34,106	2,069,034	2,103,140
Additional provision during the year	4,151	963,593	967,744
Reclassified as held for sale (Note 34)	(2,696)	-	(2,696)
Utilization of provision	-	(769,966)	(769,966)
Release of provision	(630)	(100,659)	(101,289)
Adjustment for change in discount rate	1,315	-	1,315
Unwinding of discount	8	24	32
Exchange differences	(2,933)	(68,695)	(71,628)
At 31 December 2015	33,321	2,093,331	2,126,652
Included in current liabilities	530	1,918,314	1,918,844
Included in non-current liabilities	32,791	175,017	207,808
At 1 January 2015	33,321	2,093,331	2,126,652
Additional provision during the year	3,614	1,490,867	1,494,481
Reclassified as held for sale (Note 34)	(12,516)	(3,098)	(15,614)
Utilization of provision	-	(305,965)	(305,965)
Release of provision	-	(66,172)	(66,172)
Adjustment for change in discount rate	968	-	968
Exchange differences	(15,054)	(581,314)	(596,368)
At 31 December 2016	10,333	2,627,649	2,637,982
Included in current liabilities	-	2,488,839	2,488,839
Included in non-current liabilities	10,333	138,810	149,143
At 31 December 2016	10,333	2,627,649	2,637,982

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

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

26. Provision for end of service benefits

The liabilities recognised in the consolidated statement of financial position are:	2016 AED'000	2015 AED'000
Funded Plans		
Present value of defined benefit obligations	3,871,930	3,686,056
Less: Fair value of plan assets	(3,689,908)	(3,266,580)
	182,022	419,476
Unfunded Plans		
Present value of defined benefit obligations and other employee benefits	1,454,938	1,491,004
Total	1,636,960	1,910,480

The movement in defined benefit obligations for funded and unfunded plans is as follows:	2016 AED'000	2015 AED'000
As at 1 January	5,177,061	5,133,930
Reclassified as held for sale (Note 34)	(2,631)	-
Service cost	171,036	151,407
Interest cost	472,745	500,671
Actuarial gain/(loss)	9,106	(654)
Remeasurements	(70,006)	33,715
Benefits paid	(492,621)	(436,562)
Gain and loss on settlement	76,920	-
Exchange difference	(14,742)	(205,446)
As at 31 December	5,326,868	5,177,061

The movement in the fair value of plan assets is as follows:	2016 AED'000	2015 AED'000
As at 1 January	3,266,580	3,089,390
Interest income	368,606	366,455
Return on plan assets excluding amounts included in interest income	(61,077)	(73,257)
Contributions received	422,578	257,586
Benefits paid	(311,096)	(239,247)
Others	5,538	2,547
Exchange difference	(1,222)	(136,894)
As at 31 December	3,689,907	3,266,580

26. Provision for end of service benefits (continued)

The amount recognised in the statement of profit or loss is as follows:	2016 AED'000	2015 AED'000
Service cost	170,730	151,407
Net Interest cost	103,764	135,927
Others	76,842	(1,501)
	351,336	285,833

Following are the significant assumptions used relating to the major plans	2016 AED'000	2015 AED'000
Discount rate		
UAE	3.13%	2.50%
Pakistan	9.5% - 11%	9.5%- 11.5%
Morocco	3.4%	4.00%
Average annual rate of salary		
UAE	3.5%	3.5% - 4%
Pakistan	7% - 10%	7% - 10%
Morocco	4%-5%	3%-5%

Plan assets for funded plan are comprised as follows:	2016 AED'000	2015 AED'000
Debt instruments - unquoted	3,154,439	2,564,547
Cash and cash equivalents	243,198	424,297
Investment property	285,388	284,173
Fixed assets	278	242
Other assets	59,469	747
less: liabilities	(52,864)	(7,426)
	3,689,908	3,266,580

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

The expense recognised in profit or loss relating to defined contribution plan at the rate specified in the rules of the plans amounting to AED 170 million (2015: AED 132 million).

