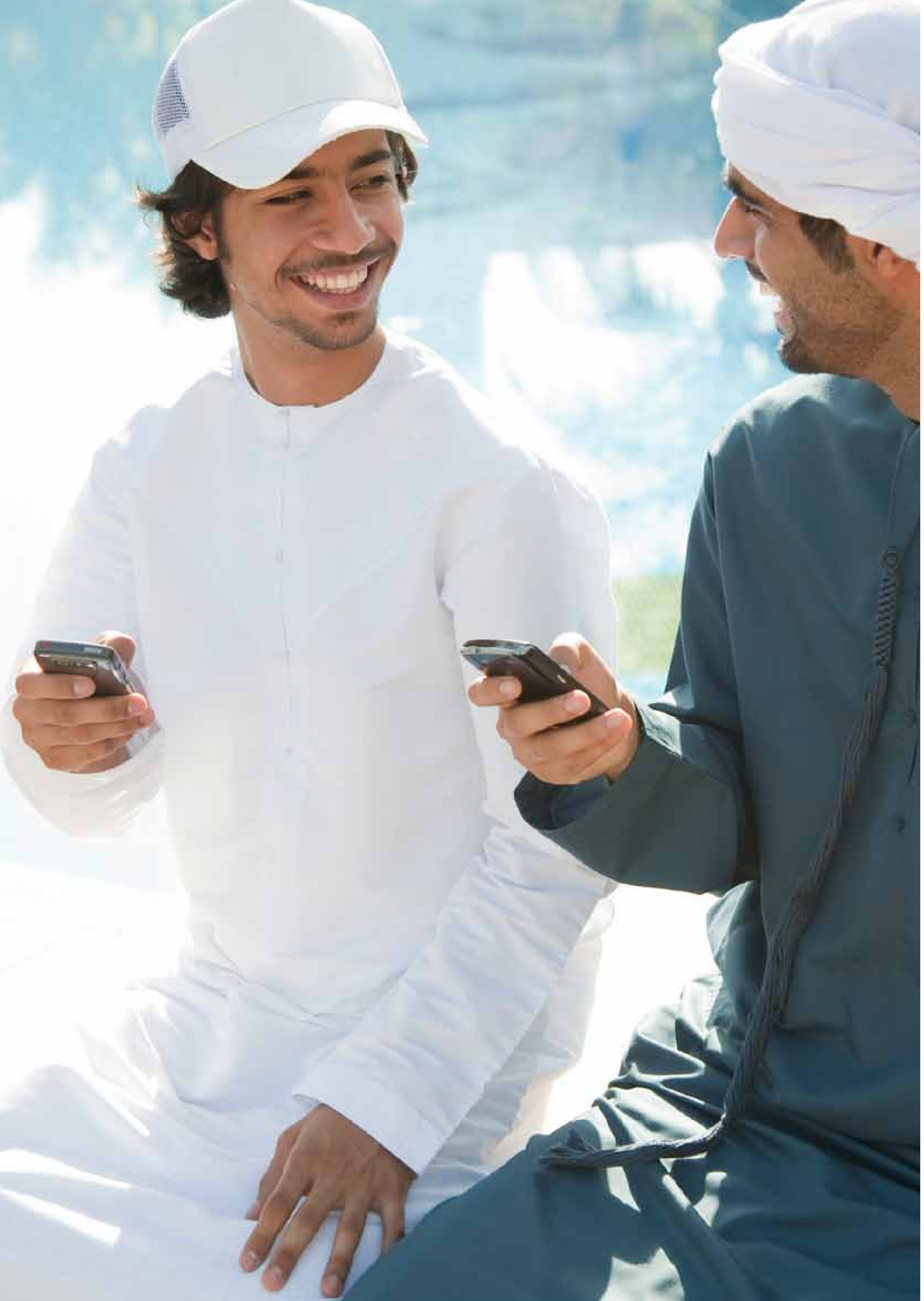
add life to life

Annual report 2012



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Chairman's message

We have established strong fundamentals, significant market share and a coherent strategy for the future of the business

Ahmad Bin Byat
Chairman

The Board of Directors has recommended a second dividend of AED 0.30 per share for 2012.

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 are proud to be playing an important role in an industry that is shaping the future of so many elements of our society."

Ahmad Bin Byat
Chairman

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's review

2012 focused on efficiency and value creation, achieved through financial discipline, operational efficiency and an unrelenting focus on customer experience

Osman Sultan
Chief Executive Officer

Our mobile data revenues increased by 74%, making data one of the biggest stories of the year.

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, 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.

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Our UAE National Contact Centre in Fujairah, run exclusively by UAE Nationals, has doubled in size.

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

Board of directors

Our commitment to good governance begins with an autonomous Board of Directors enforcing a strict code of business ethics and compliance standards


Ahmad Bin Byat
Chairman


Younis Al Khoori
Vice Chairman


Fadhel Al Ali
Board Member


Ziad Galadari
Board Member


Waleed Al Muhairi
Board Member


Abdulhamid Saeed
Board Member


Abdulla Al Shamsi
Board Member


Mohammad Al Suwaidi
Board Member


Saeed Al Yateem
Board Member


Jassem Al Zaabi
Board Member

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Senior management team

Our diverse and experienced management team is dedicated to delivering value creation through excellent customer service and an unrelenting drive for efficiency


Osman Sultan
Chief Executive Officer


Ananda Bose
Chief Corporate Affairs Officer


Farid Faraidooni
Chief Commercial Officer


Fahad Al Hassawi
Chief Human Resources & Shared Services Officer


Yatinder Mahajan
Chief Technology Officer


Mark Shuttleworth
Chief Financial Officer


Hala Badri
Executive Vice President, Brand & Communications


Saleem Al Balooshi
Executive Vice President, Customer Operations


Hatem Bamatraf
Executive Vice President, Network Development & Operations


Subhra Das
Executive Vice President, Marketing & Customer Experience


Ahmed Al Hosni
Executive Vice President, Information Technology


Rashid El Sheikh
Executive Vice President, Corporate Services

Highlights

Efficiency and value creation had a direct impact on shareholder value in 2012

Financial

Total revenue increased
14.7% to AED 10.16 billion
on a like for like basis

Mobile data revenue increased
74.0% to AED 1.76 billion

Postpaid mobile revenue increased by
46.2% to AED 1.99 billion

EBITDA increased
37.1% to AED 3.99 billion

Proposed increase of
100.0%
in dividend payment to
AED 0.30
per share

Federal Government announced the royalties payable until
2016

Net profit before royalty increased
55.8% to AED 2.82 billion

Net profit after royalty increased
80.4% to AED 1.98 billion

Secured additional three facilities totalling
$700 million
to meet capital expenditure requirements

Technology

Rolled out high-speed 4G LTE mobile data services

First local company to provide home broadband speeds of 100Mbps

Human capital

UAE National Contact Centre in Fujairah is entirely run and managed by Emirati employees

Achieved Emiratisation of
31% for the year

38%
of top talent executives undertook INSEAD Business School training programme

Awards

"Best Corporate Governance Award" in 2012 by the UK's World Finance Magazine

"Best mobile broadband network in the Middle East and Africa 2012" for best upload and download speed, best coverage and least lag in a survey conducted by ARC Chart

du annual report 2012

“ Customer appetite for mobile data services will continue to be a key driver of our business in the coming years. ”

Osman Sultan
Chief Executive Officer

Statistical summary

	2008	2009	2010	2011	2012
Active customers (thousand)					
Mobile	2,466	3,477	4,333	5,216	6,457
Fixed total	262	357	477	531	561
Landline incl. Call Select	151	210	289	293	298
Broadband	53	72	96	124	140
TV	59	75	93	114	122
Total number of outgoing mobile minutes (million)	-	-	6,262	8,633	9,997
Total number of outgoing mobile local minutes used	-	-	4,617	6,217	7,446
Total number of outgoing mobile international minutes used	-	-	1,645	2,416	2,551
Data traffic (terabyte)	-	-	-	5,475	12,226
Market share	27.0%	32.9%	40.2%	46.0%	48.7%
Value share	12.8%	16.8%	22.2%	26.9%	30.3%
Average revenue per user (ARPU)					
Mobile	121	105	113	119	115
Fixed total	318	270	224	166	151
Landline incl. Call Select	182	149	123	119	116
Broadband	695	554	405	252	209
TV	171	167	165	152	174

Awards and recognition

We have been recognised for our contribution to the sector and commitment to the communities we serve

In 2012 we celebrated achievements across all areas of our business.

