





# Table of contents

Chairman’s message	04
CEO’s review	06
Board of Directors and senior management	08
Highlights	10
Awards and recognition	14
Financial summary	17
Strategic guidelines	26
Operational highlights	28
Corporate governance	32
Sustainability and community engagement	35
Consolidated financial statements	39

# Chairman’s message

## Our robust and sustainable business model continues to deliver excellent results and consistent shareholder value



Ahmad Bin Byat  
Chairman

Our philosophy and vision remains centered on customer satisfaction through a clear understanding of their needs.

### Dear shareholders,

I am honoured to report another year of solid growth for our company. In line with our strategic objectives, our robust and sustainable business model continues to deliver excellent results and consistent shareholder value.

By focusing on efficiency and fostering innovative techniques, policies, services and mechanisms, we have achieved strong growth in both revenues and net profit and retained our position as one of the leading telecommunications operators in the Middle East. We achieved AED 12.2 billion of revenue, 13.3% higher than 2013, maintaining significant momentum since we began our business in 2007.

In an environment of positive sentiment among investors and a strengthened economy, our overall operating performance has also improved. As the market grew over the past twelve months, so too did our own results.

### Evolving into an innovative digital enabler

In line with the UAE’s Vision 2021, the ambition to evolve the economy into one centered on innovation, we have been working tirelessly to develop our network infrastructure and create market-leading services for our customers. We extended our 3G and 4G network, enhancing our capacity and coverage and we continued to roll out our fibre optic network as part of our continued investment in capital expenditure which totalled AED 1.7 billion. We were also awarded a major contract with the UAE Federal Government to build and design the environment required for the Government’s FEDnet initiative, which will provide high speed connectivity and consolidation between federal institutions.

As ever, we have disclosed all material related party transactions that occurred in 2014 within the financial statements and continued efforts were made by the Board to ensure

that the conditions of the transactions are fair, reasonable and in the interest of the shareholders.

Throughout 2014, we continued to develop our business to align with the UAE’s Smart Government initiative, and we are very proud to have been named as an official Dubai Smart City partner.

Smart City is a vital component of the UAE’s drive to become a leading integrated technology provider and we have a significant contribution to make in ensuring that the social fabric of our nation remains interconnected through the use of smart and simple technology.

More generally, we worked with a host of businesses, organisations, charities and individuals over the course of 2014 to ensure we continue to support the growth and ambitions of the UAE’s economy, especially in the lead-up to the Dubai Expo 2020.

By focusing on innovative propositions that meet the requirements of our rapidly evolving consumer base, including a focus on providing high speed data, we are dedicated to making this vision a reality. In 2015, we will continue to focus on developing synergetic partnerships and services that achieve these ambitions.

### Delivering consistent shareholder value

Our philosophy and vision remain centered on customer satisfaction through a clear understanding of their needs. Concentrating on improvements to our infrastructure and efficiency of operations in previous years has allowed us to provide consistent, long term shareholder value.

As such, I am pleased to report that the Board of Directors has proposed a final annual dividend of AED 914.3 million making a total annual dividend for the year of AED 1,462.9 million. This brings the total dividend for the year to AED 0.32 per share, of which AED 0.12 per share was awarded as an interim dividend.

### Growing a sustainable business

We are entering the next phase of development for our company, one of maturity and consolidation. We remain focused on ensuring stability through the implementation of internationally recognised governance policies and procedures, which have led us to be presented with a number of prestigious awards for our efforts.

We continue to recognise that corporate governance goes beyond regulatory and legal compliance. Enduring commitment to best practice requires seamless application of the highest standards of business integrity and accountability and we remain dedicated to this philosophy.

As a result, we implemented a number of market-leading governance policies such as a fully-digitalised system for communicating with our shareholders, reviewed and improved our internal procedures to ensure full integration of governance procedures into everyday activities and participated in an OECD case study programme of the region’s best business practices.

### Placing people at the heart of our business

Our inspirational employees are the reason our business has thrived since inception. Every day they contribute to the success of our company and it is due to each and every one of their valuable contributions that we are able to deliver the strong results and increased shareholder value which we have become synonymous with.

In 2014, we focused on delivering service founded on innovation and creativity and in 2015, our teams will continue this endeavor.

To celebrate our success, and to ensure it continues, the Board and I recognise the importance of looking after and nurturing our people. In 2014, we implemented a number of initiatives centered on health and wellness that benefit our people and demonstrate our commitment to providing a positive work environment.

In line with the UAE’s Vision 2021 and the Government’s pledge to increase the number of UAE Nationals working in the private sector tenfold by the year 2021, our Emiratisation strategy continued to thrive as we increased the proportion of Emirati employees to 35% of our total staff. As we enter the next phase of development in our management team, we are also proud to announce that UAE Nationals now account for 75% of the company’s senior executives. We understand the importance of further developing Emirati talent and in 2015, we will continue to place emphasis on our management training and mentorship programmes.

### Looking to the future

Guided by the wise leadership and vision of our government, the UAE is well positioned to continue to flourish for future growth and development. We see tremendous opportunities in our industry and we have established a strategy that will help us to make the most of these opportunities for the benefit of both our customers and our shareholders.

We are excited and enthused about the year ahead and look forward to sharing our success with the residents of the UAE.



# CEO’s review

Over the course of the year we continued to innovate across all areas of our business, embedding structural change and improving efficiency to sustain profitable business growth



Osman Sultan  
Chief Executive Officer

A solid and structured strategy has allowed us to deliver improved financial and operational efficiency in an increasingly competitive environment.

Dear shareholders,

I am pleased to announce that our company has delivered another year of strong revenues and profitability. Our record of delivering exceptional growth has continued for the seventh year and we remain one of the most robust telecommunications companies in the Middle East.

In 2014, we achieved like for like revenues of AED 12.2 billion, an increase of 13.3% on 2013. Due to our dedication to continuous improvement, we saw operational efficiency soar and as such, 2014 led to healthy levels of profitability with EBITDA for the year reaching AED 5.03 billion, representing annual growth of 16.8%. Net profit before royalty grew by 22.8% to reach AED 3.7 billion in 2014, resulting in net profit after royalty of AED 2.1 billion.

