Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Consolidated Financial Statements

31 December 2012

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Chairman's Message

Dear Shareholders,

With pride, I can report another year of strong performance across all areas of our business.

Our successes have come against a backdrop of challenges. Globally, the sector is experiencing increasing pressure on core revenues. Competition has intensified and become more complex. Despite these challenges, we again recorded a record year in terms of revenue and net profit and I am proud that by the end of 2012 we served 48.7% of the UAE mobile market (an estimate based on the Telecommunications Regulatory Authority ('TRA') and competitor reports).

Our strong performance is reflected in our net profit before royalty, which was comfortably up on 2011 at AED 2.82 billion. Net profit after royalty was AED 1.98 billion and we welcomed the Ministry of Finance's decision to provide us with visibility for subsequent years, giving us a sustained period of certainty in terms of our liability with respect to royalties payable to the Federal Government until 2016.

Creating shareholder value

We are delighted that the Board of Directors has recommended the payment of a second dividend. The proposed cash dividend of AED 0.30 per share for 2012 (subject to shareholder approval at our Annual General Meeting in March 2013) has increased 100% over that declared and paid last year. We have always reiterated our commitment to shareholder value creation and I believe that this demonstrates our ability to deliver on our commitments. In just six years we have established strong fundamentals, significant market share and a coherent strategy for the future of the business, all creating sustainable value for our shareholders.

Delivering on our corporate social responsibility commitments

Our ongoing commitment to the communities we serve is evident in our work with the wider business community and in celebrating our national heritage. Promoting enterprise – particularly young business leaders – has been a major initiative for us and we were delighted to receive recognition as 'Best Supporting Partner for SMEs' this year, receiving an award from HH Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum, Dubai's Crown Prince. We were proud to continue our support of Emirati cultural heritage and language during the year and our 41st National Day Campaign focused on fostering a deeper lyrical expression in the Arabic language.

We are making excellent progress with our efforts to minimise our environmental impact and we continue to integrate sustainable development policies, such as energy management, across all areas of our business.

Embracing best practice in corporate governance

Our belief in building a sustainable business is also evident in our approach to corporate governance, in which we aim to combine responsible business practices with the highest standards of business integrity and accountability. We continue to meet the corporate governance recommendations of the Dubai Financial Market and the Emirates Securities and Commodities Authority (ESCA) and we were the only UAE company to be presented with a Best Corporate Governance Award in 2012 by the UK's World Finance Magazine.

Putting human capital at the heart of our business

The continued development of our human capital is a key priority. We have been delighted with the progress of initiatives to develop the future leaders of du, in addition to our work to support the UAE's Emiratisation initiatives. Our National Development Programme, Masar, has resulted in a further increase in the number of Emiratis working in our company and we will continue to focus on hiring, developing and retaining the best national talents.

Driving growth through innovation

We are committed to being the operator of choice and to achieve that goal we place innovation at the centre of our business. Innovation puts us a step ahead. Innovation in the way we hire and develop our people, innovation in our approach to customer experience, in the way we adapt to changes and new possibilities. Innovation fuels our technological developments, and as a core strand of our strategic programme, innovation will ensure our company is positioned for success in a rapidly evolving market.

Continuing to deliver outstanding performance and shareholder value

The next few years will present all of us with challenges and opportunities but I am confident that our collective hard work will continue to see our business go from strength to strength. We have put in place a strategic programme that maps out how we intend to navigate the challenges presented by our evolving sector and make the most of the opportunities they present.

We are proud to be playing an important role in an industry that is shaping the future of so many elements of our society. I would like to express my heartfelt appreciation and gratitude to our country's leadership for their vision and unwavering commitment to the development of our nation and its people.

Finally, I would like to thank each and every one of du's employees. A growing business is a changing business and change is not always easy. I am delighted that all of our employees and in particular the management team has helped us chart such a smooth journey through a time of both phenomenal growth and change. To have done this and consistently deliver outstanding performance and shareholder value is an enormous credit to their commitment and leadership.

We are all looking forward to the challenges that lie ahead and to delivering even greater value to you in 2013.

Ahmad Bin Byat
Chairman

CEO Review

Dear Shareholders,

It is a pleasure to be able to announce that 2012 delivered another record year of revenues and profitability for our shareholders.

After five consecutive years of phenomenal growth, we entered 2012 knowing the year would require a renewed effort to deliver exceptional shareholder value. Whilst we continued to deliver across all areas of the business, with customer acquisitions and market share increasing for the sixth year, we determined that 2012 would focus on efficiency and value creation, achieved through financial discipline, operational efficiency and an unrelenting focus on customer experience.

Continuing to deliver healthy levels of profitability

In 2012 we achieved like for like revenues of AED 10.16 billion (reported revenue AED 9.8 billion), an increase of 14.71% on 2011. We acquired 1,241,251 net new mobile customers and estimate our overall market share as 48.7% and our value share as 32.5%. One of the biggest stories of the year was data. The rapid adoption of smartphones and tablets has continued and consequently growth in mobile data revenue has been significant, increasing by 74% on 2011 and taking overall data revenues to AED 1.76 billion for 2012, representing a significantly greater percentage of mobile service revenues, at 22.44% than it did in 2011 when data revenues stood at AED 1.01 billion.

Customer appetite for mobile data services will continue to be a key driver of our business in the coming years. Our challenge is to continue to provide our customers with innovative, world-class services, speed and capacity across all data platforms and as such we are investing in the infrastructure and building the capabilities to provide the next generation data offerings and experience.

As a result of our robust revenue performance and operational efficiencies, 2012 has seen healthy levels of profitability. EBITDA growth for the year reached AED 3.99 billion, 37.10%, representing an EBITDA margin of 39.37% for 2012. Net profit before royalty grew by 55.81% to reach AED 2.82 billion in 2012. The Federal Government confirmed the royalty charge for 2012 at 5% of revenue and 17.5% of profit, resulting in net profit after royalty of AED 1.98 billion.

Investing in the future of our business

Sustained investment in infrastructure is an essential part of the ongoing development of our capabilities and in 2012 we invested more than AED 1.72 billion in our network and IT. During the year we benefited from favourable market conditions to secure financing amounting to $700 million at competitive rates. These loan facilities will provide us with the resource and financial flexibility to meet short and medium term capital expenditure requirements, including financing increased investment in our existing HSPA+ and LTE networks. This investment in state-of-the-art technologies will further enhance the experience our customers enjoy and enable the launch of new services and applications such as 300mbps speed.