Business excellence awards

- "Best Corporate Governance Award" from World Finance Magazine UK; du is the only regional company to receive the award in 2012
- "Broadband Operator of the Year" at the TMT Finance Middle East 2012 Awards
- "Excellence in GIS Implementation Award" at GISWORX 2012
- "The M+Health Award" for the Best Health Care Initiative by a Telecom Provider at 2012 Hospital Build and Infrastructure Awards
- "Best mhealth app" award at The Mobile Show Middle East 2012
- Named "Best mobile broadband network in the Middle East and Africa 2012" by ARC Chart, an independent research and consulting firm; du offered the highest quality data solutions to customers and provided the best upload and download speeds, best coverage and least lag during 2012
- "Best Enterprise Service Award" for the Executive Plan service at The Telecoms World Awards
- "Telco Broadcast Project of the Year" award at Broadcast Pro ME Awards for datamena, our carrier-neutral transit and content hub
- "Palladium Balanced Scorecard Hall of Fame Award for Executing Strategy"; du is the first telecom company in the Middle East to be honoured with this prestigious award
- "Top Middle East Operator" award by CommsMEA Magazine

Certification awards

- ISO 14001 and OHSAS 18001 certification accredited as a sign of excellence in health, safety and environmentally-friendly practices
- TL9000 certification for Network Development Department; du is the first Middle East telecom provider to be awarded
- du Retail Shop was awarded the Fujairah City Centre The Platinum "LEED® Green Building Certification"

Honour

- Honoured by HH Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai for our support for the Dubai Award for Sustainable Transport (DAST)
- "Supporter of the Arts" trophy from HH Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Ruler of Dubai
- Honoured by HH Sheikh Nahyan bin Mubarak Al Nahyan, UAE Minister of Higher Education and Scientific Research for our support for the Annual Regional Audit Conference for the third consecutive year
- Honoured by HH Sheikh Majid bin Mohammed bin Rashid Al Maktoum, Chairman of Dubai Culture and Arts Authority, for the Stars of the Future at the Majid bin Mohammed Youth Media Awards

- Recognised by the Private Office of HH Sheikh Majid bin Mohammed bin Rashid Al Maktoum for supporting the Majid bin Mohammed UAE Nationals Training Initiative
- Recognised by Dubai Autism Centre for continued Corporate Social Responsibility efforts
- Recognised by Dubai Cares for continued Corporate Social Responsibility efforts

Other accomplishments

- du received the CSR Label from Dubai Chamber in recognition of the Company's CSR efforts and community involvement
- du received the "Green IT Award" from Ontario Center of Excellence
- du is the first company in the UAE to release results on the XBRL e-filing platform

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Financial summary

The underlying strength in our business is apparent in our consistently healthy results and solid financial fundamentals

Financial Highlights (AEDm)

	2008	2009	2010	2011	2012
Total revenue	3,951	5,339	7,074	8,855	10,157
Gross margin	2,511	3,507	4,600	5,901	6,897
Overheads	2,143	2,443	2,583	2,984	2,899
EBITDA	369	1,064	2,018	2,916	3,999
EBITDA (%)	9.33%	19.94%	28.52%	32.94%	39.37%
Net profit before royalty	8	528	1,226	1,812	2,823
Net profit after royalty	4	264	1,310	1,098	1,980
Free cash flow	(1,594)	(769)	36	1,377	1,748
EPS (AED)	0.001	0.06	0.31	0.24	0.43

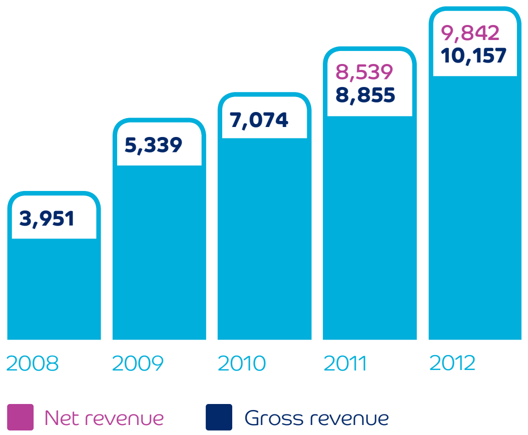
The financial year ending 31 December 2012 was another positive year for us in terms of financial performance and represents our sixth consecutive year of growth. The underlying strength of our business is apparent in our consistently healthy results and solid financial fundamentals.

We delivered a robust revenue performance, with total revenues growing 14.71% on a like for like basis from AED 8.85 billion in 2011 to AED 10.16 billion in 2012[1]. Our strong levels of profitability for the year were largely driven by initiatives outlined in our strategic efficiency programme. Net profit before royalty reached AED 2.82 billion in 2012, a 55.81% increase on AED 1.81 billion in 2011. The Federal Government confirmed royalty payments for 2012 at 5% of revenues and 17.5% of profit, taking our net profit after royalty to AED 1.98 billion.

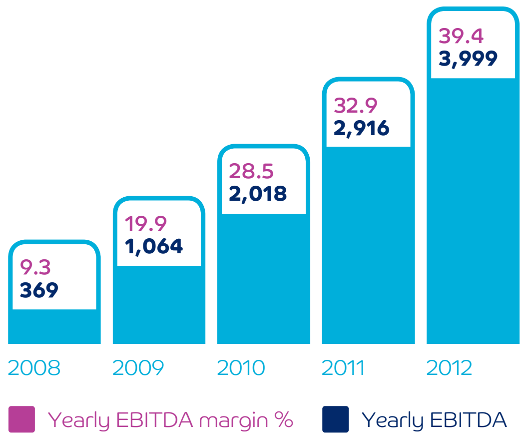
We were free cash flow positive again in 2012, ending the year with AED 1.75 billion in free cash flow, a healthy increase on 2011 and a strong demonstration of the company's continued ability to generate cash.

We invested AED 1.72 billion in infrastructure through our capital expenditure programme in 2012 and we remain committed to investing in state-of-the art technologies and data networks to enable us to offer our customers the very best communications experience, in addition to positioning our company for future growth.

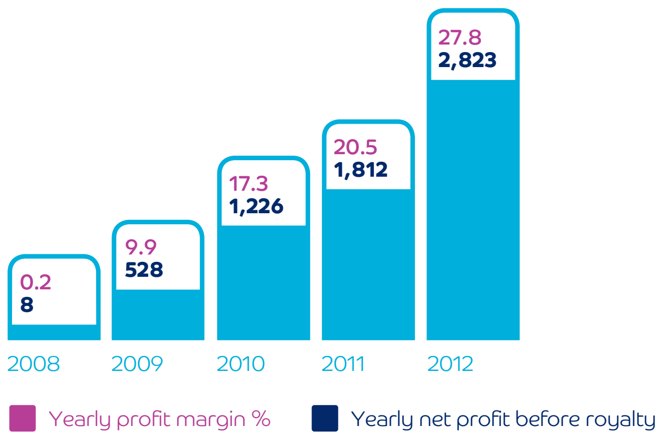
Total revenue



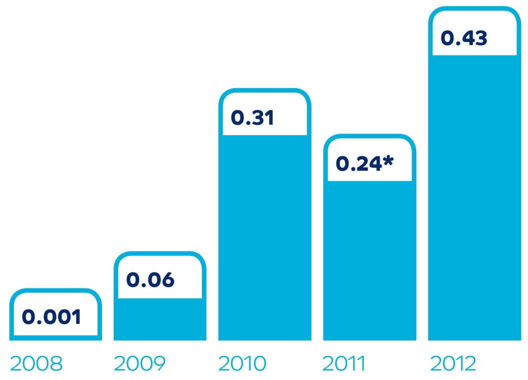
EBITDA (AEDm)



Net profit before royalty (AEDm)



Earnings per share (EPS) (AED)



* Share capital increased due to rights issue

“Sustained investment in our capabilities is fundamental in maintaining strong performance whilst positioning the company for future growth.”

