Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated financial statements for the year ended 31 December 2018

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated financial statements for the year ended 31 December 2018

	Pages
Chairman’s message	1 – 2
Chief Executive Officer’s review	3 – 5
Independent auditors’ report	6 – 14
Consolidated statement of financial position	15
Consolidated statement of comprehensive income	16
Consolidated statement of cash flows	17
Consolidated statement of changes in equity	18
Notes to the consolidated financial statements	19 – 79

Chairman’s message

“Transformation and sustainability can be seen as opposing each other. In our business, they work hand in hand to position our organisation for future success and keep our customers the centre of everything we do.”

Dear Shareholders,

On behalf of the Board of Directors of the Emirates Integrated Telecommunications Company PJSC (EITC), it is my honour and privilege to present our annual Board report which covers the financial results for the year ended 31 December 2018.

The year has been characterised by the continued rapid transformation and disruption of the telecom sector, with its impact felt in our home market and around the world. New business models and new players have emerged globally to test customer loyalty, with new challenges interrogating the sector’s agility in the face of an increasingly demanding consumer.

Transformation of the industry. Transformation of our business.

In the UAE, however, the telecom sector is fortunate to be a key enabler in the ambitious agenda set out by the nation’s leadership, mandating digital transformation as a tool to develop and sustain a knowledge-based economy. This agenda has made our opportunities easier to identify. It has triggered our own process of transformation, which rests on two central pillars.

The first pillar is our efficiencies. This has required reassessing and reorganising the way we work, cost structures and other dynamic elements that have driven our core business. Although initiated in 2017, this process continued in 2018 and impacted positively on our annual financial results for the year.

The second pillar goes beyond our core business of connectivity, as we seek to diversify our services and revenue streams by isolating and implementing growth opportunities in domains adjacent to our traditional services. Our ability to extract revenue from new streams residing in offering end-to-end solutions to our large enterprise and government customers will add substantial value for our shareholders, while also bolstering EITC’s reputation as the innovative and customer-centric telecom, ICT and content leader in the UAE.

Exceptional support from across our organisation

The foundations that provide our pillars of transformation with integral support are our outstanding people, robust technical infrastructure and sustainable business practices.

Since the launch of du in 2006, we have made it a strategic priority to provide opportunities for employment and development for Emiratis. We are especially pleased, therefore, to report that we have effectively doubled the number of UAE nationals employed since inception, and in 2018 the highest percentage of employees of all 65 cultures that enrich our human capital are Emiratis.

In 2018, our brand du was awarded the MOHRE Emiratization Award in recognition of our outstanding efforts and success in promoting and nurturing Emirati talent. Under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, we won the award in the Advanced Technology Companies category for implementing notable policies to promote Emiratization and support the government's vision to establish an advanced economy based on knowledge and innovation.

Chairman's message (continued)

We also value the diversity that is fundamental to the success of our company and our nation.

In the past year, du participated in a number of community initiatives dedicated to the Year of Zayed, 2018. We will continue to promote diversity at every level in 2019, the Year of Tolerance in the UAE.

For the fifth consecutive year, EITC has won the Gallup Great Workplace Award. This is a global award and we view it as high recognition for the work environment we've put into place that generates happiness, productivity and commitment.

In 2018, we also placed new managers in key roles to implement our restructuring and deliver on our ambitions in digital transformation and customer Experience fronts.

Sustainability is at the heart of our business and a guiding principle that informs everything we do. From green protocols that drastically reduce reliance on resources at every level of our business to our numerous Smart Dubai partnerships, we continued to enhance our innovative sustainability practices in 2018. As an Emirati company we consider our performance to be example-setting.

2018 also witnessed significant progress in our capability to anticipate and mitigate potential risks. Our dedicated Risk & Compliance function, along with more robust risk management capabilities and culture, are of particular importance to our business in the face of a disrupted and rapidly evolving marketplace.

Governance remains a priority of our Board of Directors; its practices have far-reaching effects on our business, our brands and the continued trust of our investors and stakeholders. Along with our strategic partnerships and our recognition as a caring employer, our governance practices continue to align with our government's vision for 2021.

Strong financial performance

During 2018, we achieved solid financial results, with revenue reaching an all-time high of AED 13.41 billion and net profit after royalties increasing to AED 1.75 billion, equating to earnings per share of AED 0.39. The Board of Directors has recommended a final annual cash dividend for the year of AED 0.22 per share, bringing total dividend for the year to AED 0.35 per share.

The future holds significant challenges but even greater opportunities for EITC. If we conduct ourselves with the same restless drive to be more efficient and innovative, with the same diligence and attention to the needs of our customers and the people of the UAE, we shall prevail as a profitable entity playing a vital role in the economic and social matrix of the UAE.

I take this opportunity to thank the leadership of the UAE for their continued support to the telecommunications sector. I thank our shareholders and strategic partners for their contribution and trust vested in us in 2018.

I thank my fellow Board members for their dedication and support to EITC and its management team . I would also like to thank the management team and all employees for their commitment and dedicated work to deliver the successes of 2018 and for paving the way for future growth.

Mohamed Al Hussaini
Chairman

Chief Executive Officer's review

"2018 has proven to us that, given the right capabilities, focus and will, challenges are just opportunities waiting to be seized."

Dear Shareholders,

2018 heralded a new Chairman and Board Members who have devoted their time and energies to propelling EITC forward, adding impetus to, and fine-tuning, the strategy approved by our shareholders, while guiding its implementation.

After the changes of 2017, which saw EITC effect profound structural changes and cost reductions across all areas of our operations, 2018 brought us to the threshold of a new and tremendously exciting frontier in servicing the needs of UAE consumers, business and Government.

Building a telco fit for the future

Challenged by squeezed margins in our traditional area of providing connectivity, as any other telco in the world, we were motivated to seek new avenues for growth and additional revenue streams.

Traditionally, telcos have been in the business of selling connectivity and have done so to the consumer and the business community (including Government entities). For more than a decade, this has been the core business of EITC; a focus on operational efficiency and delivery excellence in the areas of mobile, voice and data for consumers and enterprise.

But the rate of transformation incurred by increasing business reliance on the internet has been so rapid that the expectations of what a company such as EITC should deliver has expanded beyond all recognition since our inception. So we continue to venture beyond the core as a strategic imperative: focused on delivering services adjacent to connectivity, from managed services and the cloud, hosting to data security and more. This is what UAE enterprises are calling for – a complete end-to-end solution with a trusted, innovative partner.

The deep and diverse partnership between Smart Dubai and EITC continued in 2018, with rapid development of the integrated systems that set a global standard for technology in true service of community. Currently, there are 17 projects underway, which cover everything from safety to efficiency to sustainability for the citizens, residents and businesses of the UAE.

The customer will always be our focus

An area that continues to be at the heart of everything we do is customer experience. As customer demands and expectations grow, so too must the demands we make of ourselves.

This is the central premise of our Customer First programme, which remains a central pillar of our strategy and training initiatives throughout the company, from planning to implementation at every touchpoint from the call centre to the shop floor.

A most disruptive new player

The dual brand strategy, which saw the introduction of Virgin Mobile to the UAE, also gave a new public face to a company previously only recognised by the du brand.

On the subject of Virgin Mobile, 2018 was a solid first year for this globally-beloved brand. The strategic decision to disrupt the market with Virgin Mobile was based on serving a growing sector of the mobile market that was being underserviced yet held vast potential. I'm referring to the 'tech-savvy' niche who are the first adopters of new technologies.

By going digital first and offering a highly flexible bouquet of mobile plans, based on a digital-only platform and experience, Virgin captured a decent part of this market in its first year, gaining not only the trust of today's most discerning consumers, but also immensely high-profile partners such as Apple and Netflix.

Modelled as a separate business unit within the EITC stable, with a distinct team and culture, Virgin Mobile is fast becoming a prominent fixture in the UAE telco landscape.

Taking connectivity to the next level

The exciting threshold mentioned earlier has, at its epicentre, a network that has been pushed to its technological limit. Preparing our network to be upgraded to 5G, plus the IT structure that will support this new ultrafast technology, was a priority for EITC in 2018.

5G and IoT will be the platform for many disruptions to come and, if we believe that we have seen huge and disruptive change over the last two years, you can be sure that it is nothing compared to the social and business transformation that 5G and IoT will trigger.

A smarter organisation

An injection of fresh executive talent has created a great deal of momentum in those strategic areas in which the need to embrace transformation was most pressing, such as digitisation and customer experience.

This influx will be augmented in 2019, a year in which the ever-accelerating transformation all around us will be met with innovation at every level of our organisation.

Focus on efficiency and a healthy financial position

In 2018, our RESET programme was already two years in the running. But this was the year it showed its true value. As a programme that is at the centre of our business transformation, RESET restructured our organisation where necessary, and re-evaluated cost structures within EITC, proving to be a good contributor to our healthy financial results as well.

During 2018, we delivered solid financial results under our strategy to drive more efficiency in our core business, while capturing new areas of growth through ICT and end-to-end solutions. Revenues reached an all-time high of AED 13.41 billion, up by 3.2% from 2017. Net Profit after Royalty was solid at AED 1.75 billion, an increase of 2.4% compared to 2017. EBITDA was up by 5.6% to AED 5.49 billion in 2018.