Optimising value through operational efficiencies

Optimising operational efficiencies was a key strategic driver in 2012. Our strategic efficiency programme, details of which we have set out in this report, focuses on minimising the cost of service delivery, while simplifying back office systems through a strategic reorganisation of the way we operate. During 2012, efficiency improvements largely focused on network and IT outsourcing, with an emphasis on establishing Managed Services agreements to optimise resources, streamline operations and ultimately deliver an enhanced service experience to our customers. Furthermore, in 2012 we signed an agreement to consolidate our data centres into two new purpose-built, state-of-the-art facilities in Dubai and Abu Dhabi. We anticipate that these initiatives will generate substantial cost savings in the coming years.

Providing an optimal customer experience

Our emphasis in 2012 was on customer satisfaction through product innovation and offering a distinct and more straightforward customer experience. We have taken a more granular approach to market segmentation to identify and meet the differing needs of our customers. We successfully launched a number of market-leading propositions to address the diverse value and service capability requirements of our prepaid, postpaid and enterprise customers. We restructured and simplified our data packages and we are building capabilities for customers to manage data consumption, leading the market in giving full transparency and control on data usage to our customers.

We also made the significant step of partnering with world-class data platform Equinix to establish datamena, a carrier-neutral data centre. datamena enables international customers to host and distribute content and trade data capacity in a cost effective way. It will be an important component of our digital offerings, in addition to acting as a catalyst for the next stage of internet development in the region.

Investing in our people

We are committed to helping our employees to meet their full potential and we are extremely pleased that our focus on career development has been so successful this year, in particular our initiatives to develop future leaders of du through our collaboration with leading business school, INSEAD.

We also made significant strides in our efforts to support the UAE's Emiratisation strategy. We successfully enhanced our UAE National Contact Centre in Fujairah and increased staffing from 60 to 120 Emiratis. In 2012 we increased our Emirati employees to 31% of the total workforce and 41% of the company's senior executives are now UAE Nationals.

Delivering shareholder value

2012 was a year that saw us consolidating the achievements of the previous five years and implementing a strategy to ensure our company's continued success. Efficiency and value creation drove our actions and the resulting initiatives have had a direct impact on the bottom line and on shareholder value now and will have in future years. We have finished the year with a strong balance sheet, a positive outlook for the future, and subject to shareholder approval, we will again pay dividends to our shareholders for 2012.

Looking ahead…

Our strategic programme maps out a raft of measures that will enable us to position the company for the next stage of its growth. These are rapidly evolving times and I am delighted that 2012 saw us meet the demands placed upon us. I would like to express my gratitude to all of our employees for their hard work and dedication during 2012. I would also like to thank our Board of Directors, who continued to provide sound advice, guidance and support during a time of growth and change.

Finally, I would like to thank our shareholders for their continued trust in our company, our partners and all of our loyal and valued customers.

Osman Sultan
Chief Executive Officer

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Independent Auditors' Report

The Shareholders
Emirates Integrated Telecommunications Company PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Emirates Integrated Telecommunications Company PJSC and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Company; a physical count of inventories was carried out by the management in accordance with established principles; and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2012, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

18 FEB 2013

KPMG
Vijendra Nath Malhotra
Registration No.48B

Consolidated statement of financial position

As at 31 December

	Note	2012 AED 000	2011 AED 000
Non-current assets			
Property, plant and equipment	*6*	7,590,768	6,903,496
IT software	*7.1*	330,734	371,667
Telecommunications licence fee	*7.2*	81,778	88,003
Indefeasible right of use	*7.3*	199,658	164,282
Goodwill	*7.4*	549,050	549,050
Total non-current assets		8,751,988	8,076,498
Current assets			
Deferred fees	*7.5*	2,749	604
Inventories		24,547	52,262
Accounts receivable	*9*	1,109,872	881,600
Other receivables	*10*	334,146	275,494
Due from related parties	*8.1*	171,021	180,792
Prepayments		209,212	211,551
Cash and cash equivalents	*11*	2,688,644	2,376,371
Short term investments	*11*	630,000	-
Total current assets		5,170,191	3,978,674
Current liabilities			
Accounts payable and accruals	*14*	3,954,965	3,426,184
Due to related parties	*8.1*	48,544	34,598
Current portion of long term borrowings	*12*	328,613	192,952
Total current liabilities		4,332,122	3,653,734
Net current assets		838,069	324,940
Non-current liabilities			
Employee benefits	*15*	122,682	103,326
Long term borrowings	*12*	1,844,118	2,079,176
Provisions	*13*	95,638	-
Total non-current liabilities		2,062,438	2,182,502
Net assets		7,527,619	6,218,936
Represented by:			
Share capital	*16*	4,571,429	4,571,429
Share premium	*17*	393,504	393,504
Share based payment reserve	*18*	86,780	71,924
Statutory reserve	*19*	465,581	267,627
Proposed dividend		1,371,429	685,714
Retained earnings		638,896	228,738
Shareholders' equity		7,527,619	6,218,936

The consolidated financial statements were approved by the Board of Directors on 18 February 2013 and signed on its behalf by:

Ahmad bin Byat
Chairman

Osman Sultan
Chief Executive Officer

The notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 5.

Consolidated statement of comprehensive income

For the year ended 31 December

	Note	2012 AED 000	2011 AED 000
Revenue	29	9,841,516	8,854,683
Cost of sales		(2,944,133)	(2,953,912)
Gross profit		6,897,383	5,900,771
General and administrative expenses	20	(4,087,547)	(4,061,649)
Finance income	22	49,137	61,073
Finance expense	22	(69,542)	(113,627)
Other income	23	34,071	25,578
Profit before Royalty		2,823,502	1,812,146
Royalty	24	(843,961)	(714,556)
Profit for the year		1,979,541	1,097,590
Profit and comprehensive income attributable to shareholders of the Company		1,979,541	1,097,590
Earnings per share (AED)	25	0.43	0.24

The notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 5.