27. Share capital

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

At the extraordinary general meeting held on 24 March 2015, the shareholders approved the increase of the authorised share capital of Etisalat Group to AED 10 billion. The Company has amended the articles of association to reflect this increase. At the ordinary assembly meeting held on 24 March 2015, the shareholders approved the issue of one bonus shares for every ten shares held.

28. Reserves

The movement in the Reserves is provided below:	2016 AED'000	2015 AED'000
As at 1 January	27,583,414	27,440,371
Total comprehensive income for the year	(2,593,846)	(738,270)
Transfer from retained earnings	1,131,581	881,313
As at 31 December	26,121,149	27,583,414

28. Reserves (continued)

The movement for each type of reserves is provided below:	2016 AED'000	2015 AED'000
Translation reserve		
As at 1 January	(3,590,118)	(2,734,834)
Total comprehensive income for the year	(2,643,247)	(855,284)
As at 31 December	**(6,233,365)**	**(3,590,118)**
Investment revaluation reserve		
As at 1 January	1,595	(115,419)
Loss on revaluation	(142,520)	(162,874)
Reclassification adjustment relating to available-for-sale financial assets disposed during the year	(2,838)	(16,076)
Reclassification adjustment relating to available-for-sale financial assets impaired during the year	194,759	295,964
As at 31 December	**50,996**	**1,595**
Development reserve		
As at 1 January and 31 December	**7,850,000**	**7,850,000**
Asset replacement reserve		
As at 1 January	8,190,286	8,166,000
Transfer from retained earnings	44,314	24,286
As at 31 December	**8,234,600**	**8,190,286**
Statutory reserve		
As at 1 January	1,039,519	189,657
Transfer from retained earnings	1,102,077	849,862
As at 31 December	**2,141,596**	**1,039,519**
General reserve		
As at 1 January	14,092,132	14,084,967
Transfer from retained earnings	(14,810)	7,165
As at 31 December	**14,077,322**	**14,092,132**

a) Development reserve, asset replacement reserve and general reserve

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

b) Statutory reserve

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

c) Translation reserve

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

29. Financial instruments

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

Capital management

The Group's capital structure is as follows:	2016 AED'000	2015 AED'000
Bank borrowings	(7,156,302)	(6,567,142)
Bonds	(14,217,614)	(14,608,777)
Other borrowings	(904,724)	(904,243)
Finance lease obligations	(10,417)	(18,004)
Cash and bank balances	23,676,170	21,422,354
Net funds	**1,387,113**	**(675,812)**
Total equity	55,914,778	59,672,832

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

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

29. Financial instruments (continued)

Categories of financial instruments

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

	2016 AED'000	2015 (Restated) AED'000
Financial assets		
Loans and receivables, held at amortised cost:		
Loans to/due from associates and joint ventures	582,871	1,798,688
Trade and other receivables, excluding prepayments	18,380,706	16,953,119
	18,963,577	**18,751,807**
Available-for-sale financial assets (including other investments held for sale)	482,387	576,008
Fair value through profit or loss	48,183	33,025
Held-to-maturity investments	348,637	203,305
Cash and bank balances	23,676,170	21,422,354
Derivative financial instruments	331,313	675,412
	43,850,267	**41,661,911**
Financial liabilities		
Other financial liabilities held at amortised cost:		
Trade and other payables, excluding deferred revenue	30,227,256	30,513,225
Borrowings	22,278,640	22,080,162
Payables related to investments and licenses	3,798,295	3,906,808
Finance lease obligations	10,417	18,004
	56,314,608	**56,518,199**

Financial risk management objectives

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

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

a) Market risk

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

Foreign currency risk

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

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

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

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

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

29. Financial instruments (continued)

Foreign currency sensitivity

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

	2016 AED'000	2015 AED'000
Increase/decrease in profit/(loss) and in equity		
Egyptian pounds	90,168	41,507
Euros	906,659	970,526
Pakistani rupees	21,062	(1,802)
Morroccon Dirhams	252,476	195,230
Central African Franc	32,523	-

Interest rate risk

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

Interest rate sensitivity

Based on the borrowings outstanding at 31 December 2016, if interest rates had been 2% higher or lower during the year and all other variables were held constant, the Group's net profit and equity would have decreased or increased by AED 79 million (2015: AED 70 million). This impact is primarily attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other price risk

The Group is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes.