Over the course of the year, we continued to innovate across all areas of our business, embedding structural change and improving efficiency to sustain profitable business growth. 2014 saw a greater focus on market segmentation and competitive differentiation and we continued to build upon our capabilities to ensure an even better customer experience in an increasingly connected, data driven era.

Paradigm shift to digital innovation

As we enter 2015, I would like to highlight some of our achievements from the past year. A solid and structured strategy has allowed us to deliver improved financial and operational efficiency in an increasingly competitive environment. By embedding a culture of innovation, in line with His Highness Sheikh Mohammed bin Rashid Al Maktoum’s new innovation strategy, we remain focused on implementing cutting-edge solutions designed to enhance our customer’s experience.

As the global economies recover and the UAE goes from strength to strength, we must look ahead and consider how to maintain this growth.

Our customers demand that our services go beyond connectivity and towards implementation of products that provide simplicity and fit directly into lifestyles that are increasingly digitally focused. In the telecommunications sector, we fully recognise the industry’s shift towards organisations such as ours becoming digital enablers and plan to address this transformation.

At du, we have long been aware that this revolution is coming and therefore, we established a dedicated Digital team, made up of 23 digital experts, within our business to design, facilitate and implement an integrated digital strategy across all of our platforms. Our Business Analytics division was also set up as a new area to analyse and decipher big data in 2014. It is this dedication to planning for the future that has seen us become one of the region’s leading brands due to our ability to continue to delight our customers.

During the course of 2014, our customers’ demand for connectivity remained strong. This demand translated into significant growth in mobile data revenue, which increased by 18% from AED 2.36 billion in 2013 to AED 2.79 billion. As was the case last year, data now represents a larger percentage of mobile service revenues, at 29.7% up from 27.4% in 2013.

We are committed to many of the UAE’s major initiatives to improve and enhance the lives of citizens, residents and visitors and to develop a truly integrated ICT ecosystem. UAE’s ‘Smart Government’ and Dubai’s ‘Smart City’ initiatives are excellent examples and we hope to play

“ We are committed to many of the UAE’s major initiatives to improve and enhance the lives of citizens, residents and visitors. ”

a major part in the UAE’s transformation into one of the world’s most connected and digitally enabled nations. 2014 saw us plan ahead for the implementation of the infrastructure build and 2015 will see us putting these plans into action.

Fostering the growth of UAE talent

Our continued success is down to many factors but one is worthy of special mention: our people. Without first-class employees and a cohesive team, no company can deliver consistent growth. We pride ourselves in attracting and developing the best talent in the UAE and Emirati talent in particular. By nurturing our people, we are laying the groundwork for a sustainable future for our company, creating long term shareholder value and facilitating superior service for our customers.

Our initiatives are centered around benefitting our people and providing a positive work environment. As a result, we are seeing a constant improvement in our employee engagement score, according to the globally recognised Gallup Index.

The past year has been one of strong growth for our company and this is a trend we aim to continue. As we transition du for the new era, one of integrated digitalisation, I would like to thank our shareholders for their continued trust in our company along this journey so far. I would also like to express my gratitude to all of our employees for their hard work over the last twelve months and to our Board of Directors who continued to provide valuable guidance and support during this time of transition and growth.

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



Abdulhamid Saeed  
Vice Chairman



Masood M. Sharif Mahmood  
Board Member



Waleed Al Muhairi  
Board Member



Fadhel Al Ali  
Board Member



Ziad Galadari  
Board Member



Abdulla Al Shamsi  
Board Member



Saeed Rashed Al Yateem  
Board Member



Mohamed Al Suwaidi  
Board Member



Hana Al Rostamani  
Board Member

Senior management team

Our experienced management team is dedicated to delivering value for shareholders and customers through excellent service and commitment to efficiency



Osman Sultan  
Chief Executive Officer



Ananda Bose  
Chief Corporate Affairs Officer



Farid Faraidooni  
Chief Operations Officer



Fahad Al Hassawi  
Chief Commercial Officer



Ibrahim Hassan Abdulla Nassir  
Chief Human Capital and Administration Officer



Amer Kazim  
Chief Financial Officer



Hany Aly  
Executive Vice President, Enterprise Business



Hala Badri  
Executive Vice President, Brand & Communications



Saleem Al Balooshi  
Executive Vice President, Network Development & Operations



Ahmed Makhles  
Executive Vice President, Consumer Business



Jawad Shaikh  
Executive Vice President, Digital Business



Rashid El Sheikh  
Executive Vice President, Corporate Services



# Highlights

A well-thought out and well-executed business strategy, combined with a strong brand, has translated into excellent financial fundamentals

## Financial

Growth in total revenues	13.3% increase compared to 2013, totalling AED 12.2 billion
Increase in mobile data revenues	Growth of 18% year on year to AED 2.79 billion. Data now represents 29.7% of mobile service revenues
Rise in fixed line revenue	AED 2.25 billion, up 31.3% from the previous year
Strong, rising EBITDA	Increase of 16.8% since 2013 to AED 5.03 billion
Growth in net profit before royalty	22.8% increase year on year to AED 3.70 billion
Rise in net profit after royalty	AED 2.11 billion despite 55% increase in royalty year-on-year
Increased dividend payment	Final dividend payment of AED 0.20 bringing the total annual dividend to AED 0.32

## Operations

Continued development of new, unique and intelligent products, deals and packages across both our Consumer and Enterprise divisions	Leverage of our stake in the Khazna data center provided both internal and external efficiencies	Major new contract with the UAE Federal Government providing connectivity and consolidation between the various existing e-Government systems
---	--	---

## Human capital

Employees are our greatest assets, and their incredible hard work and commitment delivered another year of success	Implementation of new health and wellness initiatives that benefit our people and demonstrate our commitment to providing a positive work environment	Emirati employees represent 35% of our total staff and 75% of senior executives
--	---	---







“ The demand for data, fuelled by the appetite for smart phones and other mobile data devices and the increasing availability of different types of content, continues to expand. ”