Chief Executive Officer’s review (continued)

During 2018 we invested around AED 1 billion in capital expenditure. We have a healthy balance sheet with a strong capital position, enabling us to make the right investments to grow our business.

Overall, EITC has risen in profile in 2018 as a company capable of and committed to serving the growing needs of people, businesses and Government entities in the United Arab Emirates.

I would like to thank the Chairman and all Board Members for their support of EITC’s many bold initiatives and strategic direction. I thank our customers for their continued trust in EITC. To our valued shareholders, your vote of confidence in our continued growth as a pillar of the UAE economy is inspiring to me and all our management team and employees, whose dedication and drive have delivered the success of today and the foundation for an even greater tomorrow. My gratitude goes to all of them.

Osman Sultan
Chief Executive Officer

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emirates Integrated Telecommunications Company PJSC ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

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

Our audit approach

Overview

Key audit matters

- Carrying value of goodwill;
- Federal royalty;
- Revenue recognition – accuracy of revenue recorded given the complexity of the systems and IFRS 15; and
- IT systems and controls.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Carrying value of goodwill As at 31 December 2018, the Group had goodwill of AED 549 million contained within two cash generating units ('CGU') as referred to in Note 7 to the consolidated financial statements. We focused on the area due both to the size of the goodwill balance and because of judgments involved about the future results and key assumptions involved in management's assessment of the carrying value, and whether or not any impairments relating to goodwill are required. With challenging trading conditions, increasing fixed line competition in the Group's fixed network areas and pressure on margins, the Group's performance and prospects could be impacted in the relevant fixed line and broadband segments, increasing the risk of goodwill impairment. For the CGUs that contain goodwill, determination of recoverable amount is based on a value-in-use model. This requires judgment on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's view of variables such as estimates of future revenues, margins and operating expenses, the timing and extent of future maintenance capital expenditure, terminal growth rates and the most appropriate discount rate. Management have concluded that no impairment charge is required for the current year. Refer to Notes 2.3 and 7 to the consolidated financial statements for critical accounting estimates and assumptions used by management.	We evaluated the appropriateness of management's identification of the CGUs and the continued satisfactory operation of the Group's controls over the impairment assessment process. We tested the suitability of the impairment model and reasonableness of the assumptions used through performing the following: ➢ assessment of assumptions used in relation to forecast revenues, margins, operating costs and maintenance capital expenditure expected on the relevant network; ➢ testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board approved long-term plans; ➢ comparison of growth and discount rates against external sources of data; ➢ assessing the reliability of management's forecast through a review of actual performance against previous forecasts; and ➢ performing independent sensitivity analysis on cash flows, growth rates and discount rates. We tested the adequacy and the appropriateness of the related disclosures in Note 7 to the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Federal royalty The Federal royalty is a significant charge levied against regulated revenues of the Group and against operating profits, based on fixed percentages, as disclosed in Note 25 to the consolidated financial statements. The royalty charge for the year is AED 2,079 million with an accrual at 31 December 2018 of AED 2,103 million. We focused on this area as the royalty calculations are subject to the use of certain judgments, interpretations and assumptions in respect of the definition of regulated items, the determination of certain allowable deductions and allocated costs and the treatment of royalties on site sharing transactions. These are also subject to change from time to time as the guidelines provided by the UAE Ministry of Finance ("the MoF") are amended or as clarifications are received from the MoF. Refer to Note 2.3 to the consolidated financial statements for critical accounting estimates and judgements used by management.	We reviewed the guidelines provided to the Group by the MoF, together with other relevant correspondence, and compared these to the assumptions made in management's computation model. Within management's computation model, we assessed the accuracy of the segregation of items between regulated and other activities and items which management judges as not being subject to Federal royalty or which may be set off against revenue which is subject to Federal royalty. We checked the accuracy of the calculations contained within the model. We have tested management's controls around the calculation and approval of the Federal royalty charge and we considered the appropriateness and adequacy of the related disclosures in Note 25 to the consolidated financial statements.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition - accuracy of revenue recorded given the complexity of the systems and IFRS 15 We focused on this area as there is an inherent risk around the accuracy of revenue recognised given the complexity of the systems and changing mix of business products and services, including the variety of plans available for consumer and enterprise customers, tariff structures, roaming and international hubbing ('wholesale') agreements, site sharing agreements, incentive programmes and discounts. Furthermore, the Group has adopted the new International Financial Reporting Standard 15, 'Revenue from Contracts with Customers' with effect from 1 January 2018. The application of this revenue recognition accounting standard is complex and involves a number of key judgments and estimates. Refer to Notes 3.20 and 2.3 for accounting policies and critical accounting estimates and judgements used by management, respectively.	Our audit approach included a combination of internal controls testing and substantive procedures which covered the following: ➢ reviewed the accounting policies adopted by the Group and whether they had appropriately applied these to the Group's transactions and balances; ➢ tested the relevant infrastructure technology (IT) environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that generate revenues; ➢ performed tests on the accuracy of customer bills generation on a sample basis by comparing to agreed tariffs; ➢ carried out test call samples in order to obtain comfort over the rating and duration by extracting data from support systems; ➢ tested third-party key reconciliations to wholesale revenue recognised in the general ledger; ➢ reviewed significant new contracts and regulatory determinations, understanding and testing the related revenue and other accounting treatments and entries; and ➢ tested the nature and accounting for a sample of discounts. We considered the application of the Group's accounting policies to amounts billed and accrued, and the accounting implications of new postpaid, fixed line and broadcast business initiatives to assess whether the Group's accounting policies were appropriate for these initiatives and were followed. We also assessed whether the impact of transition to IFRS 15 on retained earnings at 1 January 2018 was complete and reflected appropriate consideration of the changes in the revenue recognition policies and the transitional provisions of IFRS 15. In addition, we tested the adequacy and reviewed the appropriateness of the related disclosures contained in the consolidated financial statements.

Key audit matters (continued)

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

Other information

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

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

Other information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

i) we have obtained all the information we considered necessary for the purposes of our audit;
ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
iii) the Group has maintained proper books of accounts;
iv) the financial information included in the Chairman's message and the Chief Executive Officer's review is consistent with the books of account of the Group;
v) as disclosed in Note 8 to the consolidated financial statements, the Group has purchased or invested in certain shares during the year ended 31 December 2018;
vi) Note 13 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2018 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 2018; and
viii) Note 23 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2018.

PricewaterhouseCoopers
20 February 2019

Jacques E. Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of financial position

	Note	As at 31 December 2018 AED 000	2017 AED 000
Non-current assets			
Property, plant and equipment	6	7,811,506	8,520,866
Intangible assets and goodwill	7	1,102,875	1,130,332
Investments accounted for using the equity method	8	188,179	142,086
Financial asset at fair value through other comprehensive income	9	18,368	-
Available-for-sale financial asset	9	-	18,368
Derivative financial instruments	10	10,968	13,594
Contract assets	11	196,687	85,859
Total non-current assets		9,328,583	9,911,105
Current assets			
Inventories		129,311	99,383
Contract assets	11	508,257	447,511
Trade and other receivables	12	1,907,738	1,701,116
Due from a related party	13	129,078	186,196
Short term investments	14	4,000,000	5,025,000
Cash and bank balances	15	502,091	461,125
Total current assets		7,176,475	7,920,331
Current liabilities			
Trade and other payables	16	4,802,736	5,214,773
Contract liabilities	11	444,141	468,776
Due to related parties	13	9,834	20,294
Borrowings	17	1,461,318	1,461,318
Total current liabilities		6,718,029	7,165,161
Net current assets		458,446	755,170
Non-current liabilities			
Borrowings	17	716,332	2,156,344
Contract liabilities	11	190,631	124,997
Provision for employees' end of service benefits	18	252,564	236,072
Other provisions	19	115,764	110,924
Total non-current liabilities		1,275,291	2,628,337
Net assets		8,511,738	8,037,938
Represented by:			
Share capital and reserves			
Share capital	20	4,532,906	4,532,906
Share premium	21	232,332	232,332
Other reserves, net of treasury shares	22	1,601,993	2,426,559
Retained earnings		2,144,507	846,141
Total equity		8,511,738	8,037,938

The consolidated financial statements were approved by the Board of Directors on 20 February 2019 and signed on its behalf by:

....

Ziad Galadari
Board Member

....