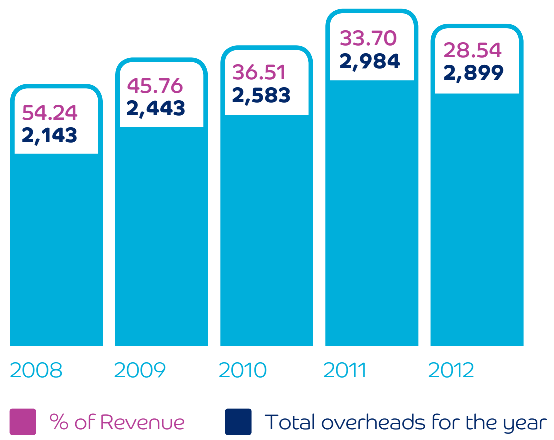
Mark Shuttleworth
Chief Financial Officer

Overheads

Overheads as a percentage of revenue	2008	2009	2010	2011	2012
Manpower	23.01%	18.75%	16.72%	15.54%	13.27%
Telecommunications license & related fees	3.51%	2.49%	2.47%	2.44%	2.54%
Sales & marketing expenses	6.42%	5.80%	4.53%	3.69%	2.96%
Bad debts	0.79%	0.82%	1.85%	1.05%	0.51%
Network operation & maintenance	14.23%	13.98%	8.13%	8.20%	7.16%
Rent & utilities	4.56%	2.71%	1.83%	1.70%	1.24%
Miscellaneous	1.71%	1.21%	0.98%	1.09%	0.85%
Total overheads as % of revenue	54.24%	45.76%	36.51%	33.70%	28.54%

We maintained tight control on overheads throughout the year, reducing them by 2.86% on the previous year. Total overheads for 2012 stood at AED 2.89 billion, 28.54% of revenue, a decrease on the previous year when overheads were AED 2.98 billion. In line with our strategic programme, 2012 has seen an increased focus on optimising efficiencies across all areas of the business, resulting in a positive impact on our cost base.

Overheads (AEDm)



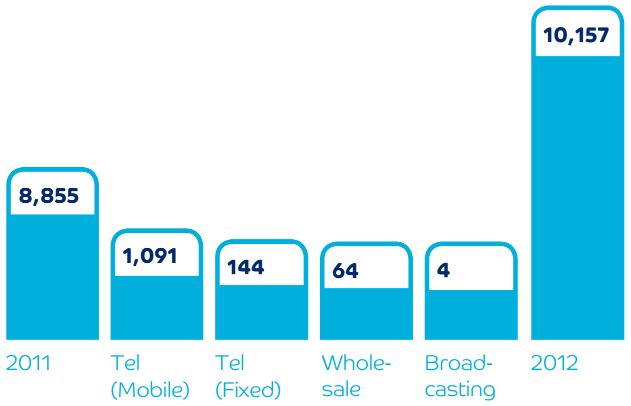
Profitability

Our ongoing strong growth in EBITDA and net profit before royalty can be attributed to a number of factors, including growth in customer additions, the successful launch of segmented market-facing initiatives, service improvements and continued control of our cost base, which has seen notable reductions resulting from our efficiency programme. EBITDA grew 37.10% year on year to AED 3.99 billion, up from AED 2.92 billion in 2011.

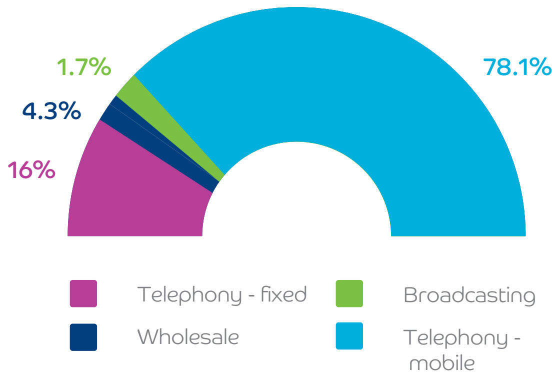
Performance by line of business

Performance by line of business 2012 vs 2011	2011 AED 000	2012 AED 000	Change AED 000	Change %
Mobile				
Revenue	6,839	7,930	1,091	15.95%
Gross margin	4,600	5,459	859	18.66%
% of Revenue	67.26%	68.84%	-	158 basis points
Fixed				
Revenue	1,476	1,621	144	9.76%
Gross margin	1,092	1,264	172	15.72%
% of Revenue	73.99%	78.01%	-	402 basis points
Wholesale				
Revenue	373	437	64	17.06%
Gross margin	144	111	(32)	(22.36%)
% of Revenue	38.45%	25.50%	-	1295 basis points
Broadcasting				
Revenue	166	170	4	2.70%
Gross margin	65	63	(2)	(2.43%)
% of Revenue	39.08%	37.12%	-	195 basis points
Total Revenue	8,855	10,157	1,303	14.71%

Revenue growth (AEDm)



FY 2012 Revenue split



Our mobile business continues to drive revenues, representing 78.07% of total revenue in 2012. Our fixed line and wholesale businesses also performed well, with revenues increasing 9.76% and 17.06% respectively year on year.

Gross margin increased by 16.89% versus 2011, with the emphasis on efficiencies helping drive an increase in gross margin percentage to 67.90% in 2012 up from 66.64% in 2011.

Gross margins were healthy across all business lines, with the mobile and fixed line businesses maintaining strong margins. Mobile gross margin for the year was AED 5.46 billion, or 68.84% of mobile revenue; whilst fixed line gross margin was AED 1.26 billion, or 78.01% of fixed revenue.

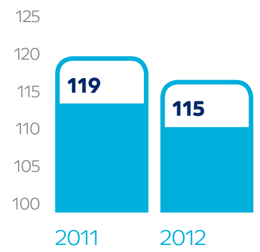
Mobile

Our mobile business posted a strong performance during the year, with revenues growing by 15.95% to reach AED 7.93 billion in 2012, up from AED 6.84 billion in 2011. In addition to the growing trend in mobile data usage, we saw an increase in subscriber numbers across customer segments, with a notable increase in the number of high-value postpaid customers. We put this increase down to service improvements and our efforts to refocus our consumer and enterprise propositions, bringing more targeted products to the market.

Mobile ARPU

Mobile ARPU for the year is consistent with the global trend in voice and data usage, which indicates a continued shift of some voice revenues to data. ARPU for mobile users decreased by 3.90% to AED 115 in 2012, compared to AED 119 in 2011.

Mobile ARPU (AED)



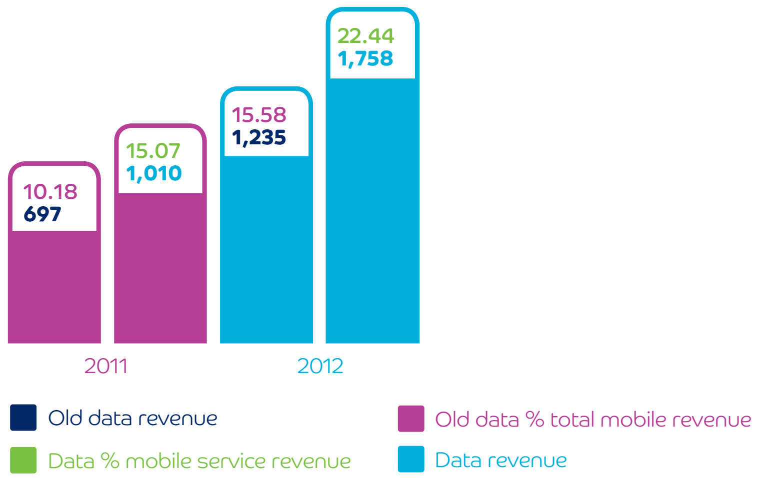
Mobile data

Mobile data was one of our growth stories in 2012. The global trend for consumption in data, fuelled by the appetite for smartphones and other mobile data devices, shows little sign of abating and the UAE market is no different. Mobile data revenues increased by 74.00% in 2012 to AED 1.76 billion, compared with AED 1.01 billion the previous year.

Mobile data (2012 vs 2011)	2011	2012	Change %
Data Revenue (AED millions)	1,010	1,758	74.00%
Data as a percentage of mobile service revenue (%)	15.07%	22.44%	737 basis points

In 2012 data represented more than 22.44% of mobile revenues. We expect the consumption of mobile data to continue on its trajectory into 2013 and beyond and we are supporting the increased focus on mobile data and bundled offerings with sustained investment in our data network. The commercial launch of our 4G LTE network in 2012 gave our customers access to the fastest mobile data speeds. We also restructured and simplified the mobile data bundles on offer, in addition to launching a service giving consumers more control over their data usage. The service, designed to minimise 'bill shock', allows our customers to track and modify their usage, giving them total transparency.