#### Statistical summary

	2010	2011	2012	2013	2014
<i>Active customers (thousands)</i>					
Mobile	4,333	5,216	6,457	7,244	7,343
Fixed total	477	531	561	599	639
Telephony including Call Select	289	293	299	310	327
Broadband	96	124	140	157	172
TV	93	113	122	132	140
<i>Traffic (millions)</i>					
Total Outgoing Mobile Minutes	6,262	8,633	9,997	11,422	12,022
Outgoing Local Mobile Minutes	4,617	6,217	7,446	8,448	8,639
Outgoing International Mobile Minutes	1,645	2,416	2,551	2,974	3,384
Data (Terabytes)	-	-	9,357	16,396	34,751
Market share	40.2%	46.0%	48.7%	47.2%	46.7%
Value share	22.2%	26.9%	30.3%	29.1%	31.0%
<i>Average revenue per user</i>					
Mobile	113	119	115	107	103
Fixed total	224	166	151	151	156
Telephony including Call Select	123	119	116	107	104
Broadband	405	252	209	220	224
TV	165	152	174	178	195



# Awards and recognition

Our hard work and commitment to the communities we serve led us to win a number of awards during 2014

We are proud of our achievements across the business.

**Business excellence awards**

- Gold in the Brand Evolution category and Grand Prix at the inaugural Transform Awards MENA for excellence in new brand creation, rebranding and ongoing brand development
- Best Corporate Governance in the Middle East in the telecoms sector award by Ethical Boardroom
- Honoured with the Best Enterprise Service award for the Business Advantage Plan and the Best Managed Service Provider award at the Telecoms World Awards Middle East
- Presented with the Gallup Great Workplace Award
- Awarded Best Satellite Service Provider of the Year award at the 10th Annual Digital Studio Awards
- Best Cloud Provider at the Telecom Review Summit
- Named as Legal Department of the Year (Large Team) at Corporate Counsel Middle East Awards
- Named as Data Centre Project of the Year at the Network Middle East Innovation Awards
- Best CEM Brand award and Customer Experience Champion of the Year at 3rd Annual CEM in Telecoms Middle East Summit
- Honoured with the Idea of the Year Award at the Arabia 9th International Conference for our employee wellness programme
- Presented with Best Tech Social Media Award at the annual Tbreak Awards

**Creativity accolades for du Tuesday**

- Awarded with the Bronze medal at the MENA Effie Awards for the overall campaign
- Presented with the Gold Lion award in the film category at Cannes Lions International Festival of Creativity, a first for the region

- Eight honours at the Dubai Lynx, including four Gold, one Silver and one Bronze across various categories
- Awarded Best Film Campaign and Best Copywriting Award at the London International Awards
- The films 'Too Depressing', 'Too Boring', and 'Too Complicated' respectively won Gold, Silver and Bronze respectively at the MENA Cristal Festival Awards
- Won 1 Bronze for the campaign at the Epica Awards
- Featured in AdWeek's 'World's Top 26 Best Commercials of 2013-14'

**Sustainability achievements**

- Cited as the first telecom organisation globally to release a sustainability report based on GRI-G4 comprehensive guidelines
- Chosen by the Board of Trustees at Tatweej Excellence Awards Academy and the Arab Organisation for Social Responsibility as a pioneering institution for social responsibility in the Arab World.
- Awarded LEED Platinum certification for our Mirdiff City Centre store making it the UAE's greenest telecom retail outlet
- The first telecommunications company in 2014, and the first from a non-European country, to submit a United Nations Global Compact (UNGC) Communication on Progress (COP) to the GC-Advanced classification.

**Certification**

- Received the Lexcel Quality Standard by the Law Society of England and Wales, recognising our legal team's high standards of management and customer care



**Honour**

- Honoured at the 17th edition of Dubai Government Excellence Awards (DGEA) for our contribution to 'Developing The Building Licensing System' initiative
- Presented with the 'Sport for Life' grand trophy at the inaugural Dubai Corporate Sports Tournament by the Dubai Sports Council
- Presented with Employer of the Year accolade by Dubai Women's College

**Other achievements**

- Our National Day video "Narzif" was added to AdWeek's list of top 10 branded videos achieving over 5.5 million views on YouTube
- Hosted the MENA launch of the Global Innovation Index 2014 report, with the opening address delivered by His Excellency Mohammed Al Gergawi, Minister of State for Cabinet Affairs





## Financial summary

Our business continues to go from strength to strength, delivering value across all financial indicators due to a clear and defined strategy driven by a highly experienced management team

### Financial highlights (AEDm)

	2010	2011	2012	2013	2014
Total revenue	6,815	8,539	9,842	10,799	12,238
EBITDA	2,018	2,916	3,999	4,306	5,030
EBITDA (%)	29.6%	34.2%	40.6%	39.9%	41.1%
Net profit before royalty	1,226	1,812	2,823	3,014	3,702
Net profit after royalty	1,310	1,098	1,980	1,986	2,109
Free cash flow	36	1,377	1,748	2,329	2,188
Earnings per share (AED)	0.31	0.24	0.43	0.43	0.46

2013-2014 EBITDA shown in accordance with new definition

Our company performed very well in the financial year ending 31 December 2014, delivering the company's eighth year of consecutive growth. A well thought out and well executed business strategy combined with a strong brand has again translated into excellent financial fundamentals.

Our revenue base remained robust and continued to grow, with total revenues increasing 13.3% from AED 10.8 billion in 2013 to AED 12.2 billion in 2014. As a result of continued operational efficiencies, levels of profitability showed an even higher rate of growth.

EBITDA continued to grow compared to the previous year, as we saw further customer additions, driven by strong customer demand for connectivity, further service improvements and competitive differentiation. Combined with continued

control of our cost base resulting from our ongoing efficiency programme, the overall result was growth in EBITDA of 16.8% year on year to AED 5.0 billion, up from AED 4.3 billion in 2013.

Net profit before royalty reached AED 3.7 billion in 2014, a 22.8% increase on AED 3.0 billion in 2013. After deduction of royalty payments of AED 1.6 billion, net profit after royalty increased by 6.2% to AED 2.1 billion (2013: AED 2.0 billion).