Osman Sultan
Chief Executive Officer

The notes on pages 19 to 79 form an integral part of these consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of comprehensive income

	Note	For the year ended 31 December 2018 AED 000	2017 AED 000
Revenue	32	13,414,057	13,004,372
Interconnect and related costs		(2,954,075)	(3,051,009)
Product costs		(1,335,156)	(1,015,111)
Staff costs		(1,018,455)	(980,326)
Network operation and maintenance		(755,640)	(708,624)
Outsourcing and contracting		(422,955)	(405,529)
Commission		(388,105)	(415,347)
Telecommunication license and related fees		(217,358)	(317,076)
Marketing		(317,140)	(318,988)
Provision for impairment of trade receivables and contract assets (net of recoveries)		(244,524)	(304,433)
Rent and utilities		(125,852)	(118,371)
Other expenses	23	(150,073)	(174,066)
Other income		6,409	4,228
Earnings before interest, tax, depreciation and amortisation (EBITDA)		5,491,133	5,199,720
Depreciation and impairment	6	(1,472,046)	(1,383,088)
Amortisation and impairment of intangible assets	7	(249,370)	(138,147)
Operating profit		3,769,717	3,678,485
Finance income	24	145,456	164,048
Finance costs	24	(93,583)	(102,661)
Share of profit of investments accounted for using equity method	8	10,214	9,485
Profit before royalty		3,831,804	3,749,357
Royalty	25	(2,078,812)	(2,037,571)
Profit for the year		1,752,992	1,711,786
Other comprehensive (loss)/income			
Items that may be re-classified subsequently to profit or loss			
Fair value changes on cash flow hedge	22	(2,626)	7,314
Items that will not be re-classified to profit or loss			
Actuarial gain on defined benefit obligations	18	5,313	7,086
Other comprehensive income for the year		2,687	14,400
Total comprehensive income for the year attributable entirely to shareholders of the Company		1,755,679	1,726,186
Basic and diluted earnings per share (AED)	26	0.39	0.38

The notes on pages 19 to 79 form an integral part of these consolidated financial statements.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of cash flows

	Note	For the year ended 31 December 2018 AED 000	2017 AED 000
Cash flows from operating activities			
Profit before royalty		3,831,804	3,749,357
Adjustments for:			
Depreciation and impairment of property, plant and equipment	6	1,472,046	1,383,088
Amortisation and impairment of intangible assets	7	249,370	138,147
Provision for employees' end of service benefits	18	35,309	38,013
Provision for impairment of trade receivables and contract assets		245,797	307,256
Finance income	24	(145,456)	(164,048)
Finance costs	24	93,583	102,661
Adjustment for change in discount/inflation rates	19	(1,795)	(3,157)
Unwinding of discount on asset retirement obligations	19	3,260	4,137
Share of profit of investments accounted for using equity method	8	(10,214)	(9,485)
Changes in working capital	27	(665,574)	(420,124)
Cash generated from operations		5,108,130	5,125,845
Royalty paid	25	(2,027,785)	(2,087,574)
Payment of employees' end of service benefits	18	(21,835)	(28,929)
Net cash generated from operating activities		3,058,510	3,009,342
Cash flows from investing activities			
Purchase of property, plant and equipment		(817,963)	(1,480,743)
Purchase of intangible assets		(242,316)	(197,968)
Payment for additional investments accounted for using equity method	8	(35,879)	(18,666)
Interest received		165,839	182,273
Margin on guarantees released/(placed)		57,653	(52,253)
Short term investments released (net)		1,025,000	1,125,000
Net cash from/(used in) investing activities		152,334	(442,357)
Cash flows from financing activities			
Proceeds from borrowings		21,306	21,306
Repayment of borrowings		(1,461,318)	(783,473)
Interest paid		(85,696)	(94,256)
Dividends paid	22	(1,586,517)	(1,541,188)
Net cash used in financing activities		(3,112,225)	(2,397,611)
Net increase in cash and cash equivalents		98,619	169,374
Cash and cash equivalents at the beginning of the year		398,079	228,705
Cash and cash equivalents at end of the year	15	496,698	398,079

Non-cash transaction

Cancellation of treasury shares, reduction in share capital and reduction in share premium is a non-cash transaction. Details are provided in Note 22.3.

Emirates Integrated Telecommunications Company PJSC and its subsidiaries

Consolidated statement of changes in equity

	Share capital (Note 20) AED 000	Share premium (Note 21) AED 000	Other reserves, net of treasury shares (Note 22) AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2017	4,571,429	393,504	2,003,042	884,965	7,852,940
Profit for the year	-	-	-	1,711,786	1,711,786
Other comprehensive income	-	-	7,314	7,086	14,400
Total comprehensive income	-	-	7,314	1,718,872	1,726,186
Transfer to statutory reserve	-	-	171,179	(171,179)	-
Interim cash dividend[(1)]	-	-	589,278	(589,278)	-
Final cash dividend proposed	-	-	997,239	(997,239)	-
Cash dividends paid	-	-	(1,541,188)	-	(1,541,188)
Cancellation of treasury shares	(38,523)	(161,172)	199,695	-	-
Total transactions with shareholders recognised directly in equity	(38,523)	(161,172)	416,203	(1,757,696)	(1,541,188)
At 31 December 2017	4,532,906	232,332	2,426,559	846,141	8,037,938
At 1 January 2018	4,532,906	232,332	2,426,559	846,141	8,037,938
Adjustment on initial application of IFRS 15 (Note 3.1.1)	-	-	-	304,638	304,638
Adjustment on initial application of IFRS 9 (Note. 3.1.2)	-	-	-	-	-
Adjusted balance as at 1 January 2018	4,532,906	232,332	2,426,559	1,150,779	8,342,576
Profit for the year	-	-	-	1,752,992	1,752,992
Other comprehensive (loss)/income	-	-	(2,626)	5,313	2,687
Total comprehensive income	-	-	(2,626)	1,758,305	1,755,679
Transfer to statutory reserve	-	-	175,299	(175,299)	-
Interim cash dividend[(1)]	-	-	589,278	(589,278)	-
Cash dividends paid	-	-	(1,586,517)	-	(1,586,517)
Total transactions with shareholders recognised directly in equity	-	-	(821,940)	(764,577)	(1,586,517)
At 31 December 2018	4,532,906	232,332	1,601,993	2,144,507	8,511,738

(1) An interim cash dividend of AED 0.13 per share (2017: AED 0.13 per share) amounted to AED 589,278 thousand (2017: AED 589,278 thousand) was paid during the year.

(2) A final cash dividend of AED 0.22 per share (2017: AED 0.22 per share) amounted to AED 997,239 thousand (2017: AED 997,239 thousand) is proposed.

1 General information

Emirates Integrated Telecommunications Company PJSC ("the Company") is a public joint stock company with limited liability. The Company was incorporated according to Ministerial Resolution No. 479 of 2005 issued on 28 December 2005. The Company is registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These consolidated financial statements for the year ended 31 December 2018 include the financial statements of the Company and its subsidiaries (together "the Group").

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

The Company has either directly or indirectly the following subsidiaries:

Subsidiaries	**Principal activities**	**Shareholding**		**Country of incorporation**
		2018	**2017**	
EITC Investment Holdings Limited	Holding investments in new business i.e content, media, data and value added services for telecommunications	100%	100%	UAE
Telco Operations FZ-LLC	Telecommunication and network	100%	100%	UAE
Smart Dubai Platform Project Company LLC	Software development, IT infrastructure, public networking and computer systems housing services	100%	100%	UAE
EITC Singapore PTE. LTD.	Telecommunications resellers/third party telecommunications providers (including value added network services)	100%	100%	Singapore

2 Basis of preparation

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

2 Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.3.

2.1 New standards, amendments and interpretations

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2018

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 9, 'Financial instruments' (effective from 1 January 2018);

The impact of the above amendments on the consolidated financial statements of the Group has been disclosed in Notes 3.1.1 and 3.1.2

(b) New standards and amendments issued but not effective until financial years beginning after 1 January 2019 and not early adopted by the Group

- IFRS 16, 'Leases' (effective from 1 January 2019).

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

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in a discount rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

2 Basis of preparation (continued)

2.1 New standards, amendments and interpretations (continued)

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

The Group expects to recognise right-of-use assets (ROU assets) and lease liabilities between AED 2.5 billion to AED 2.9 billion approximately on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

EBITDA is expected to increase as operating leases are excluded therefrom, while depreciation & amortization will increase because of ROU assets amortization. The impact on net profit is not expected to be material.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the consolidated financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the year prior to first adoption. All ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Earnings per share

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

2.3 Critical accounting estimates and judgements

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

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

2 Basis of preparation (continued)

2.3 Critical accounting estimates and judgements (continued)

(i) Provision for expected credit losses of trade receivables and contract assets

The Group recognises a loss allowance for expected credit losses (ECL) on its trade receivables and contract assets. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial asset.

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

For financial assets other than trade receivables and contract assets, the Group will calculate ECL using the general approach (Note 2.3(ii)).

(ii) Provision for impairment of other financial assets

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

(iii) Impairment of goodwill

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

2 Basis of preparation (continued)

2.3 Critical accounting estimates and judgements (continued)

(iv) Useful lives of property, plant and equipment

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

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets. The useful lives of the property, plant and equipment are provided in Note 3.3.

(v) Asset retirement obligations

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

The present value of the Group's provision is based on management's best estimate of the future cash outflows required to settle the obligations, discounted using appropriate discount rate. Additional information on this provision is disclosed in Note 19.

(vi) Federal royalty

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

(vii) Allocation of the transaction price

Products with multiple deliverables that have value to customers on a standalone basis are defined as multiple element arrangements. The transaction price for these contracts must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception based on observable prices of the type of goods to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices. Where the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except as disclosed in Note 3.1 below.

3.1 Changes in significant accounting policies

The same accounting policies and methods of computation have been followed in these consolidated financial statements as compared with the Group's consolidated financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards as set out below:

A number of new or amended standards became applicable for the current year and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Notes 3.1.1 and 3.1.2.