Mobile data revenue (AEDm)

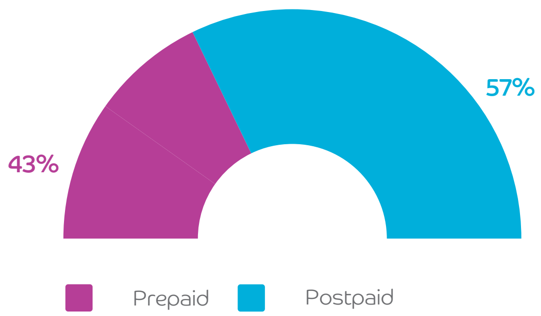


High-value postpaid customers

Our high-value postpaid customer base grew by 41.41% to 513,025. As a result our revenue generated from the postpaid segment now represents 25.35% of mobile revenues, a considerable increase as a proportion of total mobile revenues.

We will continue to focus on growing our high-value mobile postpaid base, while protecting our position in the prepaid market. Our approach to market segmentation has led to a number of successful new consumer and enterprise propositions in 2012, resulting in new customer additions and increased minutes of use across segments. Of note are the unique Diamond Plan, targeted at the premium market; our award-winning Executive Plan; and for our prepaid customers, Surprises, with which subscribers win awards when they recharge their accounts.

Breakdown of growth in mobile revenues

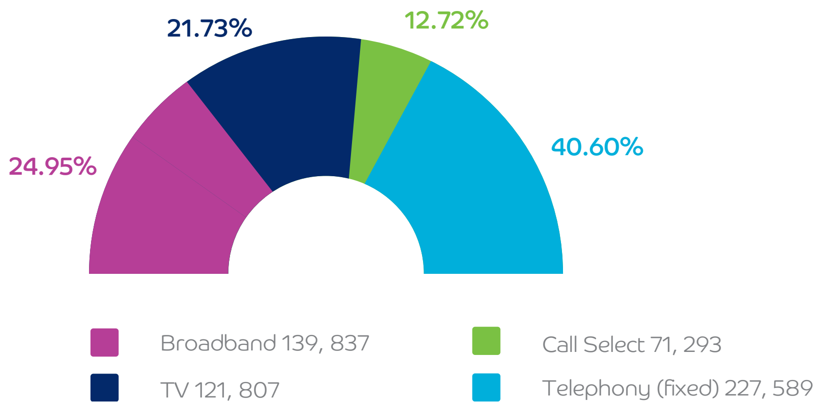


"We will remain focused on growing our high-value mobile postpaid base, while protecting our leading position in the prepaid market."

Fixed

Our fixed line[2] business generated AED 1.62 billion in revenues in 2012, a 9.76% increase on 2011, up from AED 1.48 billion. We primarily saw growth from the provisioning of residential units in Dubai which exceeded 16,700 units, increasing the company's total fixed lines to 560,526[3], an increase of 5.61% over 2011.

Breakdown of fixed line customers



Wholesale

Our wholesale revenues increased by 17.06% from AED 373 million in 2011 to AED 437 million in 2012. Wholesale, which covers International Voice termination (to UAE) and International Hubbing (transit), benefited from growth in our International Voice Hubbing business during the year

Broadcasting

Broadcasting revenues, generated primarily by our upload/download and other value added service capabilities, grew in 2012, with an increase of 2.70% to AED 170 million, up from AED 166 million in 2011.

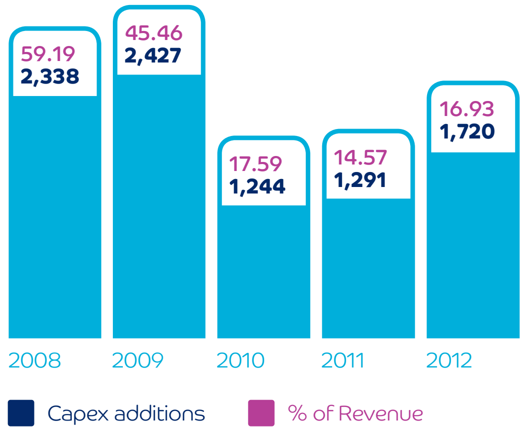
Capital expenditure

We significantly increased our investment in capital expenditure in 2012, the amount spent totalled AED 1.72 billion compared to AED 1.29 billion in 2011. This figure reflects investments in improving existing infrastructure and 3G and LTE networks, in addition to extending our data offerings. Sustained investment in our capabilities will be key to maintaining our strong performance and positioning ourselves for future growth.

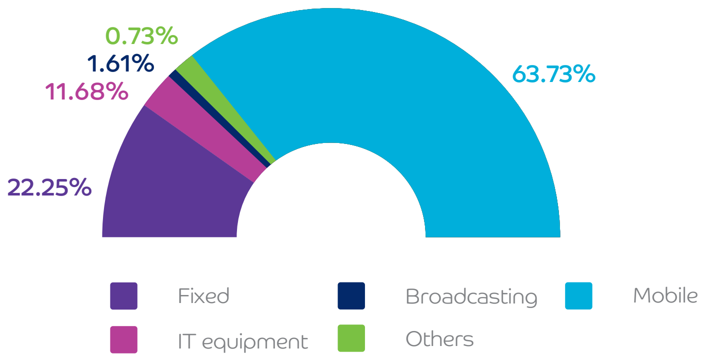
Breakdown of capex for 2011, 2012

	2011 AED 000	2012 AED 000
Mobile	601	1,096
Fixed	424	383
IT equipment	186	201
Broadcasting	10	28
Others	69	12
Total	1,291	1,720

Capital expenditure (AEDm)



Capital expenditure breakdown (spend by segment)



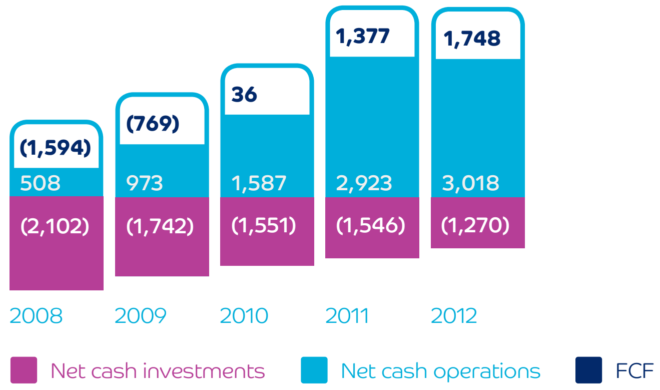
> “ We have the financial strength to comfortably meet capital expenditure requirements. ”

Cash and debt overview

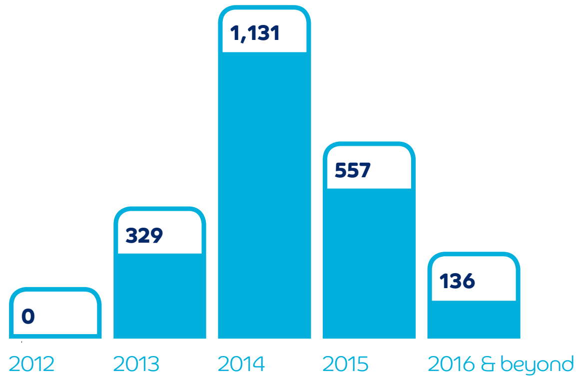
We were free cash flow positive again throughout 2012 and we ended the year with AED 3.32 billion in cash and cash equivalents.

Our short and medium term investment in the future of the business will be facilitated in part by financing totalling $700 million secured in late 2012. The funding provides us with the resource and financial flexibility to meet capital expenditure requirements, while at the same time enabling the company to achieve a more efficient capital structure. We benefited from favourable market conditions to secure the facilities at competitive rates and will seize such funding opportunities going forward.

Free cash flow (AEDm)



Debt maturity profile



Bank facilities

Loan sources (AEDm)	Available	Drawn
ECA - NSN Nordea	808	808
ECA - NSN KFW	761	444
Vendor - CISCO Capital	84	84
Club Facility - Long Term Loan	808	808
DBS - Bilateral Loan	367	284
SCB - Bilateral Loan	367	-
Club Facility - Long Term Loan	1,837	-
Total Debt Facilities	5,032	2,428
Total Cash in Hand	-	3,319

[1] In the financial statements revenue is reported 3.11% lower due to the change in accounting treatment of upfront discounts offered on scratch cards, calling cards and SIM cards. Previously this had been accounted for under cost of sales. There is no effect on EBITDA due to the change in accounting treatment.

[2] du's fixed line business includes fixed telephony, TV and broadband.

[3] These are the number of lines/contracts, not the number of customer accounts. In case of multiple products on the same contract, a line is counted against each service.

Strategic Guidelines

We are positioning the company for success in a continually evolving telecommunications market

Positioning our company for success

As we leave behind another successful year, we look for ways to continue to deliver exceptional shareholder value. We are moving from the first phase in our company's life, one of phenomenal growth, to a period of maturity, consolidation and efficiency.