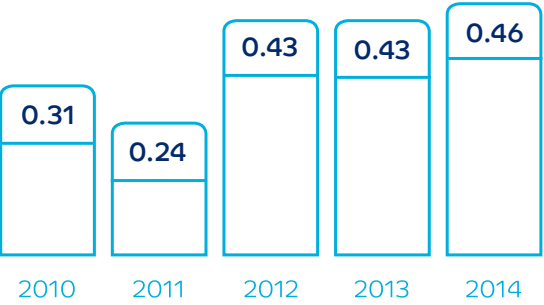
We continued to exercise tight control over costs throughout the year. As a result, operating expenses in 2014 totalled AED 7.2 billion, 11% higher than 2013 (AED 6.5 billion). As a percentage of total revenues, operating expenses represented 58.9% of revenue in 2014 compared with 60.1% in the previous year.

“ Growth in profitability and value share was driven by innovative enhancements to our core services. ”

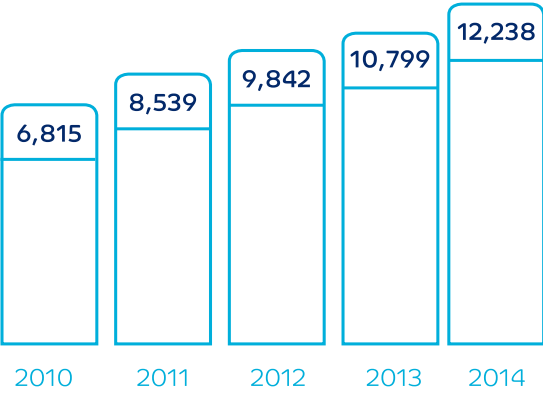
Performance by line of business 2013vs2014

	2013 AED millions	2014 AED millions	Change %
Mobile	8,365	9,161	9.5%
Fixed	1,711	2,246	31.3%
Wholesale	511	655	28.3%
Broadcasting	177	162	-8.1%
Others	35	14	-59.4%

EPS (AED)

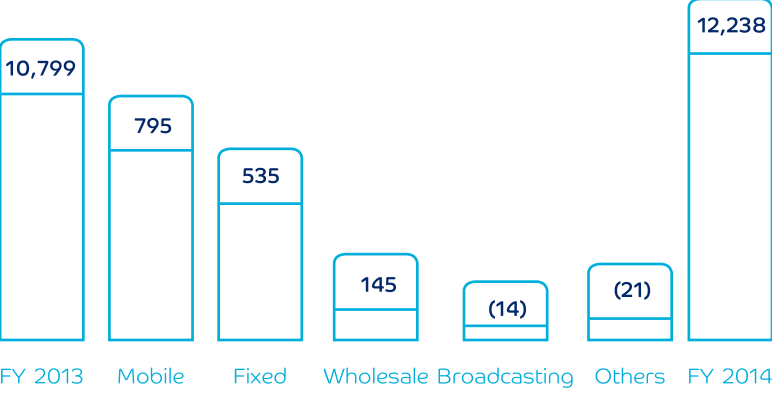


Total revenue (AEDm)

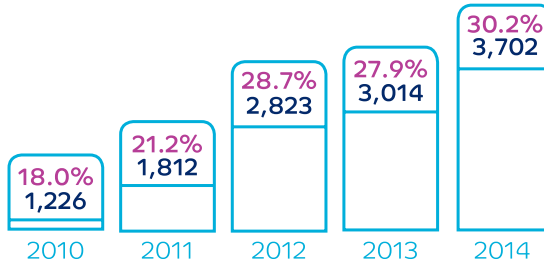


Gross revenue

Revenue growth (AEDm)

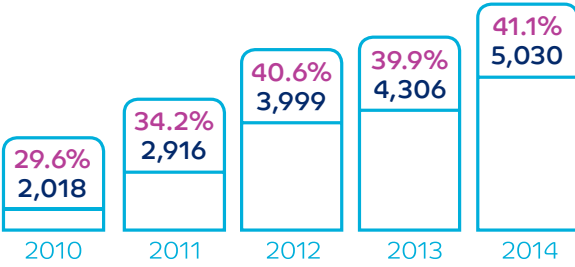


Net profit before royalty (AEDm)



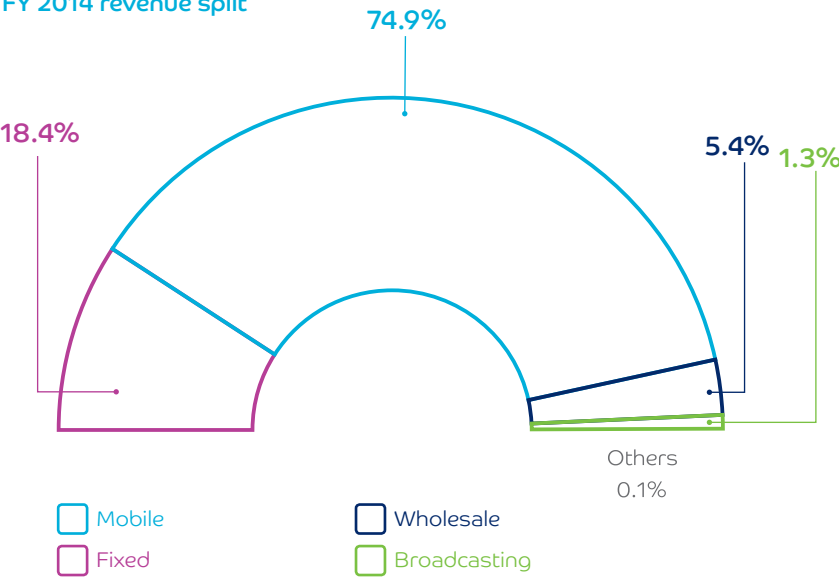
Net profit margin (%)  
Net profit before royalty (AEDm)

EBITDA (AEDm)



Yearly EBITDA margin (%)  
Yearly EBITDA (AEDm)

FY 2014 revenue split





Mobile

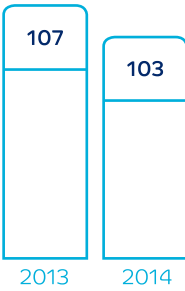
Our mobile business performed strongly during the year, with revenues growing by 9.5% to reach AED 9.2 billion, up from AED 8.4 billion in 2013. Revenue growth from post-paid subscribers continued to rise and accounted for 73.6% of total growth in mobile revenues, evidence of our continuing efforts to offer affordable and attractive packages based on the trend of increasing data consumption.