Consolidated statement of cash flows
For the year ended 31 December

	Note	2012 AED 000	2011 AED 000
Cash flows from operating activities			
Profit for the year		1,979,541	1,097,590
Adjustment for:			
Depreciation of property, plant and equipment		983,933	813,789
Amortisation of IT software		159,198	167,607
Amortisation of intangible assets		29,039	23,822
Provision for end of service benefits		35,059	34,802
Impairment of property, plant and equipment		19,549	72,157
Net finance income and expense		20,405	52,554
Equity-settled share based payment transactions		14,856	25,579
Other income		(34,071)	(25,578)
Changes in working capital	*26*	(189,812)	661,075
Net cash generated from operating activities		3,017,697	2,923,397
Cash flows used in investing activities			
Purchase of property, plant and equipment		(1,221,239)	(1,355,691)
Purchase of IT software		(82,740)	(152,727)
Addition to indefeasible right of use		-	(10,923)
Short term investments	*11*	(630,000)	-
Other income		34,071	25,578
Net cash used in investing activities		(1,899,908)	(1,493,763)
Cash flows from financing activities			
Long term borrowings		573,785	1,439,352
Repayment of borrowings		(673,182)	(3,225,539)
Dividends paid		(685,714)	-
Finance income		49,137	61,073
Finance expense		(69,542)	(113,627)
Net cash used in financing activities		(805,516)	(1,838,741)
Net increase / (decrease) in cash and cash equivalents		312,273	(409,107)
Cash and cash equivalents at 1 January		2,376,371	2,785,478
Cash and cash equivalents at 31 December	*11*	2,688,644	2,376,371

The notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 5.

Consolidated statement of changes in equity
For the year ended 31 December

	Share capital (Note 16) AED 000	Share premium (Note 17) AED 000	Share based payment reserve (Note 18) AED 000	Statutory reserve (Note 19) AED 000	Proposed dividend AED 000	Retained earnings / Accumulated losses AED 000	Total AED 000
At 1 January 2011	4,571,429	393,504	46,345	157,868	-	(73,379)	5,095,767
Profit for the year	-	-	-	-	-	1,097,590	1,097,590
Transfer to share based payment reserve	-	-	25,579	-	-	-	25,579
Transfer to statutory reserve	-	-	-	109,759	-	(109,759)	-
Proposed cash dividend*	-	-	-	-	685,714	(685,714)	-
At 31 December 2011	4,571,429	393,504	71,924	267,627	685,714	228,738	6,218,936
At 1 January 2012	4,571,429	393,504	71,924	267,627	685,714	228,738	6,218,936
Profit for the year	-	-	-	-	-	1,979,541	1,979,541
Transfer to share based payment reserve	-	-	14,856	-	-	-	14,856
Transfer to statutory reserve	-	-	-	197,954	-	(197,954)	-
Cash dividend paid*	-	-	-	-	(685,714)	-	(685,714)
Proposed cash dividend*					1,371,429	(1,371,429)	-
At 31 December 2012	4,571,429	393,504	86,780	465,581	1,371,429	638,896	7,527,619

*A cash dividend of AED 0.30 per share (*2011: AED 0.15*) amounting to AED 1,371,429 thousand (*2011: AED 685,714 thousand*) is proposed.

The notes set out on pages 10 to 36 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 5.

Notes to the consolidated financial statements

1 Legal status and principal activities

Emirates Integrated Telecommunications Company PJSC 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 was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates. The consolidated financial statements of the Company as at 31 December 2012 comprises the Company and its Subsidiary ("the Company").

The Company's principal objective is to provide fixed, mobile, broadband, broadcasting and associated telecommunications services in the UAE. The commercial operations of the Company commenced on 11 February 2007.

During the year 2010, the Company established a wholly owned subsidiary; EITC Investment Holdings Limited ("the Subsidiary") incorporated as an offshore company in accordance with the offshore companies regulations of Jebel Ali Free Zone of 2003. The principal objective of the Subsidiary is to hold investments for new non-core business activities in which the Company wishes to invest in the future, such as content, media, data and value added services for telecommunications. At 31 December 2012 there had been no commercial activities within the Subsidiary.

2 Basis of preparation

i Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

ii New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

a) IFRS 9 Financial Instruments (2010), IFRS Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Company's financial assets, but not any impact on the Company's financial liabilities.

b) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Company may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Company's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Company's interest in those assets and liabilities.
- The Company's interest in joint venture, which is an arrangement in which the parties have right to the net assets, will be equity-accounted.

Notes to the consolidated financial statements (*continued*)

ii New standards and interpretations not yet adopted (continued)

The Company may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosures of information about the nature, risks and financial effects of these interests.
These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

c) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Company is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

d) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Company. However, the Company may need to assess the impact of the change in measurement principles of expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

iii Basis of consolidation

A subsidiary is an entity controlled by the Company. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iv Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention.

v Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED") rounded to the nearest thousand except when otherwise stated. This is the Company's functional currency.

vi Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2 Basis of preparation *(continued)*

vii Use of estimates and judgments

The preparation of the consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets,liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of IFRS that have significant effect on the consolidated financial statements and estimates with a risk of material adjustment in the next year mainly comprise of residual value and useful lives of items of property, plant and equipment and intangible assets, key assumptions used in discounted cash flow projections for goodwill impairment test, provision for bad and doubtful debts and provision for slow moving inventories.

3 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's consolidated financial statements.

i Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Assets acquired from related parties are stated at their fair values at the acquisition date less accumulated depreciation and impairment losses. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	20-25
Plant and equipment	3-10
Furniture and fixtures	5
Motor vehicles	4

Capital work in progress is stated at cost net of any impairment losses. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Company's policies.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

ii Goodwill

Goodwill represents the excess of the cost of acquisition over the fair market value of identifiable assets and liabilities acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

3 Significant accounting policies *(continued)*

iii Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful lives of the intangible assets, from the date that they are available for use as follows:

	Years
IT software	5
Telecommunications licence fee	20
Indefeasible right of use	10-15

iv Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and such leased assets are not recognised in the Company's statement of financial position. Payments made under operating leases are recognized in the profit or loss on a straight-line basis over the term of the lease.

v Inventories

Inventories are measured at the lower of cost and estimated net realisable value. Cost includes expenses incurred in bringing each inventory item to its present location and condition and is determined on a weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

vi Financial instruments

vi (i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company has the following non-derivative financial assets: loans and receivables, cash and cash equivalents.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise due from related parties and trade and other receivables.