Our strategic programme is designed to position the company for success in a continually evolving telecommunications market. It maps out how we intend to navigate the challenges presented by our changing sector and make the most of the opportunities they present.

The key strategic focus areas of the company are to:

- Focus on profitable growth and increase value share
- Grow the mobile postpaid base by further pushing into the high-end segments of the market whilst protecting our position in the low-end segments
- Develop a segmented enterprise portfolio offering
- Increase focus on mobile data and bundled offerings, supported by continued emphasis on data network investments
- Deliver a superior, segmented customer experience
- Continue our emphasis on operational efficiencies
- Maximise returns on network investments and cash flow generation for our shareholders

> "At its core the programme aims to minimise the cost of service delivery while simplifying back office systems through a strategic reorganisation of how we operate."

Osman Sultan
Chief Executive Officer

Efficiency and value creation

2012

The focus was on efficiency and value creation, achieved through financial discipline, operational efficiency and an unrelenting focus on customer experience

2013

We will build on the foundations established during 2012, with an emphasis on enhancing partnerships to deliver greater value

Optimising operational efficiencies

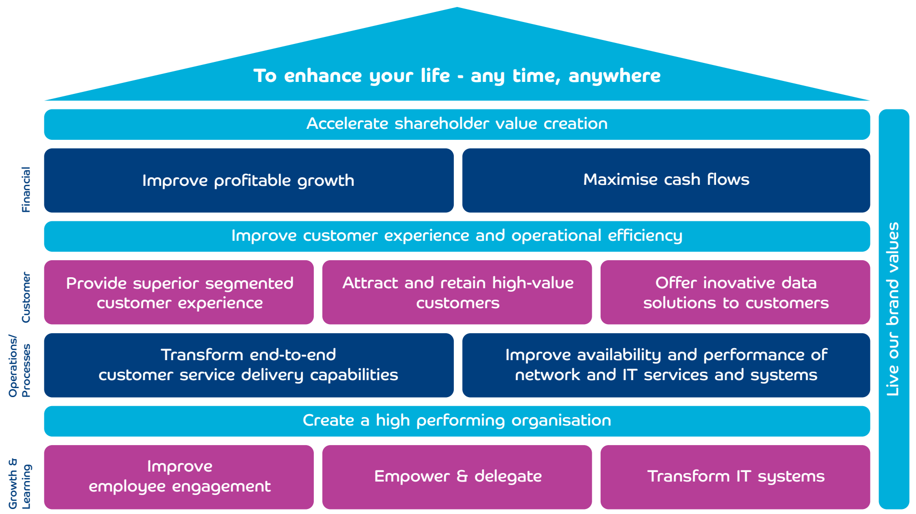
- Reorganisation to extract internal synergies, leveraging resources across functions
- Outsourcing non-core IT and network activities to optimise resources and streamline operations

Segmented approach to the market

- Refocusing to enable investment in the areas of our business that will differentiate us
- Enhancing end-to-end customer satisfaction
- Emphasis on market segmentation, focused on the consumer and enterprise markets
- Delivering enhanced service experience

  Reducing complexity and increasing transparency

To enable us to achieve our strategic objectives we deploy a strategy map which aligns objectives across our four key dimensions: Financial, Customer, Operations/Processes and Growth and Learning to provide clear direction across the business.



Operational highlights

We continue to mature as a business, identifying opportunities and responding to market challenges

In 2012 we continued to mature as a business, identifying opportunities and responding to market challenges appropriately and rapidly. Internally the year was defined by a focus on operational efficiencies across all areas of the business, resulting in a positive impact on our bottom line in addition to driving many improvements in the way we engage with our customers.

We made significant investment in infrastructure, innovation and in enhancing the customer experience. We simplified our propositions, improved service performance and delivered greater transparency in every aspect of our customer interactions. Our emphasis was on making life easier and more enjoyable for all of our customers.

Our efforts yielded real results. We ended the year with 1.24 million net new mobile customers, of which 8% were high-value postpaid additions, an increase of 41% on 2011.

Another important growth story was data. Mobile data grew 74% year on year and now represents 22% of annual revenue. Smartphone and tablet penetration accelerated in 2012 and we launched a number of market-leading initiatives to meet the evolving data needs of our customers. Our ability to provide the best upload and download speeds, best coverage and least lag earned us the title of 'Best mobile broadband network in the Middle East and Africa 2012' in a survey conducted by ARC Chart, an independent research and consulting firm. Delivering the highest quality data solutions to our customers will continue to be a cornerstone of our strategic planning for the years ahead.

Investing in infrastructure and technological innovation

Mobile data is playing an increasingly significant role in every element of our proposition and we are investing in the infrastructure and technological innovation required to provide a state-of-the-art data experience to consumers and businesses. To this end we have made significant investments in our LTE network. After completing phase one at the end of 2011, we launched the LTE services commercially in 2012, taking fast, efficient and reliable connectivity to the next level. We have continued investing in mobile broadband by increasing HSPA+ (3G) and LTE sites. The UAE is one of the first countries in the region to deploy the latest generation of 4G LTE networks and we are proud to have led the way.

Investment in our networks is enabling the launch of new services and applications. Early in 2012 we became the first local company to provide home broadband speeds of 100Mbps. Our premium 'Real Home Broadband 100Mbps' has seen an extremely positive response from existing and new customers and offers unrivalled download speeds, in addition to answering the growing demand for rapid upload speeds. Furthermore, our ongoing

provisioning of residential units in Dubai exceeded 16,700 in the year.

Convergence of fixed and mobile networks is a logical step in our growth story and our recent deployment of the latest in IP-routing technology to achieve convergence in our telecom services meets the increasing propensity of our customers to access everything from a single device. We were also the first operator in the region to adopt a converged model in Managed Services across our fixed and mobile networks. We expect this initiative to lead to significant savings in operating expenditure in the coming years.

In 2012 we launched datamena, a carrier-neutral hub that will allow international customers and carrier partners to host and distribute content and trade data capacity in a cost-effective way. The initiative will support internet development in the region, boosting the UAE's role as a regional business hub, while our alliance with Equinix (the global data platform) will play an important role in the next phase of our digital growth.

Our investments in network and systems resulted in improvements to our Business Continuity, Technology Recovery and Emergency Response programmes, in recognition of which we received the prestigious BS 25999 (Business Continuity Management) certification from the Lloyds Register of Quality Assurance.

During the year we expanded our "green" initiatives with the introduction of energy management solutions to reduce fuel consumption in our remote mobile sites. The solutions have the dual effect of reducing operating expenditure and improving our carbon footprint.

A segmented approach to enhancing our customer experience

We have taken a more targeted approach to meeting our customers' needs in 2012, applying a market segmentation lens to product innovation, based on the varying requirements of our mobile pre-paid, high-value postpaid and enterprise customers.

We continue to improve service performance and delivery of greater transparency in every aspect of our customer interactions.

Our investment in duLive! is driving high levels of engagement with our customers and the people of the UAE.

We are strengthening our community involvement partnerships.

We secured the naming rights to du Arena and du Forum on YAS Island, enhancing our customers' experience by bringing them closer to the entertainment they enjoy.

> "Our emphasis is on making life easier and more enjoyable for all of our customers."

Farid Faraidooni
Chief Commercial Officer

The 'Surprises' loyalty programme was introduced to reward our Pay As You Go customers with an incentive each time they recharged their account. The 'Diamond Plan' is a package tailored for our premium consumer segment. The service includes a number of exclusive lifestyle features, including access to a global concierge service, automatic international roaming, bonus SMS and data, and a preferential mobile number. The Executive Plan, created for our business customers was named 'Best Enterprise Service' at the 2012 Telecoms World Awards. The proposition was designed to meet the unique needs of our business customers, providing them with reliable, affordable communications with their clients and colleagues, in addition to value-added benefits to suit the lifestyles of busy executives.

For our mobile data customers we restructured our data packages, simplifying our offering. We were particularly pleased with the positive reaction to our solutions to tracking data use and minimising 'bill shock'. To maximise transparency for our customers we launched new services including an online data calculator to support customers in making their data selection and a portal that enables customers to monitor and keep track of their data usage. Our customers can now keep track of their data usage at any time, from anywhere, giving them complete control and peace of mind.

Our Managed Services solutions for enterprises are playing an increasingly significant role. The number of enterprises choosing us as Managed Services provider continues to grow and we now have more than 1,900 accounts across all business segments and industry verticals. Our enterprise propositions give our clients flexibility in managing their internal IT operations and infrastructure and this year we launched a range of new security services to enable businesses to respond in real-time to cyber threats.