The Group does not actively trade these investments. See Note 15 for further details on the carrying value of these investments.

If equity price had been 5% higher or lower:
• profit for the year ended 31 December 2016 would increase/decrease by AED 15 million (2015: 19 million) due to loss/profit realised on impairment/disposal of investments in available-for-sale shares
• other comprehensive income for the year ended 31 December 2016 would increase/decrease by AED 9.7 million (2015: increase/decrease by AED 15 million) as a result of the changes in fair value of available-for-sale shares.

b) Credit risk management

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

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

Group's bank balance	2016	2015
Investment in UAE	88%	83%
Investment outside of the UAE	12%	17%

Bank rating for Investment in UAE

	2016		2015	
	AED	Rating	AED	Rating
By Moody's	4.0 billion	A1	5.2 billion	Baa1
	4.1 billion	Aa3	4.1 billion	A2
	2.0 billion	Baa1	-	-
	1.9 billion	A2	-	-
By S&P	2.6 billion	BBB+	3.0 billion	BBB+

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

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

29. Financial instruments (continued)

c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The details of the available undrawn facilities that the Group has at its disposal at 31 December 2016 to further reduce liquidity risk is included in Note 21. The majority of the Group's financial liabilities as detailed in the consolidated statement of financial position are due within one year.

Financial liabilities are repayable as follows:

AED'000	Trade and other payables, excluding deferred revenue	Borrowings	Payables related to investments and licenses	Finance lease obligations	Total
On demand or within one year	28,668,707	4,074,738	3,255,327	5,512	36,004,284
In the second year	637,501	1,228,152	200,098	4,905	2,070,656
In the third to fifth years inclusive	820,039	9,675,923	140,088	-	10,636,050
After the fifth year	101,009	7,299,827	202,782	-	7,603,618
As At 31 December 2016	**30,227,256**	**22,278,640**	**3,798,295**	**10,417**	**56,314,608**
On demand or within one year	28,981,386	4,199,637	3,213,147	7,070	36,401,240
In the second year	883,124	2,246,354	206,250	10,934	3,346,662
In the third to fifth years inclusive	527,319	4,130,718	248,293	-	4,906,330
After the fifth year	121,396	11,503,453	239,118	-	11,863,967
As At 31 December 2015 (Restated)	**30,513,225**	**22,080,162**	**3,906,808**	**18,004**	**56,518,199**

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

d) Fair value measurement of financial assets and liabilities

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

	Fair value hierarchy as at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets				
Derivative financial assets	-	675,412	-	675,412
Other Investments	578,554	-	233,784	812,338
	578,554	**675,412**	**233,784**	**1,487,750**
Financial liabilities				
Borrowings	-	21,978,068	-	21,978,068
Derivative financial liabilities	-	1,607	-	1,607
	-	**21,979,675**	-	**21,979,675**

29. Financial instruments (continued)

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

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

- Borrowings are measured and recorded in the consolidated statement of financial position at amortised cost and their fair values are disclosed in Note 21.
- Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data.
- Listed securities and Sukuk are classified as available for sale financial assets and held to maturity investments respectively and their fair values are

derived from observable quoted market prices for similar items. These represent Level 1 fair values. Unquoted equity securities represent Level 3 fair values. Details are included in note 15 "Other investments".

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

The fair value of the Group's investment property for an amount of AED 50.3 million (2015: AED 72.2 million) has been determined based on the Construction Replacement Cost Approach (Cost approach), which reflects the amount that would be required currently to replace the service capacity of the asset. The construction replacement cost of the asset was determined with reference to Turner International Construction Index. Accordingly, the fair value is classified as level 3 of the fair value hierarchy.