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

3 Significant accounting policies *(continued)*

vi Financial instruments *(continued)*

vi (ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: long term bank borrowings, due to related parties and trade and other payables.

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 method.

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

Financial assets and liabilities are offset and the net amount presented at the reporting date when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

vi (iii) 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.

vi (iv) Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Company's shareholders.

vii Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of that obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

viii End of service benefits

Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with the Projected Unit Cost method as per IAS 19 'Employee Benefits' taking into consideration the UAE Labour Laws. The provision is recognised based on the present value of the defined benefit obligations. The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment of non-UAE nationals and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best estimate of projected annual inflation rate available at the reporting date.

ix Impairment

ix(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 Significant accounting policies *(continued)*

ix Impairment *(continued)*

ix(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the group of CGUs, and then to reduce the carrying amounts of the other assets in the group of CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

x Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of transaction. Exchange differences are recorded in the profit or loss.

xi Revenue recognition

Revenue represents amounts invoiced or accrued for telecommunications services provided comprising usage charges, fixed monthly subscription charges, internet usage charges, activation fees, processing fees and fees for value added services. Revenue from telecommunication services is recognised when services have been rendered and is net of discounts and rebates allowed.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3 Significant accounting policies *(continued)*

xii Recognition of finance income and expenses

Finance income comprises interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance interest is payable on borrowing facilities obtained from suppliers and financial institutions at normal commercial rates and is recognised as an expense in the statement of comprehensive income in the period in which it is incurred. Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the assets.

xiii Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

xiv Segmental information

Information regarding the Company'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 Company's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

xv Government grants

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

4 Determination of fair values

A number of the Company'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.

i Accounts and other receivables

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

ii 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.

iii Share based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Notes to the consolidated financial statements (*continued*)

5 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company'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 Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. 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.

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

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base has less of an influence on credit risk.

The management has established a credit policy under which each new customer is analysed for creditworthiness before the Company's terms and conditions are offered. The Company'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 Company.

The Company 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 Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Company uses historical data of payment statistics for similar financial assets.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's business and reputation. A major portion of the Company's funds are invested in cash and cash equivalents which are readily available to meet expected operational expenses, including servicing of financial obligations.

5 Financial risk management *(continued)*

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 Company'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 Company's exposure to market risk arises from:

- Currency risk
- Interest rate risk

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

The Company hedges the currency risk in respect of its foreign currency exposure. As the majority of the Company transactions are concluded in local currency or in USD, the exposure to significant foreign exchange risks is limited. Nevertheless the decision to hedge is dependent on the currency requirements from time to time, and on market conditions, which are monitored on an on-going basis.

Interest rate risk
Management has approved a framework for interest risk management which includes entering into interest rate swaps, if appropriate.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the Company performance in relation to its long range business plan and its long-term profitability objectives.

6 Property, plant and equipment

	Buildings	Plant and equipment	Furniture and fixtures	Motor vehicles	Capital work in progress	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Cost						
At 1 January 2011	47,208	6,201,647	196,012	2,123	1,834,255	8,281,245
Additions	-	944,059	28,054	104	176,350	1,148,567
Transfers	-	1,023,750	9,600	-	(1,033,350)	-
Transfer to intangible assets	-	(90,082)	-	-	-	(90,082)
At 31 December 2011	47,208	8,079,374	233,666	2,227	977,255	9,339,730
At 1 January 2012	47,208	8,079,374	233,666	2,227	977,255	9,339,730
Additions	-	925,510	10,924	136	661,206	1,597,776
Addition : Asset retirement obligations	-	95,638	-	-	-	95,638
Transfers	-	680,007	6,624	-	(686,631)	-
Disposal	-	(10,000)	(13,860)	(881)		(24,741)
At 31 December 2012	47,208	9,770,529	237,354	1,482	951,830	11,008,403
Depreciation / impairment / provision for obsolescence*						
At 1 January 2011	10,806	1,447,096	109,867	2,015	22,194	1,591,978
Charge for the year	2,234	769,784	41,582	189	-	813,789
Transfer to intangible assets	-	(10,634)	-	-	-	(10,634)
Impairment / provision for obsolescence	-	33,900	-	-	7,201	41,101
At 31 December 2011	13,040	2,240,146	151,449	2,204	29,395	2,436,234
At 1 January 2012	13,040	2,240,146	151,449	2,204	29,395	2,436,234
Charge for the year	2,233	944,172	37,398	130	-	983,933
Disposal / write off	-	(8,624)	(12,604)	(853)	-	(22,081)
Impairment / provision for obsolescence	-	12,638	-	-	6,911	19,549
At 31 December 2012	15,273	3,188,332	176,243	1,481	36,306	3,417,635
Net book value At 31 December 2011	34,168	5,839,228	82,217	23	947,860	6,903,496
Net book value At 31 December 2012	31,935	6,582,197	61,111	1	915,524	7,590,768

The carrying amount of the Company's buildings includes a nominal amount of AED 1 *(2011:* AED 1*)* in relation to land granted to the Company by the UAE Government.

*Impairment / provision for obsolescence relates to plant and equipment and capital work in progress.

7 Intangible assets and deferred fees

7.1 IT software

	Software in use AED 000	Capital work in progress AED 000	Total AED 000
Cost			
At 1 January 2011	690,187	145,940	836,127
Additions	131,024	-	131,024
Transfers	37,354	(37,354)	-
Impairment of assets	-	(15,596)	(15,596)
At 31 December 2011	858,565	92,990	951,555
At 1 January 2012	858,565	92,990	951,555
Additions	52,656	65,609	118,265
Transfers	35,915	(35,915)	-
At 31 December 2012	947,136	122,684	1,069,820
Amortisation			
At 1 January 2011	412,281	-	412,281
Charge for the year	167,607	-	167,607
At 31 December 2011	579,888	-	579,888
At 1 January 2012	579,888	-	579,888
Charge for the year	159,198	-	159,198
At 31 December 2012	739,086	-	739,086
Net book value At 31 December 2011	278,677	92,990	371,667
Net book value At 31 December 2012	208,050	122,684	330,734

7 Intangible assets and deferred fees *(continued)*

7.2 Telecommunications licence fee

	2012 **AED 000**	2011 AED 000
At 1 January	88,003	94,226
Amortisation for the year	(6,225)	(6,223)
At 31 December	81,778	88,003

Telecommunications licence fee represents the fee charged by the Telecommunications Regulatory Authority to the Company to grant the licence 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 licence, from the date of granting the licence.