Continued brand development and performance

The health and strength of our brand continued to be robust through the year, driven by a range of initiatives. Internal brand engagement efforts continued, with brand induction sessions for our new colleagues and peer-nominated Brand Value awards for those who personified our brand values in exemplary ways. Brand expression in our workplaces continued through the year and we are happy to report that all our workplaces, including offshore customer care and technology operations, now look and feel consistent, incorporating key brand elements as an integral part of the office environment.

Our brand strategy served as the keystone of our new customer experience programme as we began rolling it out across all critical customer touchpoints.

“We are investing in the infrastructure and technological innovation required to provide a state-of-the-art data experience to consumers and enterprises.”

Yatinder Mahajan
Chief Technology Officer

A renewed focus on ensuring the content of our customer communications was unified in style and tone across all channels gave us greater coherence while using simpler language. We continued rolling out our redesigned retail environment across our sales estate, with new and refurbished stores and shop-in-shop areas at key partners including Virgin, Jumbo and Jacky's, with positive effects on sales. Our advertising campaigns continued to express the strength of our propositions and the consistency and coherence of our brand, presenting it as an active and vibrant player in the UAE's business and communications landscape.

We launched our first ever business-to-business brand advertising campaign unifying our business propositions under the 'Answers for tomorrow's business' platform. The campaign has already received accolades from many of our leading business customers, and will continue through 2013.

We also continued to invest in our entertainment platform, duLive! With a plethora of music and other live events, we continued to drive high levels of engagement with our customers and the people of the UAE. The du World Music Festival early in 2012 was even more successful than its predecessor, creating nationwide buzz and yielding high attendance levels. With one of the highest-profile initiatives of its kind in the country, we acquired the naming rights to du Arena and du Forum on YAS Island in Abu Dhabi, then set about enhancing the customer experience of concert-goers.
Our brand health index continued to rise, reaching its highest-ever value by the end of the year. And the financial value of our brand rose to $725 million, making us the 6th most valuable brand in the UAE, up a rank versus last year, and 121st on the Brand Finance/Total Telecom Global 500 league table. This positions us as one of the fastest-rising brands in the GCC, outpacing and out-ranking older, more established telecommunications brands in other markets.

Delivering on our commitment to our people

Ensuring we are an employer of choice is core to our success. Without the best staff we will be unable to deliver the highest levels of customer service. Our approach to talent development is driven by the belief that helping our employees reach their full potential will impact all areas of our business positively.

We offer world-class training platforms and our National Development Programme, focused on hiring, developing and training the best national talents, enabled 146 Emiratis to graduate from our Masar training programme in 2012. During the year we increased our Emirati employee levels to 31%, up from 28% in 2011, an annual increase of 3%. We are particularly pleased that our UAE National Contact Centre in Fujairah, run exclusively by UAE Nationals, has doubled in size from 60 to 120 Emirati specialists over the course of the year.

Our initiative to deliver the future leaders of du successfully completed its first year in 2012. We have worked closely with leading business school, INSEAD to deliver invaluable executive coaching and training to our executives. We created a consortium of leading UAE companies and invited INSEAD to collaborate with us. The value added to the programme is tangible: shared experiences, the ability to learn from other industries and establish connections with key partners and major corporations in the UAE. Opening up the training platform in this way has enabled our executives to become active participants in the process.

Positioning our company for future growth

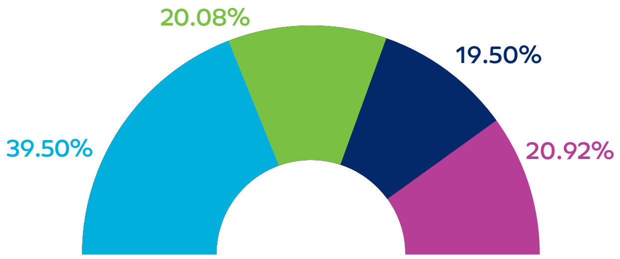
We have a strategic plan in place to position the company for the next stage of growth in a rapidly evolving telecommunications market. A number of core operational efficiency initiatives were implemented during 2012, including outsourcing of network and IT services to managed services providers and signing an agreement to consolidate our data centres into two new state-of-the-art facilities. These initiatives will optimise resources, allow us to deploy IT solutions to make life easier for our customers, and provide the foundation for sustained efficiency and growth of our business.

We have taken a more targeted approach to meeting our customers' needs in 2012.

Corporate governance

Best practice and good corporate governance are at the core of a sustainable business

Shareholder structure



- Emirates Investment Authority ("EIA")
- Mubadala Development Company ("Mubadala")
- Emirates Communications & Technology Company LLC ("ECT")
- Public shareholders

We believe that best practice and good corporate governance are at the core of a sustainable business. Our goal is to create shareholder value by combining responsible business practices with the highest standards of business integrity and accountability. Our efforts ensure that we continue to adhere to international best practice guidelines, as well as meeting the recommendations of the Dubai Financial Market (DFM) and the Emirates Securities and Commodities Authority (ESCA). In 2012 we were delighted to receive the prestigious "Best Corporate Governance Award" from the UK's World Finance Magazine. With this recognition we join an elite list of only 53 companies worldwide. We are the only company from the UAE to have received the award in 2012.

We continued to build on our strong foundations during the year, covering areas including stronger governance of our internal and external auditing processes, implementation of share trading and whistleblowing policies, updated risk management initiatives and greater transparency and accountability in Board-level decision making.

Our commitment to good governance begins with an autonomous Board of Directors enforcing a strict code of business ethics and compliance standards. In line with international best practice the roles of Chairman and Chief Executive Officer are separate, with a clear division of responsibilities.

Shareholder information

- The UAE Government, through its ownership of EIA, indirectly owns 39.5% of the existing shares
- The Abu Dhabi Government, through its ownership of Mubadala, indirectly owns 20.08% of the existing shares
- Dubai Holding, through its ownership of ECT, indirectly owns 19.5% of the existing shares
- The remainder of the shares are held by public shareholders, comprising individuals who are UAE and non-UAE nationals and companies majority-owned by a UAE entity

Our board committees

Our Board of Directors and Executive Management teams are now more transparently governed than ever before. A new Internal Control System aimed at

We continue to adhere to international best practice guidelines, as well as meeting the guidelines of the DFM and ESCA.

risk control has been established. The system outlines procedures to be followed by the Board of Directors and all other employees. Other directives in the Internal Control System include the appointment of a new Compliance Officer to govern our compliance with laws and regulations.

The following committees assist the Board with the oversight of responsibilities:

Audit Committee
The Audit Committee is responsible for monitoring our company's financial and control systems. Powers have been granted to the Audit Committee, giving it oversight of internal and external auditing processes, including guaranteeing the objectivity and independence of our external auditing firm.

Audit Committee members
- Ziad Galadari (Chairman)
- Fadhel Al Ali
- Abdulhamid Saeed
- Saeed Al Yateem

Nomination and Remuneration Committee
The Nomination and Remuneration Committee is responsible for Executive Management remuneration, including performance pay targets and benefits.

Nomination and Remuneration Committee members
- Waleed Al Muhairi (Chairman)
- Abdulla Al Shamsi
- Saeed Al Yateem

Investment Committee
Finally, the Investment Committee oversees each and every significant investment that is made by our company. This committee is responsible for overseeing all proposals pertaining to financial and strategic investments, with investments exceeding AED 100 million being referred to the Board for approval.