The fair value of other investments amounting to AED 424 million (2015: AED 234 million) are classified as Level 3 because the investments are not listed and there are no recent arm's length transactions in the shares. The valuation technique applied is internaly prepared valuation models using future cash flows discounted at average market rates. Any significant change in these inputs would change the fair value of these investments.

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

Reconciliation of Level 3	2016 AED'000	2015 AED'000
As at 1 January	**233,784**	**230,840**
Additions	991,138	29,991
Foreign exchange difference	(463,851)	(11,440)
Disposal	(340,150)	(16,409)
Revaluation	6,462	-
Other movement	153	802
As at 31 December	**427,536**	**233,784**

30. Commitments

a) Capital commitments

The Group has approved future capital projects and investments commitments to the extent of AED 5,711 million (2015: AED 5,105 million).

b) Operating lease commitments

i) The Group as lessee	2016 AED'000	2015 AED'000
Minimum lease payments under operating leases recognised as an expense in the year (Note 5)	**441,051**	**468,107**

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

	2016 AED'000	2015 AED'000
Within one year	251,241	297,436
Between 2 to 5 years	661,306	1,104,972
After 5 years	520,404	1,019,504
	1,432,951	**2,421,912**

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

ii) The Group as lessor

Property rental income earned during the year was AED 18 million (2015: AED 16 million). All of the properties held have committed tenants for the next 5 years.

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

	2016 AED'000	2015 AED'000
Within one year	18,516	7,551
Between 2 to 5 years	284	7,400
	18,800	**14,951**

31. Contingent liabilities

a) Bank guarantees

	2016 AED million	2015 AED million
i) Performance bonds and guarantees in relation to contracts	876	1,403.1
Companies Overseas investments	1,080	1,298.5

b) Foreign exchange regulations

On 23 July 2011, Etisalat DB Telecom Pvt Limited ("Etisalat DB") received a show cause notice from the Directorate of Enforcement (the ED) of India alleging certain breaches of the Foreign Exchange Management Act 1999 (FEMA), by Etisalat DB and its 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.

c) Other contingent liabilities

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

ii) The Honorable Supreme Court of Pakistan has dismissed on 12th June, 2015 appeals made by PTCL, a subsidiary of the group, and Pakistan Telecommunication Employees Trust ("PTET") who is managing the PTCL employee's pension fund, in various court matters related to certain employees' rights under the PTCL Pension scheme. Based on the directives contained in the said order and the pertinent legal provisions, the Group is evaluating the extent of its responsibility vis-à-vis such order. PTCL and PTET have filed a review petition before the Supreme Court. A full bench of the Honorable Supreme Court has not yet started conducting hearings into this Review Petition and consequently, a decision has not been made to date. Under the circumstances, the Group is of the view that it is not possible at this stage to ascertain the financial obligations, if any, flowing from the Honorable Supreme Court decision which could be disclosed in these consolidated financial statements. In the meanwhile, PTET has issued notices to prospective beneficiaries for the determination of their entitlements. Further, through a separate order dated 27 May 2016, the Honorable Lahore High Court decided that the pensioners who availed Voluntary Separation Scheme package are not entitled to pension increases announced by the Government of Pakistan.

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 in accordance with the Telecom regulations.

Multiple lawsuits were filed by Mobily against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecom regulations. The status of these lawsuits as at 31 December 2016 was as follows:

• There are 355 lawsuits filed by Mobily against CITC amounting to Saudi Riyals 647 million (AED 633 million);

• The Board of Grievance has issued 173 preliminary verdicts in favor of Mobily voiding 173 resolutions of the CITC's violation committee with total penalties amounting to Saudi Riyals 447 million (AED 438 million); and

• Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) resulting in cancellation of penalties with a total amount of Saudi Riyals 375 million (AED 367 million).

Mobily received additional claims from CITC during 2016 and has reassessed the provisions required against the claims as at the year ended 31 December 2016 and has recorded an appropriate estimate of the amount that it may ultimately have to pay to settle such claims.