7.3 Indefeasible right of use

	2012 **AED 000**	2011 AED 000
At 1 January	164,282	91,510
Additions / transfers during the year	58,190	90,371
Amortisation for the year	(22,814)	(17,599)
At 31 December	199,658	164,282

The additions to 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 transferred from property, plant and equipment. 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.

7.4 Goodwill

The Company 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.

	2012 **AED 000**	2011 AED 000
Goodwill	549,050	549,050

The Company 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 three year business plan approved by the Board.

Goodwill is allocated to two CGUs, being the broadcasting operations and the fixed line business.

The key assumptions for the value-in-use calculations at 31 December 2012 include a discount rate of 8.09% and a terminal growth rate of 3%.

7.5 Deferred fees

	2012 **AED 000**	2011 AED 000
Deferred annual licence fee, numbering fees and spectrum fees	2,749	604

An annual licence fee is charged in respect of the telecommunications licence awarded. Numbering fees are charged for the allocation of the right of use of mobile and fixed number ranges. Spectrum fees are charged for the authorisation of various frequencies used by the Company.

8 Related party transactions

Related parties comprise the shareholders of the Company, its directors, key management personnel and entities over which they exercise significant influence. Transactions with related parties are on terms and conditions approved by the Company's management or by the Board of Directors.

8.1 Due from / to related parties

	2012 AED 000	2011 AED 000
Due from related parties		
Axiom Telecom LLC	108,825	141,396
Eros Electronics	16,432	11,189
Due from shareholders*	45,764	28,207
	171,021	180,792
Due to related parties		
Tecom Investments FZ LLC	28,058	34,598
Emaar Properties PJSC	20,486	-
	48,544	34,598

*Due from shareholders represent receivable from founding shareholders.

All transactions with related parties are carried out at commercial rates. Telecom services to related parties are provided at normal market value and are excluded from reportable related party transactions. The following table reflects the gross value of transactions with related parties.

	2012 AED 000	2011 AED 000
Tecom Investments FZ LLC:		
Office rent and services	64,832	78,239
Infrastructure cost	35,146	34,021
Axiom Telecom LLC– Authorised distributor – Net Sales	2,021,536	1,746,992
Eros Electronics – Authorised distributor –Net Sales	395,053	275,011
Injazat Data Systems LLC –Data centre rent and services	11,130	11,166
Emaar Properties PJSC	39,262	-

8.2 Compensation to key management personnel

	2012 AED 000	2011 AED 000
Short term employee benefits	32,704	31,939
End of service benefits	1,302	1,212
Post-employment benefits	597	765
Share based benefits	5,999	7,760
Directors' remuneration	9,072	8,040
	49,674	49,716

Certain employee benefits previously excluded from disclosure have been included in the current year figures. Accordingly prior year has been adjusted to reflect the current year format.

Notes to the consolidated financial statements (*continued*)

9 Accounts receivable

	2012 AED 000	2011 AED 000
Receivables for services and products	717,271	635,532
Less: Provision for doubtful debts (Refer note 9.1)	(352,913)	(305,741)
Net receivable for services and products	364,358	329,791
Due from other telecommunications operators	436,867	388,513
Less: Provision for doubtful debts (Refer note 9.1)	(2,092)	(2,459)
Net due from other telecommunications operators	434,775	386,054
Unbilled revenue	310,739	165,755
Accounts receivable	1,109,872	881,600

9.1 Movement in provision for doubtful debts

The movement in the provision for doubtful debts in respect of trade receivables was as follows:

	2012 AED 000	2011 AED 000
Provision for receivables for services and products		
At 1 January	305,741	218,435
Impairment loss recognised	52,561	90,792
Write off during the year	(5,389)	(3,486)
At 31 December	352,913	305,741
Provision for dues from other telecommunications operators		
At 1 January	2,459	1,243
(Reversal) / impairment loss recognised	(367)	1,216
At 31 December	2,092	2,459
Total provision for doubtful debts	355,005	308,200

The Company's exposure to credit and currency risks and impairment losses related to accounts receivables are disclosed in note 28.

Notes to the consolidated financial statements (*continued*)

10 Other receivables

	2012	2011
	AED 000	AED 000
Advances to suppliers	310,014	246,728
Interest receivable	8,429	8,407
Staff loans	2,504	4,781
Deposits and others	13,199	15,578
	334,146	275,494

The Company's exposure to credit and currency risks and impairment losses related to other receivables are disclosed in note 28.

11 Cash and cash equivalents and short term investments

	2012	2011
	AED 000	AED 000
At bank (on deposit and call accounts)	2,688,232	2,375,946
On hand	412	425
Short term investments *	630,000	-
	3,318,644	2,376,371

* Short term investments represent bank deposits with maturity periods exceeding 3 months from the date of acquisition.

During the year, the balances in deposit accounts earned interest ranging from 1.5 % to 3.45 % per annum. All bank deposits are held in the UAE.

12 Long term borrowings

	2012	2011
	AED 000	AED 000
Long term bank borrowings (i) and (ii)	1,092,021	808,170
Buyer credit arrangements (iii) and (iv)	1,080,710	1,463,958
	2,172,731	2,272,128
Less: Current portion of long term bank borrowings	-	-
Current portion of buyer credit arrangement	(328,613)	(192,952)
	1,844,118	2,079,176

(i) The Company repaid in full an existing loan of AED 3 billion in June 2011. A new facility for AED 808.2 million (USD 220 million) for partial financing of the repayment was arranged. The new facility is to be repaid in full on the final maturity date (30 June 2014) and carries an interest rate of LIBOR+ 1.45% per annum. The facility is unsecured.

(ii) During the year the Company secured a bank facility amounting to AED 367.4 million (USD 100.0 million). This facility is to be repaid in full on the final maturity date (12 December 2015) and carries an interest rate of LIBOR+ 1.60% per annum. The facility is unsecured. AED 283.9 million (USD 77.3 million) was utilised during the year.