3.1.1 IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how and when revenue is recognised. It replaced IAS 18 Revenues, IAS 11 Construction contracts and related interpretations.

The Group has adopted IFRS 15 using the modified retrospective transition approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives for 2017 will not be restated. IFRS 15 has only been applied to contracts not completed as at 1 January 2018.

The impact of IFRS 15 on the consolidated financial statements of the Group is as follows:

- Accounting for bundled products – IFRS 15 requires that the total consideration received must be allocated to the equipment and services based on relative stand-alone selling prices rather than based on the residual value method. For equipment (bundled and standalone), the revenue is recognised when the control of the asset is transferred to the customer. Prior to the adoption of IFRS 15, equipment revenue was recognised over the period of the contract. For services, revenue is recognised over the period of the contract.

- Incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer may be capitalised, if those costs are expected to be recovered. These costs are to be amortised and tested for impairment regularly. Upon adoption of IFRS 15, the Group has opted to capitalise such costs (mainly new customer activation based commission) and are amortised over the average customer life. Prior to the adoption of IFRS 15 such costs were expensed as incurred.

3 Summary of significant accounting policies (continued)

3.1 Changes in significant accounting policies (continued)

3.1.1 IFRS 15 Revenue from contracts with customers (continued)

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018.

	Impact of adopting IFRS 15 at 1 January 2018 AED 000
Retained earnings	
Bundled products- Equipment revenue recognised when the control of the asset is transferred to the customer	44,355
Incremental contract costs incurred to obtain and fulfil contracts	260,283
	304,638

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated statement of financial position and consolidated statement of comprehensive income for the year ended 31 December 2018:

3 Summary of significant accounting policies (continued)

3.1 Changes in significant accounting policies (continued)

3.1.1 IFRS 15 Revenue from contracts with customers (continued)

(a) Impact on consolidated statement of financial position

	As reported 31 December 2018 AED 000	Adjustments AED 000	Amounts without adoption of IFRS 15 AED 000
Non-current assets			
Trade and other receivables	-	97,067	97,067
Contract assets	196,687	(196,687)	-
Other non-current assets	9,131,896	-	9,131,896
Total non-current assets	9,328,583	(99,620)	9,228,963
Current assets			
Contract assets	508,257	(508,257)	-
Trade and other receivables	1,907,738	306,552	2,214,290
Other current assets	4,760,480	-	4,760,480
Total current assets	7,176,475	(201,705)	6,974,770
Current liabilities			
Trade and other payables	4,802,736	628,715	5,431,451
Contract liabilities	444,141	(444,141)	-
Other current liabilities	1,471,152	-	1,471,152
Total current liabilities	6,718,029	184,574	6,902,603
Net current assets	458,446	(386,279)	72,167
Non-current liabilities			
Contract liabilities	190,631	(190,631)	-
Other non-current liabilities	1,084,660	-	1,084,660
Total non-current liabilities	1,275,291	(190,631)	1,084,660
Net assets	8,511,738	(295,268)	8,216,470
Represented by:			
Share capital and reserves			
Share capital and share premium	4,765,238	-	4,765,238
Other reserves, net of treasury shares	1,601,993	-	1,601,993
Retained earnings	2,144,507	(295,268)	1,849,239
Total equity	8,511,738	(295,268)	8,216,470

3 Summary of significant accounting policies (continued)

3.1 Changes in significant accounting policies (continued)

3.1.1 IFRS 15 Revenue from contracts with customers (continued)

(b) Impact on consolidated statement of comprehensive income for the year ended 31 December 2018

	As reported 31 December 2018 AED 000	**Adjustments** AED 000	**Amounts without adoption of IFRS 15** AED 000
Revenue	13,414,057	22,167	13,436,224
Commission	(388,105)	(12,797)	(400,902)
Other expenses	(7,541,228)	-	(7,541,228)
Other income	6,409	-	6,409
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5,491,133	9,370	5,500,503
Depreciation/amortisation and impairment	(1,721,416)	-	(1,721,416)
Operating profit	3,769,717	9,370	3,779,087
Finance income/(costs)	51,873	-	51,873
Share of profit of investments accounted for using equity method	10,214	-	10,214
Profit before royalty	3,831,804	9,370	3,841,174
Royalty	(2,078,812)	-	(2,078,812)
Profit for the year	1,752,992	9,370	1,762,362
Other comprehensive income	2,687	-	2,687
Total comprehensive income for the year attributable entirely to shareholders of the Company	1,755,679	9,370	1,765,049
Basic and diluted earnings per share (AED)	0.39		0.39

3 Summary of significant accounting policies (continued)

3.1 Changes in significant accounting policies (continued)

3.1.2 IFRS 9 Financial instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The Group has adopted IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Initial application of IFRS 9 was as of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below. Changes in accounting policies resulting from the adoption of IFRS 9 has not resulted in any impact on opening balance of retained earnings/equity.

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). For financial receivables, IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. For equity instruments, IFRS 9 now requires measurement of all assets at fair value and provides an irrevocable option to measure certain securities at FVOCI rather than through profit or loss. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see details in the note below.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

3 Summary of significant accounting policies (continued)

3.1 Changes in significant accounting policies (continued)

3.1.2 IFRS 9 Financial instruments (continued)

The following table is reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Impact of IFRS 9	New carrying amount under IFRS 9
			AED 000	AED 000	AED 000
Investments in unlisted shares	Available-for-sale financial asset	FVOCI	18,368	-	18,368
Interest rate swap contracts – cash flow hedges	Derivative financial instruments	Derivative financial instruments-FVOCI	13,594	-	13,594

All other assets that were previously classified as loans and receivables will now be classified as assets measured at amortised cost under IFRS 9.

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and assets at FVOCI.

As a result of adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires presentation of impairment of financial assets to be presented in a separate line item in the consolidated statement comprehensive income. Previously, the Group's approach was to include impairment of trade receivables and contract assets in "other expenses". Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosure about 2018 but generally have not been applied to comparative information.

Provision for impairment of trade receivables and contract assets:

The Group reassessed its impairment loss on its contract assets and trade receivables portfolio using an expected loss measurement basis using the simplified approach and did not observe a material change in the current levels of impairment allowances carried on such assets.

3 Summary of significant accounting policies (continued)

3.2 Consolidation

(a) Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

3 Summary of significant accounting policies (continued)

3.2 Consolidation (continued)

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

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

(c) Associates

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.2 Consolidation (continued)

(c) Associates (continued)

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

3.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.18.2).

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

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

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

3.4 Intangible assets

Goodwill

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

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

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

Licenses and other rights of use

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

	Years
Telecommunications license fee	20
Rights of use	10-15

3 Summary of significant accounting policies (continued)

3.4 Intangible assets (continued)

Licenses and other rights of use (continued)

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

3.5 Leases

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

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

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 29.2). Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature

3.6 Inventories

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

3 Summary of significant accounting policies (continued)

3.7 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

Contract assets also include subscriber acquisition costs (contract costs). These are incremental contract costs incurred to obtain and fulfil a contract to provide goods or services to the customer which are opted to capitalise and these costs are expected to be recovered. These costs are being amortised and tested for impairment regularly. Contract costs is being amortised over the average customer life with the Group for each segment. Contract assets are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

3.8 Trade and other receivables

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

3.9 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.10 Cash and bank balances

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

3 Summary of significant accounting policies (continued)

3.11 Financial instruments

3.11.1 Non-derivative financial assets

<u>Classification, initial recognition and measurement</u>

The Group classifies its financial assets as financial assets measured at amortised costs and financial assets at fair value through other comprehensive income (FVOCI). The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(a) Financial assets measured at amortised cost

Financial assets measured at amortised cost applies to instruments for which the Group has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as solely payments of principal and interest “SPPI”).

- Principal is the fair value of the instrument at initial recognition;
- Interest is the return within a basic lending arrangement and typically consists of consideration for the time value of money, and credit risk. It may also include consideration for other basic lending risks such as liquidity risk as well as a profit margin.

Financial assets measured at amortised costs are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are then classified as non-current assets. The Group’s financial assets measured at amortised costs comprise trade and other receivables, contract assets, due from related parties, short term investments and cash and bank balances in the consolidated statement of financial position.

(b) Financial assets at fair value through other comprehensive income (FVOCI)

FVOCI is the classification for instruments for which Group has a dual business model, i.e. the business model is achieved by both holding the financial asset to collect the contractual cash flows and through the sale of the financial assets. The characteristics of the contractual cash flows of instruments in this category, must still be solely payments of principal and interest. They are included in non-current financial assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group elected to classify irrevocably its non-listed equity investments under this category.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.1 Non-derivative financial assets (continued)

(b) Financial assets at fair value through other comprehensive income (FVOCI) (continued)

Subsequent measurement

Financial assets measured at amortised cost

Financial assets measured at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (FVOCI)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not subsequently reclassified to profit or loss following its derecognition. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.11.2 Non-derivative financial liabilities

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

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.3 Derivative financial instruments

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

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

The fair value of the derivative financial instruments used for hedging purposes are disclosed in Note 10. Movement in the hedging reserve in shareholders' equity is shown in Note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

<u>Cash flow hedges</u>

The Group has entered into interest rate swap contracts which are classified as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of comprehensive income, within other income.