Our high-value mobile postpaid base continues to be an area of focus and we intend to introduce measures to enhance further growth. Recognising the importance of social media for many of our customers, we launched a number of new daily and monthly social media bundles for both pre-paid and post-paid customer segments.

Mobile ARPU

Mobile ARPU for the year was AED 103 compared with AED 107 in 2013. This is in line with the global trend of consumers spending more on data and less on voice packages. To balance any minor fluctuations, we remain focused on increasing data revenue and our proportion of higher value post-paid customers.

ARPU (AED)



Mobile data

Unsurprisingly in view of the trend described above, mobile data was again a significant area of growth. The demand for data, fuelled by the appetite for smartphones and other mobile data devices and the increasing availability of different types of content, continues to expand, which is a fundamental driver of our forward strategy. Mobile data revenues increased by 18% in 2014 to AED 2.8 billion, compared with AED 2.4 billion the previous year.

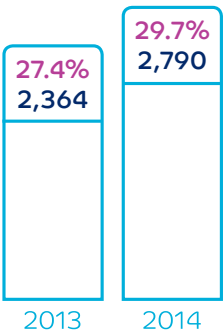
In 2014 data represented 29.7% of mobile revenues, up from 27.4% in 2013. As demand for data continues to grow, we are seeking more sophisticated ways of maximising our ability to deliver innovative data solutions.

Mobile data (2013 vs 2012)

	2013	2014	Change %
Data revenue (AEDm)	2,364	2,790	18%
Data revenue as a percentage of mobile service revenue (%)	27.4%	29.7%	230 basis points

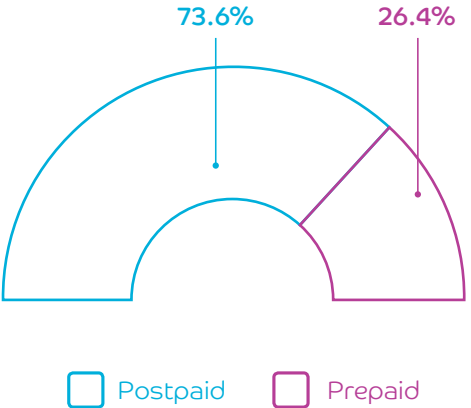


Mobile data revenue (AEDm)



- Data revenue as a percentage of revenue (%)
- Data revenue (AEDm)

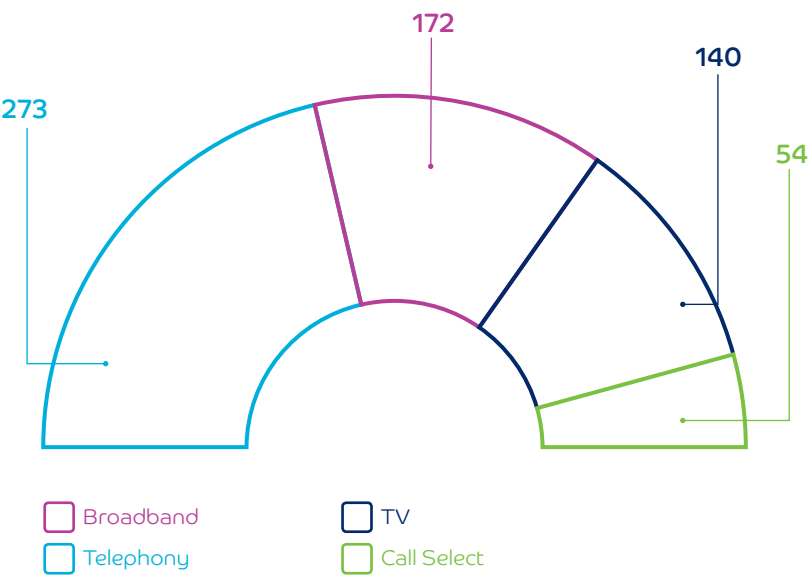
Breakdown of mobile segment growth contribution



- Postpaid
- Prepaid

Fixed

Our fixed line business generated AED 2.2 billion in revenues in 2014, a 31.3% increase on 2013, up from AED 1.7 billion. Demand for new lines showed a strong increase due to an increasing population and the continued strengthening of the economy; this combined with an increase in calling card revenues and price adjustment, were the significant factors contributing to the increase in fixed line revenues.



Wholesale

Our wholesale revenues increased by 28.3% from AED 510.5 million in 2013 to AED 655.2 million in 2014. Wholesale, which covers International Voice termination (to UAE) and International Hubbing (transit), benefited from further 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, decreased by 8.1% in 2014 to AED 162.2 million, down from AED 176.5 million in 2013.

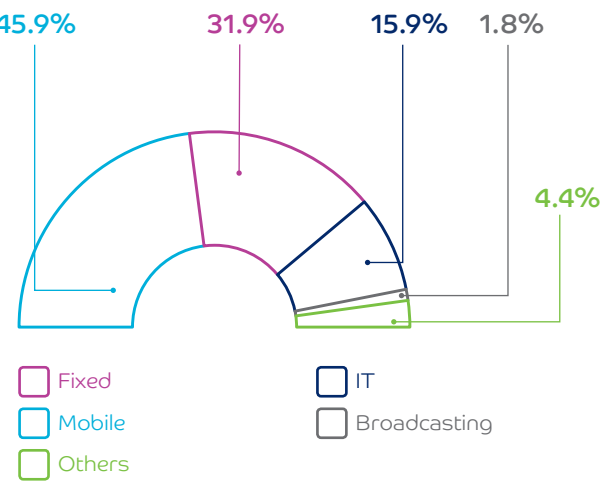
Capital expenditure

Capital expenditure increased to AED 1.7 billion. This was the result of increased investment in infrastructure, including the LTE and 3G network rollout and spending on new fixed network technology. The investment is in line with our efforts to offer our customers the very best communications experience, in addition to positioning our company for further growth.