(iii) During the year, the Company settled in full AED 418.5 million (USD 113.9 million) relating to one buyer credit arrangement obtained from a supplier. The facility was to be repaid in full, three years from the date of the agreement (29 September 2009). The facility carried an interest rate of LIBOR + 2.6% per annum.

Notes to the consolidated financial statements (*continued*)

12 Long term borrowings *(continued)*

(iv) The Company has utilised the following buyer credit arrangements obtained from four suppliers:

(a) AED 606.2 million (USD 165.0 million) in full and final draw down of an available AED 987.1 million (USD 268.7 million) (*2011: AED 808.2 million)*. The facility is to be repaid in ten equal bi-annual installments commencing January 2011. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 202.0 million (USD 55.0 million) has been repaid during the year.

(b) AED 408.3 million (USD 111.2 million) of an available AED 760.4 million (USD 207.0 million) *(2011: AED 161.5 million)*. The facility is to be repaid in ten equal bi-annual installments commencing September 2012. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 34.8 million (USD 9.5 million) has been repaid during the year.

(c) AED 66.1 million (USD 18.0 million) in full and final drawdown of an available AED 84.0 million (USD 22.9 million) *(2011: AED 75.9 million)*.The facility is to be repaid in five bi-annual installments commencing September 2012. The facility carries no interest. AED 17.9 million (USD 4.9 million) has been repaid during the year.

(v) The Company secured two additional bank facilities during the year which were not utilised as at 31 December 2012.

(a) AED 1,836.7 million (USD 500 million). This facility is to be repaid in full on the final maturity date (20 December 2017) and carries an interest rate of LIBOR+ 1.75% per annum.

(b) AED 367.3 million (USD 100 million). This facility is to be repaid in full on the final maturity date (24 December 2015) and carries an interest rate of LIBOR+ 1.82% per annum.

Terms and debt repayment schedule

Terms and conditions of the outstanding loans are as follows:

				31 December 2012		31 December 2011	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value AED 000**	**Carrying amount AED 000**	Face value AED 000	Carrying amount AED 000
Secured bank loan	USD	LIBOR+ 1.45%	2014	808,170	808,170	808,170	808,170
Buyer credit agreement	USD	LIBOR+ 2.60%	2012	-	-	418,471	418,471
Buyer credit agreement	USD	LIBOR+ 1.20%	2015	606,218	606,218	808,178	808,178
Buyer credit agreement	USD	LIBOR+ 1.20%	2017	408,343	408,343	161,451	161,451
Buyer credit agreement	USD	Nil	2014	66,149	66,149	75,858	75,858
Buyer credit agreement	USD	LIBOR+ 1.60%	2015	283,851	283,851	-	-
				2,172,731	2,172,731	2,272,128	2,272,128

13 Provisions

In the course of the Company'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 substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to fifteen years from when the asset is brought into use.

	2012 AED 000	2011 AED 000
Asset retirement obligations		
Amounts capitalised during the year	95,638	-

14 Accounts payable and accruals

	2012	2011
	AED 000	AED 000
Trade payables & accruals	1,691,955	1,579,674
Due to other telecommunications operators	801,539	465,002
Payroll accruals	156,472	166,003
Customer deposits	99,154	75,639
Retention payable	22,507	23,761
Deferred revenue	339,002	380,605
Accrued royalty	843,961	714,556
Other	375	20,944
	3,954,965	3,426,184

The Company's exposure to currency and liquidity risk related to accounts payable and accruals is disclosed in note 28.

15 Employee benefits

	2012	2011
	AED 000	AED 000
End of service benefits		
At 1 January	103,326	77,714
Charge for the year	35,059	34,802
Payments made during the year	(15,703)	(9,190)
At 31 December	122,682	103,326

The provision was recognised based on the following significant assumptions:

	2012	2011
Average period of employment	7 to10 years	7 to10 years
Average annual rate of salary increase	5%	5%
Discount rate	3.55%	3.55%

16 Share capital

	2012	2011
Authorised,issued and fully paid up share capital (par value AED 1 each)	4,571,428,571	4,571,428,571

17 Share premium

	2012	2011
	AED 000	AED 000
Premium on issue of common share capital	393,504	393,504

Notes to the consolidated financial statements (*continued*)

18 Share based payment reserve

	2012 AED 000	2011 AED 000
Share based payment reserve	86,780	71,924

The Company has in place an Executive Share Option Plan ("ESOP") for selected senior managers to receive equity settled share options of the Company. The ESOP consists of a launch grant scheme and an annual grant scheme.

Options in the ESOP vest upon completion of a defined service period and expire on the earlier of their expiry date or termination of the executives' employment. There are no voting or dividend rights attached to the options. The exercise price is determined by taking the average of the daily closing share price of the 30 calendar days preceding the share scheme service period commencement date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of the options is calculated using the Black-Scholes option pricing model.

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 31 December 2012 are shown in the table below:

Share scheme	**Options granted (000)**	**Options forfeited (000)** (1)	**Options exercised (000)**	**Options outstanding (000)**	**Commencement date**	**Vesting Date**	**Expiry Date**
Launch grant scheme	16,269	250	16,019	-	22 Apr 2006	21 Apr 2009	21 Apr 2012
Annual grant scheme 2007	17,066	616	-	16,450	01 Jul 2007	30 Jun 2010	30 Jun 2013
Annual grant scheme 2008	25,275	1,337	-	23,938	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2009	27,587	2,447	14,636	10,504	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	4,357	-	23,197	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	3,355	-	24,131	01 Jul 2011	30 Jun 2014	30 Jun 2017
Annual grant scheme 2011(2)	1,482	-	-	1,482	16 Jan 2012	16 Jan 2015	15 Jan 2018

(1) forfeited due to executives leaving the Company.
(2) issuance of pro-rated options to new senior management positions for the 2011 grant scheme.