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

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

3.11.3 Derivative financial instruments (continued)

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- differences in critical terms between the interest rate swaps and loans.

3.11.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.12 Share capital

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

3 Summary of significant accounting policies (continued)

3.13 Treasury shares

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

3.14 Dividend on ordinary shares

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

3.15 Trade payables

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

3.16 Provisions

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

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

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

3 Summary of significant accounting policies (continued)

3.16 Provisions (continued)

Asset retirement obligations

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

3.17 Employee benefits

Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme. Accordingly, the accrued cost of contribution is charged to the consolidated statement of comprehensive income as incurred.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with UAE Labour Law. The liability for employees end of service benefits is recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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 present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

3 Summary of significant accounting policies (continued)

3.17 Employee benefits (continued)

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

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

3.18 Impairment

3.18.1 Financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

3.18.2 Non-financial assets

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

3 Summary of significant accounting policies (continued)

3.18 Impairment (continued)

3.18.2 Non-financial assets (continued)

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

3.19 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

3.20 Revenue recognition

IFRS 15 Revenue from Contracts with Customers, established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

3 Summary of significant accounting policies (continued)

3.20 Revenue recognition (continued)

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

Revenue recognition policies for product and services of the Group based on IFRS 15 guidelines is given below:

Revenue from telecommunication services comprise amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting fixed line and mobile users to the Group's network. The Group recognises revenue, as mobile/telecommunication services are provided.

Products with multiple deliverables that have value to a customer on standalone basis are defined as multiple element arrangements. Contracts typically include the sale of equipment, subscriber identification module (SIM) card and a service package which mainly include voice, data and SMS/MMS or other services. These arrangements are divided into separate performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

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

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

Contract revenue, i.e. certain revenue from managed services provided by the Group, is recognised over time based on the cost-to cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. This input method is considered as an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

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.

3 Summary of significant accounting policies (continued)

3.20 Revenue recognition (continued)

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

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

Significant financing component

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

Currently, in the case of handsets instalment products (bundled and standalone) with periods exceeding one year, since the list price, cash selling price and the promised consideration are significantly equal, the Group has assessed that financing component does not exist. In principle, the Group considers any price difference above 5% as significant in making necessary accounting based on the practical expediency. However, if there are any changes in products structure indicating the existence of a financing component, above 5%-6% of the standalone selling price of the products will be considered significant and accounted for accordingly.

Variable Consideration

Certain customer contracts include variable discounts, rebates, refunds, credits, and incentives etc, which are provided to the customers during the contract period. Variability arises due to contractual terms and conditions, whereby customers are provided discounts/rebates/incentives etc upon reaching certain volume thresholds. Under IFRS 15, if consideration promised in the contract (either explicit or implicit) includes a variable amount, then the Group should estimate the amount and adjust the total transaction price at contract inception. The Group has certain interconnect and roaming contracts which contain such variable considerations. The Group has not considered such variable considerations at the inception of the contract mainly because this is a highly volatile and unpredictable market where past data may not be an indicator of future trends. The Group has therefore concluded that any adjustments to the contract price based on past data to the contract price may cause significant reversals at the end of the contract period.

3 Summary of significant accounting policies (continued)

3.21 Commission to intermediaries

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

3.22 Recognition of finance income and costs

Finance income comprises interest income on short term investments and other bank deposits. Interest income is recognised as it accrues in consolidated statement of comprehensive income, using the effective interest rate method.

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

3.23 Cash dividend distribution to equity holders of the parent

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

3.24 Segmental information

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

3.25 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 comprehensive income on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated statement of comprehensive income on a systematic basis over the expected useful life of the related asset upon capitalisation.

4 Determination of fair values

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

4.1 Trade and other receivables

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

4.2 Non-derivative financial liabilities

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

4.3 Derivative financial instruments

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

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

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

5 Financial risk management

5.1 Financial risk factors

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

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

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

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

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

(a) Credit risk

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

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the extent to which extended credit terms are offered.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(a) *Credit risk* (continued)

Trade receivables and contract assets (continued)

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

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

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

The Group recognises lifetime ECL for trade receivables and contract assets, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. All individually significant assets (such as receivables from broadcast customers and distributors etc.) are assessed for specific impairment.

Information on the ageing of trade and other receivables is given in Note 30.1.

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

Short term investments and cash and bank balances

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

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(a) Credit risk (continued)

Short term investments and cash and bank balances (continued)

Ratings	Short term investments		Cash and bank balances	
	2018 AED 000	2017 AED 000	2018 AED 000	2017 AED 000
Aa3	-	-	17,768	82,774
A1	-	-	20,660	5,704
A+	-	350,000	3,413	-
A2	-	-	8,917	357
A	-	-	-	2,258
A3	375,000	1,475,000	31,888	16,338
A-	900,000	-	219	102
AA-	350,000	1,685,000	-	18,433
Baa1	200,000	1,115,000	108,080	234,612
Baa2	-	400,000	251,471	1,248
BBB+	2,175,000	-	14,386	-
Others	-	-	45,289	99,299
	4,000,000	5,025,000	502,091	461,125

(b) Liquidity risk

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

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's business and reputation. A major portion of the Group's funds are invested in short term investments which are readily available to meet expected operational expenses, including servicing of financial obligations. The table in Note 30.2 analyses the Group's non-derivative financial liabilities and derivative financial liabilities, if any, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities, if any, are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(c) Market risk

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

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

(i) Foreign exchange risk

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

The Group's exposure and sensitivity analysis in respect to the foreign exchange risk is detailed in Note 30.3.

(ii) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2018 and 2017, the Group's borrowings at variable rate were denominated in the USD.

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

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(c) Market risk (continued)

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

The sensitivity analysis performed by the Group in respect to the interest rate risk is detailed in Note 30.4. The sensitivity analysis is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

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

5.2 Capital risk management

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

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

	2018 AED 000	2017 AED 000
Total borrowings (Note 17)	2,177,650	3,617,662
Less: Cash and bank balances/short term investments (Notes 14 and 15)	(4,502,091)	(5,486,125)
Net debt	(2,324,441)	(1,868,463)
Total equity	8,511,738	8,037,938
Total capital	6,187,297	6,169,475
Gearing ratio	(38%)	(30%)

Under the terms of the major borrowing facility, the Group is required to comply with certain financial covenants including interest cover, total bank debt to EBITDA multiple and gearing ratio. The Group has complied with these covenants throughout the year.

5 Financial risk management (continued)

5.3 Fair value estimation

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

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

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

	In AED'000			
	Level 1	Level 2	Level 3	Total
At 31 December 2018				
Financial asset at fair value through other comprehensive income (Note 9)	-	-	18,368	18,368
Derivative financial instruments (Note 10)	-	10,968	-	10,968
	-	10,968	18,368	29,336
At 31 December 2017				
Available-for-sale financial asset (Note 9)	-	-	18,368	18,368
Derivative financial instruments (Note 10)	-	13,594	-	13,594
	-	13,594	18,368	31,962

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Due to the uncertain nature of cash flows arising from investment by the Group in unlisted shares, the carrying amount is considered to be the best estimate of its fair value. The fair value of interest rate swaps classified as derivative financial instruments in the table above is provided by the bank.

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include financial assets at FVOCI, cash and bank balances, trade and other receivables, contract assets, due from related parties and short term investments. Financial liabilities of the Group include borrowings, trade payables and accruals, due to other telecommunication operators, customer deposits, retention payable, accrued royalty, due to related parties and other payables. The fair values of these financial assets and liabilities are not materially different from their carrying values unless stated otherwise (Note 30).

6 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2017	51,960	15,188,890	270,572	1,419	1,012,841	16,525,682
Additions	354	509,102	25,554	-	912,793	1,447,803
Addition: asset retirement obligations	-	7,923	-	-	-	7,923
Transfers	(4,745)	916,440	6,075	-	(917,770)	-
Disposals	-	(25,628)	(1,404)	(35)	(747)	(27,814)
At 31 December 2017	47,569	16,596,727	300,797	1,384	1,007,117	17,953,594
Reclassifications (Note 6.1)	416	(293,595)	(10,426)	2,052	(13,066)	(314,619)
Additions	132	499,044	17,381	155	367,748	884,460
Addition: asset retirement obligations	-	3,375	-	-	-	3,375
Transfers	(214)	618,031	1,648	-	(619,465)	-
Disposals/write-off	-	(372,565)	(2,895)	-	(4,562)	(380,022)
At 31 December 2018	47,903	17,051,017	306,505	3,591	737,772	18,146,788
Depreciation / impairment						
At 1 January 2017	24,207	7,802,358	242,579	1,385	5,956	8,076,485
Charge for the year	2,244	1,358,600	15,581	22	-	1,376,447
Disposals/write-off	-	(23,875)	(1,306)	(35)	(1,629)	(26,845)
Impairment charge	-	1,245	-	-	5,396	6,641
At 31 December 2017	26,451	9,138,328	256,854	1,372	9,723	9,432,728
Reclassifications (Note 6.1)	189	(238,065)	(9,858)	2,023	-	(245,711)
Charge for the year	2,263	1,392,331	16,429	45	-	1,411,068
Disposals/write-off	-	(320,855)	(2,874)	-	(52)	(323,781)
Impairment charge	-	-	-	-	60,978	60,978
At 31 December 2018	28,903	9,971,739	260,551	3,440	70,649	10,335,282
Net book value						
At 31 December 2018	19,000	7,079,278	45,954	151	667,123	7,811,506
At 31 December 2017	21,118	7,458,399	43,943	12	997,394	8,520,866

The carrying amount of the Group's buildings include a nominal amount of AED 1 (2017: AED 1) in relation to land granted to the Group by the UAE Government.