Investment Committee members
- Jassem Al Zaabi (Chairman)
- Ahmad Bin Byat
- Fadhel Al Ali
- Younis Al Khoori
- Mohamed Al Suwaidi

Our system of corporate governance continues to be managed in accordance with our Corporate Governance Manual, approved by the Board of Directors. We also provide a full update on our governance on an annual basis; this report and further information on our approach to corporate governance is available online at:

www.du.ae/en/about/corporate-governance

Our Board of Directors and Executive Management teams are now governed more transparently than ever before.

du annual report 2012

Ahmad Bin Byat	Chairman, non-executive Board Member	Investment Committee	Ahmad Bin Byat is Founding Chairman of du. He is one of the most prominent corporate leaders in Dubai. He holds a number of high-ranking directorial positions, and plays an instrumental role in leading key economic initiatives designed to drive Dubai's knowledge-based economy forward. He is currently Chief Executive Officer of Dubai Holding, Member of the Board of Trustees at Dubai School of Government and Director General at Dubai Technology and Media Free Zone Authority. Bin Byat has also held a number of other senior roles. These include stints as Executive Chairman of TECOM Investments; Chairman of Dubai Real Estate Corporation (DREC); Secretary-General of the Dubai Executive Council, President of Dubai Government Excellence Programme; Chairman of the Dubai Education Council; Member of the Board of Trustees for Zayed University; Chairman of the Board of Directors at The Consulting Office; and Member of the Board of Thuraya Telecommunications Company. Additionally, he is a former Member of the Supreme Committee for the Supervision of the Telecommunication Sector in the UAE and the Dubai Supreme Fiscal Committee. His educational background, leadership qualities and technology skills have made him a highly resourceful and inspiring corporate leader. Charisma and motivational skills have helped him build high-performing teams, create partnerships, and nurture long-term relationships.
Younis Al Khoori	Vice Chairman, non-executive and independent Board Member	Investment Committee	Younis Al Khoori is the Undersecretary at the Ministry of Finance. He is also on the Board of Directors for the UAE Central Bank, the General Pensions and Social Security Authority (GPSSA) and Abu Dhabi Investment Council.
Fadhel Al Ali	Non-executive Board Member	Audit Committee Investment Committee	Fadhel Al Ali is Chief Operating Officer at Dubai Holding. In addition to being on the Executive Committee of Dubai Holding and several of its entities, including Jumeirah Group, he is a Board Member of Cyprus Popular Bank, the Dubai Financial Services Authority and Emaar.
Ziad Galadari	Non-executive and independent Board Member	Chairman of Audit Committee	Ziad Galadari is Founder and Chairman of Galadari Brothers Company LLC. He practices law, providing legal consulting and arbitration services since 1983. He is also the Chairman of Galadari Investment Office and is a Board Member of the Dubai World Trade Centre and Dana Gas.
Waleed Al Muhairi	Non-executive and independent Board Member	Chairman of Nomination and Remuneration Committee	Waleed Al Muhairi is Chief Operating Officer of Mubadala Development Company. Waleed is also Chairman of the Board of Directors of Yahsat, Mubadala Infrastructure Partners, the Advanced Technology Investment Company (ATIC), Cleveland Clinic Abu Dhabi and Tabreed. He is Vice Chairman of Piaggio Aero Industries and is a Director of GLOBALFOUNDRIES and Masdar. He is also a member of the Board of Trustees of Cleveland Clinic.
Abdulhamid Saeed	Non-executive and independent Board Member	Audit Committee	Abdulhamid Saeed is Managing Director and Board Member of First Gulf Bank. He is Chairman of Aseel Finance and Managing Director of Reem Investments. He is also a Board Member of the Dubai Stock Exchange, Emirates Investment Authority, Mubadala Development Company and Sky News Arabia, in addition to being a Member of the Board of Trustees at Abu Dhabi University.
Abdulla Al Shamsi	Non-executive and independent Board Member	Nomination and Remuneration Committee	Abdulla Al Shamsi is General Manager of United Arab Shipping Agencies Co. (Emirates) and Vice President of Dubai Shipping Agents Association. He serves as Chairman of Dubai Properties Group (a Member of Dubai Holding) as well as Chairman of Middle East Container Repair Co. (LLC).
Mohamed Al Suwaidi	Non-executive and independent Board Member	Investment Committee	Mohamed Al Suwaidi is Executive Director of Asset Management at Emirates Investment Authority (EIA). Prior to joining EIA, Al Suwaidi worked for the Abu Dhabi Investment Authority for ten years as Executive Director of the Treasury Department. He is currently a Board Member of Zayed Higher Organisation for Humanitarian Care and Special Needs.
Saeed Al Yateem	Non-executive and independent Board Member	Audit Committee Nomination and Remuneration Committee	Saeed Al Yateem is the Assistant Undersecretary of Budget and Revenues Affairs at the Ministry of Finance, UAE. He supervises UAE Federal Government budgeting process and performance and UAE Federal Government public revenues.
Jassem Al Zaabi	Non-executive and independent Board Member	Chairman of Investment Committee	Jassem Al Zaabi is Executive Director of Information and Communications Technology at Mubadala. He is also CEO of Yahsat and is Chairman of Injazat Data Systems. He is on the Board of Directors of Emerging Markets Telecommunication Services Limited, Advanced Technology Investment Company (ATIC), Abu Dhabi Ports Company and Emirates Nuclear Energy Corporation.

The UAE Federal Government, represented by the Emirates Investment Authority (EIA), appointed Mohamed Al Suwaidi as its fourth representative on our Board of Directors after Eissa Al Suwaidi stepped down as a Board Member on 27 June 2012.

du annual report 2012

Sustainability and community engagement

Our roadmap to sustainable growth is through integrity, transparency and behavioural responsibility in all that we do

Level of concern to stakeholders \ Current potential impact on our business	Low	Medium	High	Very high
Very high		• Emiratisation	• Economic contribution • Customer protection	• Privacy and security (data protection) • Business ethics, code of conduct • Customer satisfaction • Corporate governance
High		• Waste management • Radio frequency fields	• Training and development • Recruitment and retention • Supply chain • Innovative offerings	• Employee engagement • Sustainable business model
Medium		• Four community pillars * • Conservation of natural resources ** • Direct and indirect positive environmental impact of communication technology	• Diversity • Employee wellbeing • Offers for special categories in the community • Responsible marketing	
Low				

*Four community pillars:
• Entrepreneurship
• Social development
• Education
• Heritage and culture

**Conservation of natural resources:
• Energy
• Water
• Consumables
• Impact on climate change

Our approach to sustainability and community engagement continues to focus on measurable social, economic and environmental impacts. In 2012 we worked hard to improve the wellbeing of our people, provide greater transparency and fairer pricing for our customers, increase our contribution to community and society, and implement lower carbon emission solutions.

Our approach focuses on our people, community, customers and environment.

Our brand promise, 'add life to life' captures our shared sense of responsibility for the role of sustainable development in our business. It means that our roadmap to sustainable growth is through integrity, transparency and behaving responsibly in all that we do.

Any advances in operational efficiency have been made with business sustainability and responsibility in mind. Our investments in infrastructure have been made on a platform of environmental awareness, with new reporting measures monitoring our environmental performance.

Our product diversification has focused not only on meeting the needs of our enterprise and high-value segments but also on those members of our community on the very lowest incomes.

What it comes down to is this: with profit comes responsibility.

"We aim to build a sustainable workforce that is happy, rewarded and empowered."

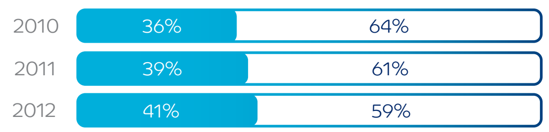
Fahad Al Hassawi
Chief Human Resources & Shared Services Officer

Our people

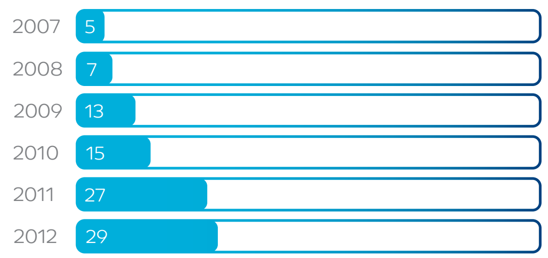
Key areas of focus

- Emiratisation
- Training and development
- Safety and wellbeing
- Supply chain
- Employee engagement
- Diversity
- Business integrity
- Recruitment and retention

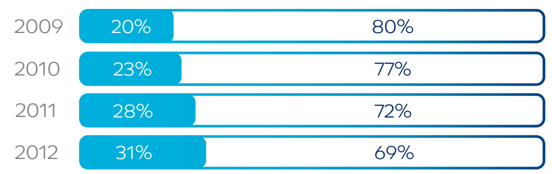
Executive Emiratisation



UAE National student interns



Overall employee Emiratisation



We aim to build a sustainable workforce that is happy, rewarded and empowered.

We believe that job satisfaction and employee engagement are enhanced by enabling our people to reach their full potential. To this end, we support our employees with their career development by providing world-class training platforms across our organisation.

Our goal is to be the 'employer of choice' for the most talented UAE Nationals. In 2012 we doubled the number of Emirati staff in our Fujairah-based UAE National Call Centre and we are delighted that 146 Emiratis have successfully graduated from our 18-month Masar Graduate Trainee programme. These and other initiatives in our National Development programme have helped us to achieve our Emiratisation target of 31% for the year, up from 28% in 2011. Furthermore, Emiratis now make up 41% of our senior executives.