The fair value and assumptions used to calculate the fair value of the options are:

Share scheme	**Fair value per option (AED)**	**Stock price at measurement date**	**Expected volatility**	**Risk-free interest rate**	**Employee retention rate**
Launch grant scheme	1.55	2.51	50%	1.00%	100%
Annual grant scheme 2007	0.28	2.51	47%	1.75%	100%
Annual grant scheme 2008	0.28	2.51	42%	2.50%	100%
Annual grant scheme 2009	0.93	2.51	42%	2.50%	100%
Annual grant scheme 2010	0.63	1.91	42%	1.25%	100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	90-100%
Annual grant scheme 2011*(1)*	0.60	2.85	28%	1.00%	90-95%

(1) issuance of pro-rated options to new senior management positions for the 2011 grant scheme.

18 Share based payment reserve *(continued)*

31 December 2011

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 31 December 2011 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) *	Options exercised (000)	Options outstanding (000)	Commencement date	Vesting date	Expiry Date
Launch grant scheme	16,269	250	14,624	1,395	22 Apr 2006	21 Apr 2009	21 Apr 2012
Annual grant scheme 2007	17,066	616	-	16,450	01 Jul 2007	30 Jun 2010	30 Jun 2013
Annual grant scheme 2008	25,275	1,337	-	23,938	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2009	27,587	1,581	-	26,006	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	635	-	26,919	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	-	-	27,486	01 Jul 2011	30 Jun 2014	30 Jun 2017

*forfeited due to executives leaving the Company

The fair value and assumptions used to calculate the fair value of the options are:

Share scheme	Fair value per option (AED)	Stock price at measurement date	Expected volatility	Risk-free interest rate	Employee retention rate
Launch grant scheme	1.55	2.51	50%	1.00%	100%
Annual grant scheme 2007	0.28	2.51	47%	1.75%	100%
Annual grant scheme 2008	0.28	2.51	42%	2.50%	100%
Annual grant scheme 2009	0.93	2.51	42%	2.50%	100%
Annual grant scheme 2010	0.63	1.91	42%	1.25%	95-100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	90-100%

19 Statutory reserve

In accordance with the UAE Federal Law No. 8 of 1984 (as amended) 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.

	2012 **AED 000**	2011 AED 000
At 1 January	267,627	157,868
Transfer to statutory reserve during the year	197,954	109,759
At 31 December	465,581	267,627

Notes to the consolidated financial statements (*continued*)

20 General and administrative expenses

	2012	2011
	AED 000	AED 000
Payroll and employee related expenses	953,869	932,651
Outsourcing and contracting	360,744	401,996
Consulting	33,252	41,099
Telecommunications licence and related fees	258,181	216,102
Sales and marketing expenses	300,791	326,875
Depreciation and amortisation expenses	1,172,170	1,005,218
Network operation and maintenance	727,758	726,031
Rent and utilities	125,459	150,426
Provision for doubtful debts	52,159	92,633
Impairment of property, plant and equipment	19,549	72,157
Miscellaneous expenses	83,615	96,461
	4,087,547	4,061,649

21 Operating leases

Leases
Non-cancellable operating lease rentals are payable as follows:

	2012	2011
	AED 000	AED 000
Less than one year	185,177	191,620
Between one and five years	347,090	331,550
More than five years	301,406	57,042
	833,673	580,212

The Company leases a number of warehouses, premises and sites to operate its network. The leases typically run for a period of 5 to 10 years with an option to renew the lease after that date. Lease contracts can contain terms to allow for annual increase to reflect market rentals.

During the year ended 31 December 2012, AED 205,340 thousand was recognised as an expense in the statement of comprehensive income in respect of operating leases (*2011: AED 218,645 thousand*).

22 Finance income and expense

	2012	2011
	AED 000	AED 000
Finance income		
Interest income	49,137	61,073
Finance expense		
Interest expense	66,976	117,687
Exchange loss / (gain)	2,566	(4,060)
	69,542	113,627

23 Other income and expenses

Other income during the current period includes AED 12.3 million (*2011: Nil)* liquidated damages received from a supplier. In addition it also includes AED 15.4 million (*2011: Nil)* relating to sublease of capacity and facilities to certain operators as well as income from site sharing with other operators.

24 Royalty

The Company received confirmation via a letter dated 10 December 2012 from the UAE Ministry of Finance for the Royalty payable for the year ended 31 December 2012 at a rate of 5% of the total licenced revenue plus 17.5% of the net profit for the year before distribution after deducting 5% of the total licenced revenue.

Since the classification of licenced revenue is still under discussion with the authorities, the Company has provided for applicable royalty on total revenue for the year excluding Broadcasting revenue (refer note 29) and certain other allowable deductions. Broadcasting revenue has been excluded from royalty calculations as the Company believes that this is a non-licensed activity.

	2012	2011
	AED 000	AED 000
Total revenue for the year	9,841,516	8,854,683
Broadcasting revenue for the year (refer note 29)	(170,169)	-
Other allowable deductions	(1,190,177)	-
Total adjusted revenue	8,481,170	8,854,683
Annual profit before royalty	2,823,502	1,812,146
Provision for royalty : 5% of the total adjusted revenue plus 17.5% of the net profit for the year before distribution after deducting 5% of the total revenue. *(2011: 5% of total revenues plus 15% of annual net profit before distribution)*	843,961	714,556

24.1 Movement in accrual for royalty

	2012	2011
	AED 000	AED 000
At 1 January	714,556	183,915
Transfer to Accounts Payable	(714,556)	(183,915)
Provision for the year	843,961	714,556
At 31 December	843,961	714,556

25 Earnings per share

	2012	2011
Profit for the period (AED 000)	1,979,541	1,097,590
Weighted average number of shares	4,571,428,571	4,571,428,571
Earnings per share (AED)	0.43	0.24

26 Changes in working capital

	2012 AED 000	2011 AED 000
Change in inventories	27,715	(4,962)
Change in accounts receivable	(228,272)	240,801
Change in prepayments	2,339	(12,043)
Change in other receivables	(58,652)	142,875
Change in accounts payable and accruals	61,189	429,778
Change in amounts due from related parties	9,771	(86,456)
Change in amounts due to related parties	13,946	(43,511)
Change in deferred fees	(2,145)	3,783
Payment of employee benefits	(15,703)	(9,190)
Net changes in working capital	(189,812)	661,075

27 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,338,585 thousand and AED 32,135 thousand, respectively *(2011: AED 1,485,585 thousand and AED 30,892 thousand respectively).*