6 Property, plant and equipment (continued)

6.1 During the year, management of the Group undertook a review of the individual asset wise categorisation of its property, plant and equipment (PPE) and intangible assets to reflect changes in technology and information technology architecture. As a result of the review, certain assets were reclassified into different PPE categories and certain PPE assets were reclassified to intangible assets and certain intangible assets were reclassified to PPE. Accordingly, the related costs and accumulated depreciation were also reclassified from PPE to intangible assets and vice versa.

7 Intangible assets and goodwill

	2018 AED 000	2017 AED 000
Goodwill	549,050	549,050
Intangible assets	553,825	581,282
	1,102,875	1,130,332

Goodwill

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

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

	2018 AED 000	2017 AED 000
Broadcasting operations	135,830	135,830
Fixed line business	413,220	413,220
	549,050	549,050

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

The estimated recoverable amount of the broadcasting CGU exceeded the carrying amount of its net assets including goodwill, by approximately 33% and that of the fixed line business exceeded its carrying amount by approximately 151%.

7 Intangible assets and goodwill (continued)

Goodwill (continued)

The key assumptions for the value-in-use calculations at 31 December 2018 include:

- 5 year revenue growth projections for the fixed line business and broadcasting operations;
- a pre-tax discount rate of 9.81% based on the historical industry average weighted-average cost of capital;
- maintenance capital expenditure projections allowing for replacement of existing infrastructure at the end of its useful life; and
- terminal growth rate of 3% for the fixed line and 0% for broadcasting businesses, determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

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

7 Intangible assets and goodwill (continued)

Intangible assets

	Software in use AED 000	Capital work in progress AED 000	Telecommunications license fees AED 000	Rights of use AED 000	Total AED 000
Cost					
At 1 January 2017	1,445,392	338,804	124,500	193,990	2,102,686
Additions	59,701	35,309	-	-	95,010
Transfers	93,633	(93,633)	-	-	-
Write off	(4,434)	-	-	-	(4,434)
At 31 December 2017	1,594,292	280,480	124,500	193,990	2,193,262
Reclassifications*	300,714	13,905	-	-	314,619
Adjustment	-	-	-	(8,539)	(8,539)
Additions	130,949	30,595	-	-	161,544
Transfers	192,389	(192,389)	-	-	-
Write off	(13,107)	-	-	-	(13,107)
At 31 December 2018	2,205,237	132,591	124,500	185,451	2,647,779
Amortisation/impairment					
At 1 January 2017	1,276,270	-	67,622	134,375	1,478,267
Charge for the year	127,987	-	6,225	7,300	141,512
Release of impairment	(12,280)	-	-	-	(12,280)
Impairment charge	8,915	-	-	-	8,915
Write off	(4,434)	-	-	-	(4,434)
At 31 December 2017	1,396,458	-	73,847	141,675	1,611,980
Reclassifications*	245,711	-	-	-	245,711
Charge for the year	186,570	-	6,223	14,265	207,058
Impairment charge	42,312	-	-	-	42,312
Write off	(13,107)	-	-	-	(13,107)
At 31 December 2018	1,857,944	-	80,070	155,940	2,093,954
Net book value					
At 31 December 2018	347,293	132,591	44,430	29,511	553,825
At 31 December 2017	197,834	280,480	50,653	52,315	581,282

* These reclassifications represent certain assets reclassified from property, plant and equipment to intangibles assets and from intangible assets to property, plant and equipment (Note 6.1).

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

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

7 Intangible assets and goodwill (continued)

Intangible assets (continued)

Indefeasible right of use represent the fees paid to a telecom operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE. The fees are amortised on a straight line basis over 10 years. Also included in the balance is an amount charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees are amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

8 Investments accounted for using the equity method

Dubai Smart City Accelerator FZCO

During the year 2017, the Group acquired 23.53% shares in Dubai Smart City Accelerator FZCO ("the Associate"), a Free Zone Company with limited liability established in Dubai Silicon Oasis Free Zone, in the Emirate of Dubai. The business of the Associate is to run accelerator programs with the purpose of sourcing innovation and technology applicable to the Smart City Industry.

Khazna Data Center Limited

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

	2018 AED 000	2017 AED 000
At 1 January	142,086	113,935
Investments during the year*	35,879	18,666
Share of profit for the year	10,214	9,485
At 31 December	188,179	142,086

Summarised financial information for the Associates are as follows:

Associates' statement of financial position as of 31 December:

	2018 AED 000	2017 AED 000
Non-current assets	910,526	686,725
Current assets	133,388	157,183
Current liabilities	(66,726)	(80,905)
Non-current liabilities	(321,819)	(297,089)
Net assets	655,369	465,914

8 Investments accounted for using the equity method (continued)

Associates' income statement for the year ended 31 December:

	2018 AED 000	2017 AED 000
Revenue	138,934	128,207
Profit for the year	41,835	36,481

*The investments during the year 31 December 2018, represent payment made for additional funding to Khazna Data Center Limited amounting to AED 34,044 thousand and Dubai Smart City Accelerator FZCO amounting to AED 1,835 thousand.

9 Financial asset at fair value through other comprehensive income

	2018 AED 000	2017 AED 000
Unlisted shares		
Anghami	18,368	18,368

In 2016, the Group acquired 4.8% shares in Anghami, a Cayman Islands exempted company registered in the Cayman Islands (unlisted company). The company is involved in the provision of media related content. In 2018, the Group classified the investment as financial asset at fair value through other comprehensive income (2017: Available-for-sale financial asset).

Due to the uncertain nature of cash flows arising from investment by the Group in unlisted shares of Anghami, the carrying amount is considered to be the best estimate of its fair value.

10 Derivative financial instruments

During the year 2015, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank term loans. The terms of the loans include quarterly interest payments, at a rate of LIBOR + 0.95% on the outstanding principal amount (Note 17).

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

10 Derivative financial instruments (continued)

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

	2018 AED 000	2017 AED 000
Interest rate swap contracts – cash flow hedges	10,968	13,594

The related movement in derivative financial instruments is shown under hedge reserve (Note 22.2).

There was no ineffectiveness during 2018 and 2017 in relation to the interest rate swap contracts.

11 Contract assets and contract liabilities

	Current		**Non-current**	
	2018 AED 000	2017 AED 000	2018 AED 000	2017 AED 000
Contract assets*	539,616	468,094	208,243	94,631
Less: provision for impairment of contract assets	(31,359)	(20,583)	(11,556)	(8,772)
	508,257	447,511	196,687	85,859

*Contract assets include unamortised subscriber acquisition costs (contract costs) amounting to AED 273,080 thousands (2017: Nil).

11.1 The movement in the provision for impairment of contract assets is as follows:

	2018 AED 000	2017 AED 000
Opening balance	29,355	16,162
Provision for impairment during the year	13,560	13,193
Closing balance	42,915	29,355

	Current		**Non-current**	
	2018 AED 000	2017 AED 000	2018 AED 000	2017 AED 000
Contract liabilities	444,141	468,776	190,631	124,997

11 Contract assets and contract liabilities (continued)

11.2 Set out below is the amount of revenue recognised from:

	2018 AED 000	2017 AED 000
Amounts included in contract liabilities at the beginning of the year	453,775	531,653

There was no revenue recognised in the current reporting period that is related to performance obligations that were satisfied in the prior year.

Contract assets have increased as the Group has recognised subscriber acquisition costs in 2018 in accordance with IFRS 15.

Contract liabilities have increased due to the increase in capacity contracts by AED 108,788 thousands. Prepaid/re-charge cards balances decreased by AED 81,408 thousands.

The Group has reviewed its contracts with customers and as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

12 Trade and other receivables

	2018 AED 000	2017 AED 000
Trade receivables	2,046,585	1,774,659
Due from other telecommunications operators	857,140	648,489
Less: payable balances set off where right to set off exists	(677,410)	(533,238)
Less: provision for impairment of trade receivables and due from other telecommunications operators	(759,281)	(661,758)
Trade receivables, net	1,467,034	1,228,152
Prepayments	176,739	245,054
Advances to suppliers	134,166	125,911
Other receivables*	129,799	101,999
Total trade and other receivables	1,907,738	1,701,116

*Other receivables mainly include interest receivable on short term investments.

The Group’s normal credit terms ranges between 15 and 150 days (2017: 15 and 150 days). No interest is charged on the trade and other receivable balances.

12 Trade and other receivables (continued)

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

	2018 AED 000	2017 AED 000
At 1 January	661,758	423,631
Provision for impairment	232,237	294,063
Write-off during the year	(134,714)	(55,936)
At 31 December	759,281	661,758

The Group recognises a loss allowance for expected credit losses (ECL) on its trade receivables.