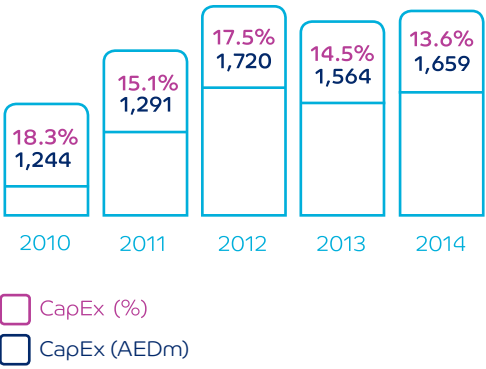
Breakdown of CapEx for 2013-2014

	AEDm	2013	2014
Mobile		940	761
Fixed		394	530
Wholesale		210	264
Broadcasting		15	30
Others		5	74

CapEx breakdownfor 2014 spend by segment



Capital expenditures (AEDm)



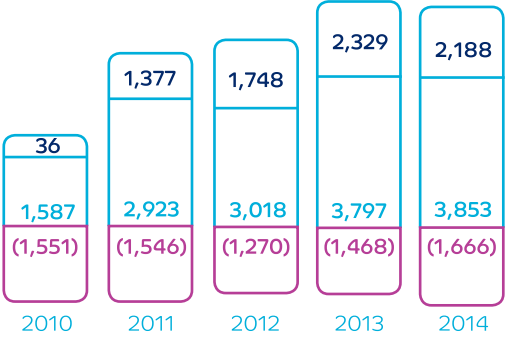
“ In 2014, we continued to innovate across all areas of our business, embedding structural change and improving efficiency to sustain profitable business growth. ”



“ Our cash position remains strong, driven by our growth in revenues.”

Cash and debt overview

Free cash flow was marginally lower than in the previous year, decreasing by 6.1% to AED 2.2 billion from AED 2.3 billion in 2013, largely as a result of the impact of royalty. Our balance sheet remains strong and we ended the year with a net cash position of AED 6.0 billion, an increase of 23.7% over the previous year (31 December 2013: AED 4.9 billion).



- Net cash operations
- Net cash investments
- Free cash flow



Strategic guidelines

Our strategy is focused on creating a ‘more valuable’ du by increasing our competitive advantage and investing for growth

2014 was an excellent year for our company

Last year, we applied a strong focus on competitive differentiation, data monetisation and continued to further improve efficiency to sustain profitable business growth and it has delivered solid results.

A greater focus on market segmentation saw us adopt a needs-based, customer oriented approach towards segment definitions in order to drive more profitable growth and address segment needs more effectively with a simplified product portfolio and customer experience across key customer segments, Consumer and Enterprise.

2014 also saw the introduction of our public WiFi initiative, ‘WiFi UAE’, to offer WiFi in prominent places across the country and support the leadership’s Smart City and UAE Vision 2021 initiatives.

Turning to 2015 and beyond, with the favourable macroeconomic conditions and UAE Vision 2021 heralding exciting

opportunities, we must set out strategy plans to grow our business long term with increased focus on capturing a significant share of the market growth. We will continue to focus on investing for growth while optimisation and efficiency still remain the key pillars for sustainable growth. Strengthening our core business and investing in long term growth propositions such as Digital, Smart City and Managed Services are the key elements on our horizon.

The key strategic focus areas of the company are to:

- Capture mobile market growth, focusing on value and data uptake
- Pioneer digital innovation and establish capabilities to compete on fixed nationwide
- Invest in accelerated 4G coverage and improve 3G and indoor quality
- Expand public WiFi coverage and support Smart City and Smart Government
- Increase productivity and generate efficiencies, improve processes and leverage business analytics capabilities

“ In 2014 we focused on improving operational efficiency and offering innovative products and services and as a result, delivered strong revenues. ”

2014 Strategy map

Vision

- To enhance your life – any time, anywhere

KPIs

Financial > Continue to create shareholder value

- Sustainable data driven growth
- Maximise cash flows

- Revenue
- Data % of Mobile Revenue
- EBITDA, Free Cash Flow

Customer > Innovate and provide seamless customer experience

- Offer innovative products and services exceeding customer expectations
- Provide seamless superior customer experience across all touch points

- NPS
- Brand Health Index

Operations / Processes > Focus on operational efficiency

- End-to-end customer service delivery
- Improve availability and performance of network and IT services & systems