Furthermore, there were 167 lawsuits filed by a number of shareholders against Mobily before the Committee for the Resolutions of Security Disputes (CRSD) and which are currently being adjudicated by the said committee. Mobily received final verdict on 87 of these cases in its favour whilst 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.

35 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.

iv) The Company is required to pay the UAE Telecommunication Regulatory Authority (TRA) 1% of its regulated revenues generated in the UAE annually as regulatory expenses towards ICT contributions. The cumulative difference between the amount being claimed by TRA and the amount settled by the Company is approximately around AED 1,598 million as of 31 December 2016 (2015: AED 1,301 million). The cumulative difference is mainly due to the claim of the TRA on non-regulated revenues in the UAE and consolidated revenues in international markets.

31. Contingent liabilities (continued)

c) Other contingent liabilities (continued)

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). Certain local courts have considered that this award is enforceable against the Group's assets in other jurisdictions. Sarci has started execution proceedings in Benin and other African countries which with the exception of Togo were denied or have been stalled by the local Courts. Execution measures were allowed by a first instance court in Togo but have been appealed and suspended. 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 and for cancellation of the award of this arbitration, which was initially due on 26 October 2016, was postponed several times and the file was finally transferred to the Constitutional Court following a request of SARCI for unconstitutionality of the proceedings. Next hearing before The Court of Appeal is now scheduled for 22 March 2017.

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 consolidated financial statements as at 31 December 2016.

32. Dividends

Amounts recognised as distribution to equity holders:	AED'000
31 December 2015	
Final dividend for the year ended 31 December 2014 of AED 0.35 per share	2,765,954
Interim dividend for the year ended 31 December 2015 of AED 0.40 per share	3,477,198
	6,243,152
31 December 2016	
Final dividend for the year ended 31 December 2015 of AED 0.40 per share	3,477,198
Interim dividend for the year ended 31 December 2016 of AED 0.40 per share	3,477,198
	6,954,396

A final dividend of AED 0.40 per share was declared by the Board of Directors on 9 March 2016, bringing the total dividend to AED 0.80 per share for the year ended 31 December 2015.

An interim dividend of AED 0.40 per share was declared by the Board of Directors on 27 July 2016 for the year ended 31 December 2016.

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

33. Earnings per share

	2016	2015
Earnings (AED'000)		
Earnings for the purposes of basic earnings per share being the profit attributable to the equity holders of the Company	**8,421,185**	8,262,756
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,696,754**	8,696,754
Earnings per share		
From continuing and discontinuing operations		
Basic and diluted	**AED 0.97**	AED 0.95
From continuing operations		
Basic and diluted	**AED 1.02**	AED 0.98

34. Disposal Group held for sale/ Discontinued operations

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

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

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

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

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

34.2 Disposal of Zanzibar Telecom Limited (''Zantel'')

On 3 June 2014, the directors approved a plan to dispose of the Group’s interest in Zanzibar Telecom Limited (Zantel), one of the Group's overseas subsidiaries. The disposal is in line with the Group's strategy to optimise its returns on investments in the international segment. Further, on 4 June 2015, the Group signed a Share Purchase Agreement with Millicom International Cellular SA ("Millicom") for the sale of the Group's 85% interest in Zantel. Under the terms of the agreement, the Group will receive cash consideration of USD 1 and Millicom will assume the net liabilities in the books of Zantel. On 22 October 2015, the Group completed the sale of its 85% shareholdings in Zantel to Millicom after securing all regulatory approvals from the Tanzanian Communication Regulatory Authority and the Fair Competition Commission. The calculation of the profit or loss on disposal, are disclosed in note 35.