The Group recognises lifetime ECL for trade receivables, using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Aging analysis of trade receivables and provision thereon is provided in Note 30. The Group had no significant concentration of credit risk. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

13 Related party balances and transactions

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

Related party balances

	2018 AED 000	2017 AED 000
Due from a related party		
Axiom Telecom LLC (Entity under common shareholding)	129,078	186,196
Due to related parties		
Tecom Investments FZ LLC (Entity under common shareholding)	3,249	6,951
Khazna Data Center Limited (Associate)	6,585	13,343
	9,834	20,294

Due to the short-term nature of the related party balances, their carrying amount is considered to be the same as their fair value.

13 Related party balances and transactions (continued)

Related party transactions

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

	2018 AED 000	2017 AED 000
Entities under common shareholding		
Tecom Investments FZ LLC:		
- Office rent and broadcasting services	39,697	34,576
- Infrastructure cost	1,000	1,202
Axiom Telecom LLC – Authorised distributor – net sales	1,527,311	1,968,032
Injazat Data Systems LLC – Data Centre - rent and telecom services	569	2,351
Associates		
Khazna Data Center Limited – rent and telecom services	116,746	93,017
Dubai Smart City Accelerator FZCO- acquisition of shares	-	1,835
Khazna Data Center Limited- additional funding	34,044	16,831
Dubai Smart City Accelerator FZCO- additional funding	1,835	-

Key management compensation

Short term employee benefits	38,511	33,107
Employees' end of service benefits	884	699
Post-employment benefits	1,267	1,985
Long term incentives	18,436	9,618
	59,098	45,409

Board of Directors fee during the year was AED 12,074 thousand (2017: AED 11,400 thousand).

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

The Group also provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. The credit period allowed to Government customers ranges from 15 to 150 days. Refer Note 25 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.

14 Short term investments

	2018 AED 000	2017 AED 000
Short term investments	4,000,000	5,025,000

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

15 Cash and bank balances

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

	2018 AED 000	2017 AED 000
Cash at bank (on deposit and call accounts)	501,431	460,494
Cash on hand	660	631
	502,091	461,125
Less: margin on guarantees (Note 28)	(5,393)	(63,046)
Cash and cash equivalents	496,698	398,079

16 Trade and other payables

	2018 AED 000	2017 AED 000
Trade payables and accruals	1,707,932	2,075,235
Due to other telecommunications operators	1,280,539	1,323,279
Less: receivable balances set off where right to set off exists	(677,410)	(533,238)
Accrued royalty (Note 25)	2,103,174	2,054,019
Valued Added Tax (VAT) Payable	26,427	-
Other payables and accruals	362,074	295,478
	4,802,736	5,214,773

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

17 Borrowings

	Current		Non-current	
	2018	2017	2018	2017
	AED 000	AED 000	AED 000	AED 000
Bank borrowings	1,432,665	1,432,665	716,332	2,148,997
Buyer credit arrangements	28,653	28,653	-	7,347
	1,461,318	1,461,318	716,332	2,156,344

The details of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Opening balance AED 000	Drawn AED 000	Settled AED 000	Closing balance AED 000
Bank borrowings							
Unsecured term loan 1	USD	LIBOR+0.95%	2020	2,204,100	-	(881,640)	1,322,460
Unsecured term loan 2	USD	LIBOR+0.95%	2020	918,375	-	(367,350)	551,025
Unsecured term loan 3	USD	LIBOR+0.95%	2020	459,187	-	(183,675)	275,512
				3,581,662	-	(1,432,665)	2,148,997
Buyer credit arrangement							
Buyer credit arrangement	USD	Nil	2019	36,000	21,306	(28,653)	28,653

18 Provision for employees' end of service benefits

The Group provides end of service benefits (defined benefit obligations) to its eligible employees. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out as at 31 December 2018 by a registered actuary in the UAE. The present value of defined benefit obligations and the related current and past service cost, were measured using the Projected Unit Credit Method. Changes in the present value of defined benefit obligations is as follows:

18 Provision for employees' end of service benefits (continued)

	2018 AED 000	2017 AED 000
At 1 January	236,072	225,627
Current service cost	35,309	38,013
Interest cost (Note 24)	8,331	8,447
Actuarial gain recognised in other comprehensive income*	(5,313)	(7,086)
Benefits paid during the year	(21,835)	(28,929)
At 31 December	252,564	236,072

*Actuarial gain recognised in other comprehensive income relates to remeasurements of the employees' end of service benefits obligation from changes in financial assumptions amounting to AED 1,861 thousand (2017: loss of AED 5,244 thousand) and experience adjustments amounting to AED 3,452 thousand (2017: AED 12,330 thousand).

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

	2018	2017
Average period of employment (years)	7.54	7.58
Average annual rate of salary increase	3%	3.00%
Discount rate	3.80%	3.70%

Sensitivity of the provision for employees' end of service benefits to changes in principal assumptions is included below:

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2018	2017	2018	2017	2018	2017
Average period of employment (years)	1 year	1 year	(0.01%)	(0.01%)	0.01%	0.01%
Average annual rate of salary increase	1%	1%	8.31%	8.71%	(7.40%)	(7.74%)
Discount rate	1%	1%	(6.86%)	(7.19%)	7.83%	8.22%

19 Other provisions

Asset retirement obligations

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

19 Other provisions (continued)

Asset retirement obligations (continued)

	2018 AED 000	2017 AED 000
At 1 January	110,924	102,021
Additions during the year	3,375	7,923
Adjustment for change in discount/inflation rates	(1,795)	(3,157)
Unwinding of discount	3,260	4,137
At 31 December	115,764	110,924

The provision is recognised based on the following significant assumptions:

	2018	2017
Average period of restoration (years)	10	10
Inflation rate	2.10%	2.40%
Discount rate	3.99%	3.76%

20 Share capital

	2018 No of shares	2017 No of shares
Authorised, issued and fully paid up share capital (par value AED 1 each)	4,532,905,989	4,532,905,989

21 Share premium

	2018 AED 000	2017 AED 000
Premium on issue of common share capital	232,332	232,332

22 Other reserves, net of treasury shares

	Statutory reserve (Note 22.1) AED 000	Hedge reserve (Note 22.2) AED 000	Proposed dividend AED 000	Treasury shares (Note 22.3) AED 000	Total AED 000
At 1 January 2017	1,244,547	6,280	951,910	(199,695)	2,003,042
Transfer to statutory reserve	171,179	-	-	-	171,179
Interim cash dividend	-	-	589,278	-	589,278
Final cash dividend proposed	-	-	997,239	-	997,239
Cash dividends paid	-	-	(1,541,188)	-	(1,541,188)
Fair value changes on cash flow hedge	-	7,314	-	-	7,314
Cancellation of treasury shares	-	-	-	199,695	199,695
At 31 December 2017	1,415,726	13,594	997,239	-	2,426,559
At 1 January 2018	1,415,726	13,594	997,239	-	2,426,559
Transfer to statutory reserve	175,299	-	-	-	175,299
Interim cash dividend	-	-	589,278	-	589,278
Cash dividends paid	-	-	(1,586,517)	-	(1,586,517)
Fair value changes on cash flow hedge	-	(2,626)	-	-	(2,626)
At 31 December 2018	1,591,025	10,968	-	-	1,601,993

22 Other reserves, net of treasury shares (continued)

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

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

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

23 Other expenses

	2018 AED 000	2017 AED 000
Office expenses	74,574	67,421
Consulting and legal expenses	33,785	75,035
Others	41,714	31,610
	150,073	174,066

During the year ended 31 December 2018, the Group has paid AED 14,430 thousand (2017: AED 19,785 thousand) for various social contribution purposes.

24 Finance income and costs

	2018 AED 000	2017 AED 000
Finance income		
Interest income	145,456	164,048
Finance costs		
Interest expense*	92,226	107,956
Exchange loss/(gain), net	1,357	(5,295)
	93,583	102,661

*Interest expense includes interest cost on defined benefit obligations amounted to AED 8,331 thousand (2017: AED 8,447 thousand) (Note 18).

25 Royalty

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

	2018 AED 000	2017 AED 000
Total revenue for the year (Note 32)	13,414,057	13,004,372
Broadcasting revenue for the year	(156,798)	(159,161)
Other allowable deductions	(4,128,702)	(3,892,359)
Total adjusted revenue	9,128,557	8,952,852
Profit before royalty	3,831,804	3,749,357
Allowable deductions	(91,182)	(96,532)
Total regulated profit	3,740,622	3,652,825
Charge for royalty: 15% (2017:15%) of the total adjusted revenue plus 30% (2017: 30%) of net regulated profit for the year before distribution after deducting 15% (2017: 15%) of the total adjusted revenue.	2,080,685	2,035,897
Adjustments to charge	(3,745)	(5,113)
Charge for the year	2,076,940	2,030,784
Royalty reimbursement (net)	1,872	6,787
Total royalty charge for the year	2,078,812	2,037,571

Movement in the royalty accruals is as follows:

	2018	2017
At 1 January	2,054,019	2,110,809
Payment made during the year	(2,027,785)	(2,087,574)
Charge for the year	2,076,940	2,030,784
At 31 December (Note 16)	2,103,174	2,054,019

26 Earnings per share

	2018	2017
Profit for the year (AED 000)	1,752,992	1,711,786
Weighted average number of shares (‘000’)	4,532,906	4,532,906
Basic and diluted earnings per share (AED)	0.39	0.38

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

27 Changes in working capital

	2018 AED 000	2017 AED 000
Change in:		
Inventories	(29,928)	(59,804)
Contract assets	119,504	66,642
Trade and other receivables	(459,242)	(625,719)
Trade and other payables	(383,565)	202,069
Contract liabilities	40,999	(44,821)
Due from a related party	57,118	33,951
Due to related parties	(10,460)	7,558
Net changes in working capital	(665,574)	(420,124)

28 Contingent liabilities

The Group has outstanding bank guarantees amounting to AED 36,677 thousand (2017: AED 75,204). Bank guarantees are secured against margin of AED 5,393 thousand (2017: AED 63,046 thousand) (Note 15).