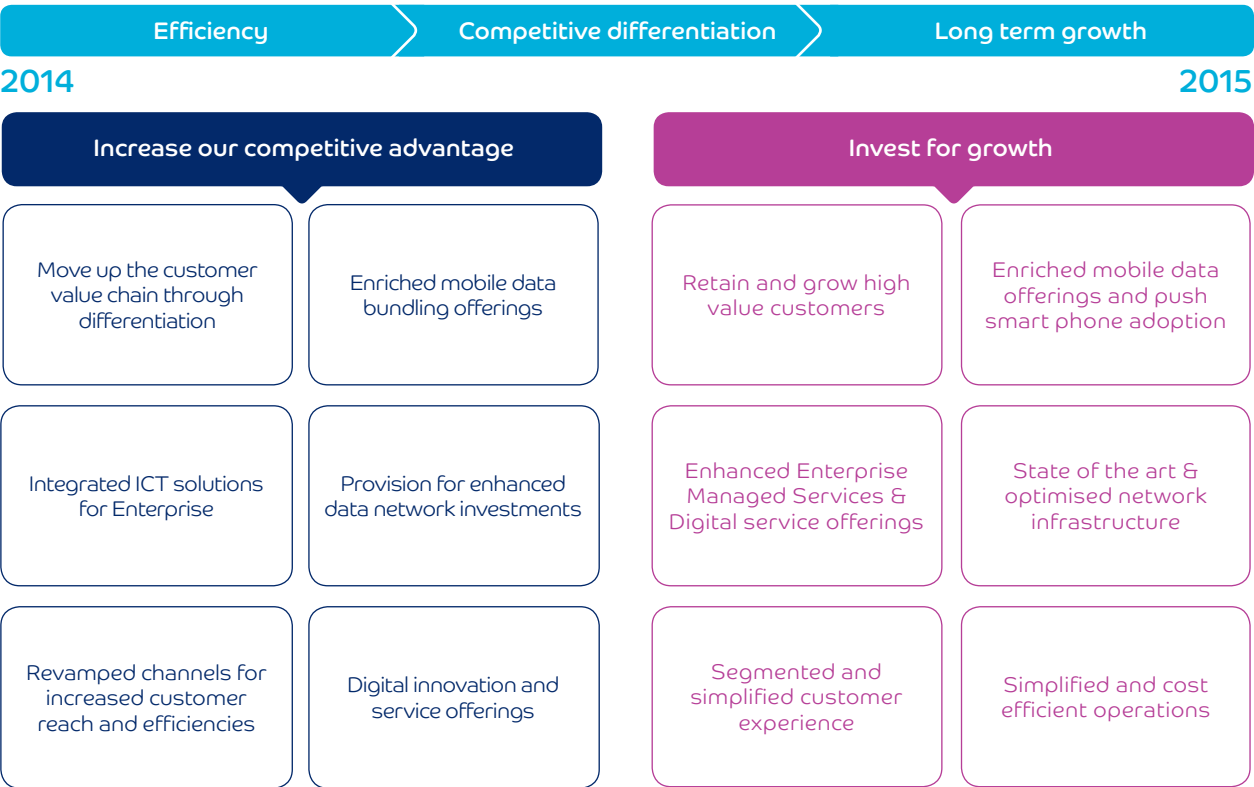
- Customer Service Delivery Index
- Technology Quality Index

Growth & Learning > Create a high performing organisation

- Sustain employee engagement
- Continue Emiratisation

- Employee Engagement Score
- Emiratisation %

2015 strategy is built upon investing for growth to strengthen our core business and accelerate long term growth propositions like Digital, Smart City and Managed Services while continuing with our drive to attain further efficiencies.





# Operational highlights

## Ensuring we meet the needs of our customers in a connected data-driven era

Embedding structural change and continuing to innovate across all areas of our business have been the key ingredients to enhanced operational efficiency and commercial effectiveness in 2014. This focus has had a direct benefit to our customers by meeting their desire for simple, flexible, reliable and value-for-money products and services in an increasingly connected, data driven era.

Over the year, and in line with our business strategy, we delivered operational efficiencies and built on our capabilities so that we could improve our end offer, accelerate our ability to bring products and services to market, grow our high value customer base, and ultimately, ensure an even better customer experience with us.

We sought to provide additional flexibility and value through unique and intelligent new products, deals and packages across both our Consumer and Enterprise divisions, and we invested once again in our infrastructure, people, planning, IT systems and other technologies to strengthen our network, its resilience and speed, as well as our overall service proposition.

These wide ranging enhancements were consistently delivered with one clear and unwavering ambition in mind: to ensure that we are fully equipped and readily able to provide customers – whether an individual, small business or a large multinational –with exactly what they want from a world class, integrated, next generation ICT provider.

Our customer-centric approach proved to be successful, with mobile customer numbers growing by 100,000 customers in 2014, bringing the total to 7.34 million.

As further testament to our efforts, we received a host of nominations and awards over the year, proving that customers and other key stakeholders continue to like and enjoy what we are doing.

We are truly proud of what was achieved over the course of a busy year and believe that recognition of our brand continues to go from strength to strength, not just at home in the UAE but internationally through strategic partnerships and tie ups.

**Capturing the Enterprise opportunity**  
Having made the necessary organisational and structural changes in 2013 to create our Enterprise division, 2014 was all about empowering the unit so it can accelerate the growth in our share of this important market segment. We achieved this by ensuring the right operational and commercial platforms were in place.

Internally, we established a dedicated managed services team focused on understanding the needs of business, ensuring that we look after these companies appropriately at every stage of their development. The rationale was straightforward: what a small enterprise hoping to grow locally might require from its telecoms and data provider is often very different to a large corporate looking to expand its operations across international borders.

To further enhance our managed services offering, we leveraged our stake in the Khazna data centre to provide both internal and external efficiencies. By migrating more of our own infrastructure into the data centre, we improved our data centre capabilities for our Enterprise customers. Growing recognition of our ability to provide fast, reliable and secure connectivity

alongside best in class managed services enabled us to secure a major contract with the UAE Federal Government in 2014. Following a competitive process, we won the mandate to design and build the environment required for the Government’s FEDnet initiative. This critical project will provide high speed connectivity and consolidation between the various existing e-Government systems. The new network will connect federal institutions in a way that raises efficiency, lowers costs, and supports a faster shift towards smart government. We are proud to have been selected for this important governmental initiative and look forward to the initiative’s public roll out in 2015.

Keeping our Enterprise customers front of mind enabled us to deliver a range of innovative products and solutions over the year. To offer corporates greater flexibility, value, and continued connectivity with their employees when traveling overseas, we introduced Business Roaming Packs. Another first for the UAE market, these packs provide a set of social media and email bundles tailored

to the roaming requirements of business customers, and importantly, at affordable prices. We have helped to empower businesses so they can choose how they use their data bundles.

In line with growing demand for higher broadband speeds, we also enhanced our fixed broadband portfolio and simplified our fixed line voice offering. We launched an attractive new offer, which allows businesses to increase broadband speeds by up to three times, but for the same spend. For our larger Enterprise customers, we launched an updated version of our Premier Plan to better meet their total ICT needs, including increasing demand for data.

**Helping to make life more straightforward**  
In 2014, we embarked on a process to simplify our proposition for the end user, our customers, to better address their needs and ever-increasing demand for data. We also focused on market segmentation, with a view to ongoing growth in our higher value, post-paid customer base.