28 Financial instruments

28.1 Credit risk

Exposure to credit risk

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

	Notes	Carrying amount		Fair values	
		2012 AED 000	2011 AED 000	2012 AED 000	2011 AED 000
Accounts receivable	*9*	799,133	715,845	799,133	715,845
Other receivables	*10*	24,132	28,766	24,132	28,766
Due from related parties	*8.1*	171,021	180,792	171,021	180,792
Cash and cash equivalents	*11*	2,688,644	2,376,371	2,688,644	2,376,371
Short term investments	*11*	630,000	-	630,000	-
		4,312,930	3,301,774	4,312,930	3,301,774

28 Financial instruments *(continued)*

28.1 Credit risk *(continued)*

Impairment losses

The ageing of trade receivables is as follows:

	Gross 2012 AED 000	**Impairment 2012 AED 000**	Gross 2011 AED 000	Impairment 2011 AED 000
Not past due	764,497	-	625,111	-
Past due 0-30 days	181,805	286	119,544	1,204
Past due 31-180 days	197,442	51,305	147,334	50,850
More than 180 days	321,133	303,414	297,811	256,146
	1,464,877	355,005	1,189,800	308,200

The allowance in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

28.2 Liquidity risk

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

31 December 2012

			Contractual cash flows				
	Fair values 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							
Long term bank borrowings	2,172,731	2,172,731	2,244,120	183,405	181,675	1,444,558	434,482
Trade payables & accruals	1,848,427	1,848,427	1,848,427	1,848,427	-	-	-
Due to other telecommunications operators	801,539	801,539	801,539	801,539	-	-	-
Customer deposits	99,154	99,154	99,154	99,154	-	-	-
Retention payable	22,507	22,507	22,507	22,507	-	-	-
Accrued royalties	843,961	843,961	843,961	843,961	-	-	-
Other	375	375	375	375	-	-	-
Due to related parties	48,544	48,544	48,544	48,544	-	-	-
Employee benefits	122,682	122,682	122,682	-	-	122,682	-
	5,959,920	5,959,920	6,031,309	3,847,912	181,675	1,567,240	434,482

Notes to the consolidated financial statements (*continued*)

28 Financial instruments *(continued)*

28.2 Liquidity risk *(continued)*

31 December 2011

	Fair values	Carrying amount	Contractual cash flows				
			Total	6 months or less	6-12 months	1-2 years	Above 2 years
	AED 000	**AED 000**	AED 000	AED 000	AED 000	AED 000	AED 000
Non-derivative financial liabilities							
Long term bank borrowings	2,272,128	2,272,128	2,371,120	139,340	199,508	1,746,290	285,982
Trade payables & accruals	1,745,677	1,745,677	1,745,677	1,745,677	-	-	-
Due to other telecommunications operators	465,002	465,002	465,002	465,002	-	-	-
Customer deposits	75,639	75,639	75,639	75,639	-	-	-
Retention payable	23,761	23,761	23,761	23,761	-	-	-
Accrued royalties	714,556	714,556	714,556	178,639	357,278	178,639	-
Other	20,944	20,944	20,944	20,944	-	-	-
Due to related parties	34,598	34,598	34,598	34,598	-	-	-
Employee benefits	103,326	103,326	103,326	-	-	103,326	-
	5,455,631	5,455,631	5,554,623	2,683,600	556,786	2,028,255	285,982

28.3 Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2012			31 December 2011		
	AED 000			AED 000		
	USD	**EURO**	**GBP**	USD	EURO	GBP
Trade receivables	68,685	4,221	114	50,457	2,697	324
Trade payables	(239,323)	(16,741)	(157)	(158,277)	(5,442)	(176)
Net balance sheet exposure	(170,638)	(12,520)	(43)	(107,820)	(2,745)	148

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2012	**2011**	**2012**	**2011**
USD 1	3.6735	3.6735	3.6735	3.6735
EURO 1	4.7292	5.1301	4.8488	4.7536
GBP 1	5.8092	5.8869	5.9714	5.7069

28 Financial instruments *(continued)*

28.3 Currency risk *(continued)*

Exposure to currency risk *(continued)*

Sensitivity analysis

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

	2012	2011
	AED 000	AED 000
Profit / (Loss)		
USD	62,684	39,608
EURO	5,921	1,408
GBP	25	(87)

Conversely a 10 per cent 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.

28.4 Interest risk

Exposure to interest risk

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

	Carrying Amount	
	2012	2011
	AED 000	AED 000
Variable rate instruments		
Long term bank borrowings	1,092,021	808,170
Buyer credit arrangements	1,080,710	1,463,958
	2,172,731	2,272,128

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased / (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.

	2012	2011
	AED 000	AED 000
Profit / (Loss)		
Variable rate instruments	(19,031)	(28,215)

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.

28 Financial instruments *(continued)*

28.5 Fair value

The fair value of the Company's financial instruments approximates their carrying value.

Fair value hierarchy

The Company does not have financial instruments which are measured at fair value as at the reporting date. Accordingly, the fair value hierarchy disclosures are not applicable to the Company.

29 Segment analysis

The Company has operations only in the UAE.

The Company 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.

-Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.

-Wholesale segment provides voice and data services to national and international carriers and operators. Services include termination of inbound international voice traffic, international roaming agreements and point-to-point leased line connectivity.

-Broadcasting segment delivers integrated satellite and broadcasting services to broadcasters and media companies.

Segment results represent the gross operating profit before general and administrative expenses, finance income and expense, other income and expense and royalty. This is the measure reported to the Company's Board of Directors for the purpose of resource allocation and assessment of segment performance.

31 December 2012

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	7,613,815	1,620,541	436,991	170,169	9,841,516
Segment contribution	5,458,554	1,264,213	111,444	63,172	6,897,383
Unallocated costs					(4,087,547)
Finance income and expense & other income					13,666
Profit before royalty					2,823,502
Royalty					(843,961)
Profit for the year					1,979,541

28 Segment analysis *(continued)*

31 December 2011

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	6,839,248	1,476,441	373,304	165,690	8,854,683
Segment contribution	4,600,041	1,092,445	143,538	64,747	5,900,771
Unallocated costs					(4,061,649)
Finance income and expense & other income					(26,976)
Profit before royalty					1,812,146
Royalty					(714,556)
Profit for the year					1,097,590

The Company'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 Company 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.