29 Commitments

29.1 Capital commitments

The Group has outstanding capital commitments amounting to AED 1,139,214 thousand (2017: AED 908,656 thousand).

29.2 Operating leases commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 AED 000	2017 AED 000
Less than one year	311,996	440,682
Between one and five years	654,941	631,785
More than five years	604,502	632,942
	1,571,439	1,705,409

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

30 Financial instruments and risk management

30.1 Credit risk

Exposure to credit risk

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

	Note	**Carrying amount**		**Fair value**	
		2018 AED 000	2017 AED 000	2018 AED 000	2017 AED 000
Derivatives					
Interest rate swap contracts – cash flow hedges	10	10,968	13,594	10,968	13,594
Non-derivatives					
Financial asset at fair value through other comprehensive income	9	18,368	18,368	18,368	18,368
Contract assets	11	431,864	533,370	431,864	533,370
Trade and other receivables	12	1,730,999	1,456,062	1,730,999	1,456,062
Due from a related party	13	129,078	186,196	129,078	186,196
Short term investments	14	4,000,000	5,025,000	4,000,000	5,025,000
Cash and bank balances	15	502,091	461,125	502,091	461,125
		6,812,400	7,680,121	6,812,400	7,680,121

For the purpose of the exposure to credit risk on financial assets disclosure, non-financial assets (subscriber acquisition costs and prepayments) amounting to AED 449,819 thousand (2017: AED 245,054 thousand) have been excluded from contract assets and trade and other receivables.

Impairment of contract assets and trade and other receivables

The ageing of contract assets and trade receivables is as follows:

	Gross 2018 AED 000	Impaired 2018 %	Impaired 2018 AED 000	Gross 2017 AED 000	Impaired 2017 %	Impaired 2017 AED 000
Not past due	924,288	3.43%	(31,711)	1,087,577	3.69%	(40,111)
Past due 0-30 days	398,864	4.94%	(19,702)	362,563	5.60%	(20,303)
Past due 31-180 days	599,399	15.13%	(90,706)	444,122	23.90%	(106,147)
More than 180 days	1,455,953	45.34%	(660,077)	1,091,611	48.05%	(524,552)
	3,378,504		(802,196)	2,985,873		(691,113)

Non-financial assets (unamortised subscriber acquisition costs) amounting to AED 273,080 thousand (2017: Nil) have been excluded from gross amounts.

30 Financial instruments and risk management (continued)

30.1 Credit risk (continued)

Impairment of contract assets and trade and other receivables (continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss are based on the analysis of billing, collection and outstanding data over an appropriate period adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The impairment provision in respect of contract assets and trade receivables is used to record impairment losses unless the Group is satisfied that there is no reasonable expectation of recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

30.2 Liquidity risk

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

31 December 2018

				Contractual cash flows			
	Fair value AED 000	Carrying amount AED 000	Total AED 000	6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	2,177,650	2,177,650	2,238,361	764,388	750,896	723,077	-
Trade payables and accruals	1,707,932	1,707,932	1,707,932	1,707,932	-	-	-
Due to other telecommunication operators	603,129	603,129	603,129	603,129	-	-	-
Accrued royalty	2,103,174	2,103,174	2,103,174	2,103,174	-	-	-
Valued Added Tax (VAT) Payable	26,427	26,427	26,427	26,427	-	-	-
Other payables and accruals	362,074	362,074	362,074	362,074	-	-	-
Due to related parties	9,834	9,834	9,834	9,834	-	-	-
	6,990,220	6,990,220	7,050,931	5,576,958	750,896	723,077	-

30 Financial instruments and risk management (continued)

30.2 Liquidity risk (continued)

31 December 2017

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

30.3 Currency risk

Exposure to currency risk

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

	31 December 2018 Thousand EUR	31 December 2018 Thousand GBP	31 December 2017 Thousand EUR	31 December 2017 Thousand GBP
Trade receivables	6,663	3,234	4,772	2,385
Trade payables	(46)	(591)	(375)	(1,186)
Net exposure	6,617	2,643	4,397	1,199

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

	Average rate 2018	Average rate 2017	Reporting date spot rate 2018	Reporting date spot rate 2017
EUR 1	4.3673	4.1334	4.2142	4.4076
GBP 1	4.9380	4.7249	4.6881	4.9648

Sensitivity analysis

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

30 Financial instruments and risk management (continued)

30.3 Currency risk (continued)

Sensitivity analysis (continued)

	2018 AED 000	2017 AED 000
Increase/(decrease) in profit		
EURO	(2,890)	(1,817)
GBP	(1,305)	(567)

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

30.4 Interest rate risk

Exposure to interest rate risk

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

	Carrying Amount	
	2018 AED 000	2017 AED 000
Variable interest rate instruments		
Bank borrowings	2,148,997	3,581,662

Sensitivity analysis

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

	2018 AED 000	2017 AED 000
Decrease in profit		
Variable interest rate instruments	14,377	20,779

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

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

30 Financial instruments and risk management (continued)

30.5 Financial instruments by category

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

	2018 AED 000	2017 AED 000
Derivative financial instruments	10,968	13,594
Financial asset at fair value through other comprehensive income	18,368	18,368
Financial assets measured at amortised cost		
Contract assets	431,864	533,370
Trade and other receivables	1,730,999	1,456,062
Due from a related party	129,078	186,196
Short term investments	4,000,000	5,025,000
Cash and bank balances	502,091	461,125
	6,794,032	7,661,753
Borrowings	2,177,650	3,617,662
Trade and other payables	4,802,736	5,214,773
Due to related parties	9,834	20,294
	6,990,220	8,852,729

For the purpose of the financial instruments disclosure, non-financial assets amounting to AED 449,819 thousand (2017: AED 245,054 thousand) have been excluded from contract assets, trade and other receivables.

31 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

31 Offsetting financial assets and financial liabilities (continued)

The following table presents the recognised financial instruments that are offset in the statement of financial position, as at 31 December 2018 and 31 December 2017.

	31 December 2018			31 December 2017		
	Gross amounts AED 000	Gross amounts set off AED 000	Net amount presented AED 000	Gross amounts AED 000	Gross amounts set off AED 000	Net amount presented AED 000
Financial assets						
Trade and other receivables	2,585,148	(677,410)	1,907,738	2,234,354	(533,238)	1,701,116
Total	2,585,148	(677,410)	1,907,738	2,234,354	(533,238)	1,701,116
Financial liabilities						
Trade and other payables	5,480,146	(677,410)	4,802,736	5,748,011	(533,238)	5,214,773
Total	5,480,146	(677,410)	4,802,736	5,748,011	(533,238)	5,214,773

32 Segment analysis

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

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI. Mobile handset sales, including instalment sales, are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and sms to national and international carriers and operators. Services include termination of inbound international voice traffic and international hubbing.
- Others. Others include broadcasting services, international roaming, site sharing, etc.

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

32 Segment analysis (continued)

31 December 2018

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	7,103,905	2,339,042	2,128,333	894,571	12,465,851
At a point in time	904,276	10,418	-	33,512	948,206
	8,008,181	2,349,460	2,128,333	928,083	13,414,057
Segment contribution	4,792,250	2,051,762	1,413,971	471,184	8,729,167
Unallocated costs					(4,965,859)
Finance income and costs, other income and share of profit of investments accounted for using equity method					68,496
Profit before royalty					3,831,804
Royalty					(2,078,812)
Profit for the year					1,752,992

32 Segment analysis (continued)

31 December 2017

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Others AED 000	Total AED 000
Segment revenue					
Timing of revenue recognition					
Over time	7,233,423	2,142,410	2,157,107	740,462	12,273,402
At a point in time	705,325	11,561	-	14,084	730,970
	7,938,748	2,153,971	2,157,107	754,546	13,004,372
Segment contribution	4,783,043	1,874,260	1,416,482	447,286	8,521,071
Unallocated costs					(4,846,814)
Finance income and costs, other income and share of profit of investments accounted for using equity method					75,100
Profit before royalty					3,749,357
Royalty					(2,037,571)
Profit for the year					1,711,786

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

In order to conform with current year presentation of segment analysis, the comparative figures for the previous year has been regrouped, where necessary. Such regrouping resulted in the decrease in segment contribution of Mobile and Fixed amounting to AED 1,649,188 thousand and AED 66,216 thousand, respectively and an increase in segment contribution of Wholesale and Others amounting to AED 1,325,594 thousand and AED 389,810 thousand, respectively. The changes did not affect the previously reported profit, comprehensive income or equity.