“ We remain committed to community action as a force for good. ”

Ahmad Bin Byat
Chairman

Our community

Our four pillars

- Entrepreneurship
- Social development
- Education
- Heritage and culture

We continue to strengthen our community involvement partnerships and we are proud that during 2012 we were able to combine flagship campaigns with a focus on national culture and heritage. Our community projects included a nation-wide campaign during the Holy Month of Ramadan that encouraged a community spirit towards the less privileged within our community. Our Ramadan campaign successfully raised more than AED 10.3 million towards the renovation of 50 homes for Emirati orphans. We continued our efforts towards strengthening the love of the Arabic language in children, a programme carried out in association with Kalimat children books publishers. Our collaboration with Zayed University by opening the first du Multimedia Lab on campus, demonstrates our ongoing support of education through practical, vocation-oriented learning for students in the UAE.

Promoting Entrepreneurship in the UAE remains a primary objective 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, Crown Prince of Dubai. We strengthened our partnership with Shelter (a business incubator), and in November we annouced the winner of “The Entrepreneur”, our reality TV show supporting new business ideas. During the year we also extended our support to the Global Entrepreneurship Summit, Entrepreneurial Ventures of Arabia (GES-EVA).

Under the umbrella of our 41st National Day campaign, created as a tribute to the phenomenal achievements of the UAE, our Social Media Awards ceremony was attended by HH Sheikh Abdullah bin Zayed Al Nahyan and included a Forum to discuss the sustainable impact of social media channels.

We remain committed to community action as a force for good and in 2012 we launched an initiative that enabled communities to work with environmental agencies to make our country a cleaner place to live. We participated in the Dubai Municipality’s Desert Clean-up campaign, enabling our staff to volunteer and lend a helping hand by picking up litter in the desert near Al Warqa.

In celebration of “Hag El Laila” day we invited 20 less fortunate children from an orphanage to join us for a day full of fun.

We enhance job satisfaction by enabling our people to meet their full potential.

Our customers

Key focus areas

- Customer satisfaction
- Privacy and security
- Customer protection
- Customised offers for special categories in the community
- Responsible marketing
- Innovative offerings

We were the first telecommunications company to customise a subscription package for Emiratis. The Emirati Plan not only includes more local calls and data, every month we donate 5% of the monthly fee to support a community need within the UAE. The first payment was in the form of a contribution towards the housing renovation for a number of Emirati orphans. It was released during Ramadan.

Tailoring services to meet the needs of the different socio-economic groups within the UAE is a key strategic focus. In partnership with the Permanent Committee of Labour Affairs in Dubai we launched 'alo', a Pay As You Go mobile service tailored for the expatriate labour workforce in the UAE. The line has no joining fee, renewal costs or annual fees. Its cost is covered in monthly instalments debited from the available credit and it comes loaded with AED 10 so the user can make the first call as soon as the line is active. We understand the importance of being able to stay in touch with family members and we are pleased that this new package offers an affordable way for low income workers away from home to stay in touch with their loved ones.

We take our role as an enabler of access to information very seriously. We work hard to provide a safety net for the young and vulnerable in society, with a particular focus on threats from cyber-bullying, access to social networking and protecting privacy. We are in regular contact with the National Media Council and we receive approvals on all new content activities through the Telecommunications Regulatory Authority.

" In 2012 we reduced our average annual diesel fuel consumption by 1 million litres and CO_2 emissions by more than 11%. "

Rashid El Sheikh
Executive Vice President, Corporate Services

Our environment

Key focus areas

- Natural resources and energy management
- Waste management and recycling
- Environmental benefits of communication technology

We chart our sustainability progress on a scorecard, enabling us to constantly review our progress. We have now integrated energy management into this scorecard, a move supported by our recent commitment to install hybrid power and smart energy management controllers at 137 of our base transceiver stations. In 2012, we reduced our average annual diesel fuel consumption by 1 million litres and subsequent CO_2 emissions by more than 11% on the previous year. Sites running on electricity are now 6% more efficient than in 2011. Furthermore, our shop in Fujairah was awarded the Fujairah City Centre 2012 "LEED® Green Building Certification".

We were pleased to announce the launch of our new Environmental Procurement Policy during the year, the goal of which is to promote more efficient use of natural resources by making purchasing decisions based on both environmental and economic factors. The policy also covers requirements on hazardous waste management and we have improved our reporting on waste management, giving our stakeholders access to information on our environmental progress. We have also revised our supply chain requirements to oblige employees of all our suppliers to comply with UAE regulations on health, safety and environment.

Women's empowerment

Opportunity for all plays an important role in our approach to doing business

- We are proud that 28% of our employees are female
- Our UAE National Call Centre in Fujairah offers a degree of economic independence to female employees, who comprise 90% of the staff
- 68 women have participated in our Masar Graduate Trainee programme since 2010
- At senior executive level we are delighted to support the achievements of Hala Badri, Executive VP, Brand & Communications:
  - Received Effie MENA's "GEMAS Marketer of the Year Award"
  - Ranked 37th in Forbes Middle East's "100 Most Powerful Arab Women in Listed Companies"
  - Ranked 14th in CommsMEA's "Top 50 Female Telecom Executives"
  - Appointed to the Board of Dubai Media Incorporated (DMI)
- Anneliese Reinhold, General Counsel and SVP Legal & Regulatory, was awarded "Middle East in-House Lawyer of the Year" in The Brief Middle East Legal Awards 2012

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Financial statements

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

KPMG
Vijendra Nath Malhotra
Registration No.48B
18 February 2013

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 52 to 82 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

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 52 to 82 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

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 52 to 82 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

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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/ Accumlated 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 52 to 82 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

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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.

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.

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Notes to the consolidated financial statements (continued)

2. Basis of preparation (continued)

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.

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.

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.

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Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

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.

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.

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

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

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.

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).

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

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Notes to the consolidated financial statements (continued)

5. Financial risk management (continued)

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.

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.

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Notes to the consolidated financial statements (continued)

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 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

7.2 Telecommunications licence fee

	2012 AED 000	2011 AED 000
At 1 January	88,003	94,226
Amortisation for the year	(6,225)	(6,233)
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.

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Notes to the consolidated financial statements (continued)

7. Intangible assets and deferred fees

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	2011 AED
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.

Notes to the consolidated financial statements (continued)

8. Related party transactions (continued)

8.1 Due from / to 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.

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.

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Notes to the consolidated financial statements (continued)

10. Other receivables

	2012 AED 000	2011 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 AED 000	2011 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 AED 000	2011 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	(328,613)	(192,952)
Current portion of buyer credit arrangement	-	-
	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.

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

- 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.
- 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.
- 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.

Notes to the consolidated financial statements (continued)

12. Long term borrowings (continued)

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

- 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.
- 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 AED 000	2011 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 AED 000	2011 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 to 10 years	7 to 10 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 AED	2011 AED
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)	Commence-ment 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 2001 grant scheme

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

*forfeited due to executives leaving the Company

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Notes to the consolidated financial statements (continued)

18. Share based payment reserve (continued)

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**

20. General and administrative expenses

	2012 AED 000	2011 AED 000
Payroll and employee related expenses	953,869	932,651
Outsourcing and contracting	360,744	401,996
ConsultingTelecommunications licence and	33,252	41,099
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 AED 000	2011 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).

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Notes to the consolidated financial statements (continued)

22. Finance income and expense

	2012 AED 000	2011 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 AED 000	2011 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 AED 000	2011 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

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Notes to the consolidated financial statements (continued)

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:

		Carrying amount		Fair values	
	Notes	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

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	Fair values AED 000	Carrying amount AED 000	Contractual cash flow 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	122,68	122,682	-	-	122,682	-
	5,959,920	5,959,920	6,031,309	3,847,912	181,675	1,567,240	434,482

31 December 2011	Fair values AED 000	Carrying amount AED 000	Contractual cash flow 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	2,272,128	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

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Notes to the consolidated financial statements (continued)

28. Financial instruments (continued)

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 AED 000			31 December 2011 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

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.

Profit / (Loss)	2012 AED 000	2011 AED 000
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	
Variable rate instruments	2012 AED 000	2011 AED 000
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.

Profit / (Loss)	2012 AED 000	2011 AED 000
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.

28.5. 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.

Notes to the consolidated financial statements (continued)

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 AED 000	Fixed AED 000	Wholesale AED 000	Broad-casting AED 000	Total 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**

31 December 2011	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broad-casting 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.