34.3 Plan to dispose one of its subsidiary

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

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

34.4 Analysis of loss for the year from discontinued operations

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

	Note	2016 AED’000	2015 (Restated) AED’000
Revenue		530,455	874,496
Operating expenses		(588,873)	(1,176,835)
Impairment and other losses		-	(1,581)
Operating losses		**(58,418)**	**(303,920)**
Finance and other income		2,671	10,023
Finance costs		(18,430)	(37,279)
Loss before tax		**(74,177)**	**(331,176)**
Taxation		(8,605)	(26,328)
		(82,782)	**(357,504)**
(Losses)/gains on disposal of operation including cumulative exchange (losses)/gains reclassified from foreign translation reserve to profit or loss	35	(349,129)	39,029
Loss for the year from discontinued operations		**(431,911)**	**(318,475)**

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

At 31 December 2016 the disposal group comprised the following assets and liabilities :

Assets classified as held for sale	2016 AED'000	2015 AED'000
Goodwill	206,122	-
Other intangible assets	26,416	73,617
Property, plant and equipment	559,638	119,221
Deferred tax assets	68,491	-
Inventories	1,645	1,262
Trade and other receivables	103,625	330,861
Cash and cash equivalents	27,726	87,269
Assets classified as held for sale	**993,663**	**612,230**

Liabilities classified as held for sale	2016 AED'000	2015 AED'000
Trade and other payables	204,251	288,455
Borrowings	96,626	-
Provision for end of service benefits	2,631	-
Provision	15,614	2,697
Deferred tax liabilities	67,201	-
Finance lesae obligation	9,952	-
Liabilities associated with assets classified as held for sale	**396,275**	**291,152**
Net assets classified as held for sale	**597,388**	**321,078**

Cash flows from discontinued operations	2016 AED'000	2015 (Restated) AED'000
Net cash inflows from operating activities	197,303	149,909
Net cash outflows from investing activities	(101,212)	(80,902)
Net cash outflows from financing activities	(190,105)	(37,043)
Net cash (outflows) / inflows	**(94,014)**	**31,964**

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.

35. Disposal of Subsidiaries

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

On 22 October 2015, the Group disposed of Zanzibar Telecom Limited (Zantel) for a consideration of US$ 1.

35.1 Consideration received

	2016 AED'000	2015 AED'000
Total consideration received	349,589	-

35.2 Analysis of assets and liabilities over which control was lost

Assets	2016 AED'000	2015 AED'000
Goodwill	-	44,896
Other intangible assets	73,091	60,385
Property, plant and equipment	-	169,833
Other investments	-	2,890
Inventories	547	6,799
Trade and other receivables	412,609	83,542
Cash and cash equivalents	70,556	12,149
	556,803	**380,494**

Liabilities	2016 AED'000	2015 AED'000
Trade and other payables	332,972	227,973
Borrowings	-	211,950
Provision for end of service benefits	-	1,748
Asset retirement obligations	3,456	-
	336,428	441,671
Net assets/(liabilities)	**220,375**	**(61,177)**

35. Disposal of a subsidiaries (continued)

35.3 (Loss) / Gain on disposal of subsidiaries

	2016 AED'000	2015 AED'000
Consideration received	349,589	-
Other cost	-	(69,691)
Net (assets) / liabilities disposed of	(220,375)	61,177
Non controlling Interest	27,477	(115,450)
Cumulative exchange (loss) / gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiaries	(505,820)	162,993
(Loss) / gain on disposal	**(349,129)**	**39,029**

The (loss) / gain on disposal is included in the loss for the period from discontinued operations (see note 34).

35.4 Net cash inflow on disposal of subsidiaries

	2016 AED'000	2015 AED'000
Consideration received in cash and cash equivalents	349,589	-
Less: cash and cash equivalent balances disposed of	(70,556)	(22,756)
	279,033	**(22,756)**

36. 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 BD 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 BD (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.

37. Offsetting financial assets and financial liabilities

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

The following table presents the recognised financial assets and liabilities that are offset, as at 31 December 2016 and 31 December 2015.

	Gross amounts 2016 AED '000	Gross amounts set off 2016 AED '000	Net amount presented 2016 AED '000
Financial assets			
Amounts due from other telecommunication administators	12,500,362	(6,090,830)	6,409,532
Financial liabilities			
Amounts due to other telecommunication administrators	11,341,793	(6,090,830)	5,250,963

	Gross amounts 2015 AED '000	Gross amounts set off 2015 AED '000	Net amount presented 2015 AED '000
Financial assets			
Amounts due from other telecommunication administators	12,354,739	(6,265,012)	6,089,727
Financial liabilities			
Amounts due to other telecommunication administrators	10,643,905	(6,265,012)	4,378,893

38. Restatement and reclassification of comparative figures

The prior year figures were adjusted for the below items:

1. To conform with current year presentation of the results from discontinued operations.
2. Offset and reversal of balances payable to telecom administrators amounting to AED 934 million and AED 417 million respectively.
3. Alignment of accounting policies of an equity accounted investee with the Group's accounting policy.

	As previously reported AED '000	Adjustments for a subsidiary classified as held for sale AED '000	As restated AED '000
Consolidated statement of profit or loss for the year ended 31 December 2015			
Revenue	**51,737,018**	**(408,099)**	**51,328,919**
Operating expenses	(33,048,845)	475,932	(32,572,913)
Impairment and other losses	(995,330)	1,581	(993,749)
Share of results of associates and joint ventures	(315,929)	-	(315,929)
Operating profit before federal royalty	**17,376,914**	**69,414**	**17,446,328**
Federal royalty	(6,054,976)		(6,054,976)
Operating profit	**11,321,938**	**69,414**	**11,391,352**
Finance and other income	916,078	(34,840)	881,238
Finance and other costs	(1,212,177)	28,063	(1,184,114)
Profit before tax	**11,025,839**	**62,637**	**11,088,476**
Taxation	(1,277,590)	18,507	(1,259,083)
Profit for the year from continuing operations	**9,748,249**	**81,144**	**9,829,393**
Loss from discontinued operations	(237,331)	(81,144)	(318,475)
Profit for the year	**9,510,918**	**-**	**9,510,918**
Profit attributable to:			
The equity holders of the Company	8,262,756	-	8,262,756
Non-controlling interests	1,248,162	-	1,248,162
	9,510,918	**-**	**9,510,918**

Consolidated statement of financial position as at 31 December 2015	As previously reported AED '000	Alignment of accounting policies of equity accounted investee AED '000	Adjustments to balances held with telecom administrators AED '000	Reversal of balances payable to telecom administrators AED '000	As restated AED '000
Non-current assets					
Investments in associates and joint ventures	4,648,888	(119,914)			4,528,974
Current assets					
Trade and other receivables	18,215,158		(933,570)	24,346	17,305,934
Current liabilities					
Trade and other payables	32,685,713		(933,570)	(393,300)	31,358,843
Equity					
Retained earnings	7,208,883	(119,914)	-	417,647	7,506,616
Consolidated statement of financial position as at 31 December 2014					
Non-current assets					
Investments in associates and joint ventures	4,969,044	(119,914)			4,849,130
Current assets					
Trade and other receivables	17,318,579		(417,028)	41,560	16,943,111
Current liabilities					
Trade and other payables	30,770,852		(417,028)	(376,087)	29,977,737
Equity					
Retained earnings	6,873,841	(119,914)	-	417,647	7,171,574

39. Subsequent events

i) Subsequent to year end, the Group has signed a new Shareholders Agreement with the other two shareholders in EMTS Holding BV, established in the Netherlands. As a result, the Group's voting rights in EMTS Holding BV has decreased to 25% through issuance of a new class of preferential shares in EMTS Holding BV while increasing its stake in the ordinary shares to 45% through issuance of new ordinary shares by partial conversion of shareholders loans into equity. The shareholders of EMTS Holding BV also agreed to waive all the remaining outstanding shareholders loans. (Refer to note 16 (b)).

ii) 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. According to the new 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.

iii) Subsequent to the reporting period, the Group signed a Technical Services and Support Agreement with Mobily. This agreement is for a period of five years and subject to approval of Mobily's General Assembly. (Refer to note 16 (b)).