Improving the infrastructure and network behind what we are able to do and offer customers was a primary focus over the year.





Recognising the importance of social media for many of our customers, we launched daily and monthly social media bundles for pre-paid and post-paid customer segments. These bundles enable people to stay connected more easily via their favourite social media apps, whether Facebook, WhatsApp, Instagram or Twitter.

As part of our simplification journey, we reinforced our post-paid Smart Plan by offering additional benefits, such as one bundle covering flexible minutes and free calls to selected numbers within the bundle. In addition, we innovated within our fixed portfolio. For example, we offered greater flexibility to customers through a new multiscreen feature so that they can now watch their favourite programmes on their mobile devices, and not just at home.

To help commercialise the great new deals and products we offer, we remodelled our approach to retail franchising in 2014. The ambition was to have fewer, quality partners, but with substantial retailing expertise. The combination of our strong brand, quality products, deals and service, sitting alongside expert retail partners, is a compelling commercial proposition.

Improving the infrastructure and network behind what we are able to do and offer customers was also a primary focus over the year. We extended our 3G and 4G network, enhancing our capacity and coverage, and we continued to roll out our fibre optic network.

During the year, we also successfully fulfilled our TRA regulatory mandate as part of the My Number, My Identity Campaign, designed to ensure our customers' privacy is protected. This resulted in natural churn of unused numbers. The Mobile Number Portability campaign also continued, giving customers the option to choose their network operator, but keeping the same mobile number. This is an initiative that we fully support as it drives our commitment to innovation.

#### Contributing to Dubai's future

Partnerships are a big part of ensuring we give customers what they want and continue to support the growth and ambitions of Dubai's economy. 2014 was no exception as we worked with a host of organisations, charities, businesses and individuals, as well as the UAE Government.

We were very proud to be aligned with the UAE's Smart Government initiative and named as an official Smart City partner for the Dubai Government, helping to transform the Emirate's smart capabilities and making people's lives easier and happier. Our flagship initiative in this partnership is called WiFi UAE. We will be deploying free WiFi in popular locations across the city, including the creative community located at Dubai Design District, and on public transport like the Dubai Tram and Dubai Metro.

The ambitious WiFi UAE initiative not only allows us to play an important part in moulding Dubai's future as a Smart City, but it also ensures we continue to provide customers with a seamless experience when it comes to accessing and using data.

Keeping the future in mind, we also showcased a future Smart Home at the leading global tech conference, GITEX.

#### Staying connected internationally

We live in global times and Dubai is one of the world's most connected cities for both individuals and businesses. So, while making innovative and progressive steps forward in terms of our service, products and infrastructure at home in the UAE, during 2014 we also continued to recognise the importance of investment in our cross border capabilities and international capacity.

A good example of this investment is our involvement in the consortium working on the SEA-ME-WE 5 project, a submarine cable being laid between Malaysia and France. Through this initiative we are helping to bring more international capacity into the UAE, as well as ensuring connectivity is more resilient. We also hope that efficiency gains from the initiative can be translated into lower prices.

Datamena, our carrier-neutral transit and content hub that provides an interconnection platform for international carriers, content and service providers in the Middle East, successfully expanded its customer base during the year as we added more capacity. Datamena is proving very popular with customers and other stakeholders and was awarded Data Centre project of the year at the Network Middle East Innovation Awards.



#### Our people have built a multi award winning brand

Our dedicated employees are this company's greatest assets, and their incredible hard work and commitment has helped to shape a brand that goes from strength to strength.

In 2014, we grew our share of voice, maintaining a positive brand image and increasing the bond with our customers through our corporate and commercial campaigns, including creatively using social and digital media.

Our efforts have been widely recognised and we were delighted to be awarded 'Brand of the Year' by Campaign Middle East. Our 'du Tuesday' offering, which promotes two movie tickets for the price of one for all films every Tuesday for our customers, won us prestigious international laurels, proving the global standards of our communication campaigns.

#### An integrated future

We have had an excellent year, making enhancements, growing our capabilities, and improving efficiencies right across the business. We take our cue directly from what customers want most, which is excellent service, simple products and tariffs, and to stay connected in a flexible and seamless way.

These trends are undeniable, and so we will continue to focus on providing award winning products, deals and service in the year ahead, and we will ensure that our offering is underpinned by world class infrastructure. This means taking up the challenge to remain the market leader, and to carefully keep developing all of our operations so that we are a world class, fully integrated ICT provider.

The combination of our strong brand, quality products, deals and service, sitting alongside expert retail partners, is a compelling commercial proposition.



# Corporate governance

We are committed to implementing international best practice, maintaining our position as a leading example of corporate governance in the region

In 2014, we continued our commitment to creating and maintaining shareholder value by combining responsible business practices with the highest standards of corporate governance. Since our company began in 2006, we have continued our dedication to building a sustainable business built on integrity, accountability and a strong code of ethics. As a result, we have continually evolved our governance policies to ensure greater transparency and accountability across the business, from Board-level decision making to how our people operate day to day.

Our commitment to best practice ensures that we continue to adhere to international best practice guidelines and both the Securities and Commodities Authority (SCA) and Dubai Financial Market (DFM) principles and procedures. Our shareholders are kept informed of all developments and invited to vote and participate in all major decisions in line with best Board practice.

In 2014, we installed a number of new governance based procedures aimed at improving engagement with our stakeholders. For example, we put in place an SMS system to communicate with our shareholders for the AGM, focused on internal procedures to improving, developing and integrating governance procedures into everyday activities, hosted SCA to run training sessions on governance for our Board and senior management and participated in an OECD case study programme to help showcase the region's best business practices.

We have a track record of adopting, embedding and sustaining risk

management as a core competency throughout the organisation as we recognise its ability to enhance the performance of key activities and our ability to manage uncertainty.

We are proud to be one of very few firms in the Middle East to compile dedicated corporate governance and sustainability reports and we continue to implement highly sophisticated risk and whistle-blowing policies in our efforts to remain a market-leader in the field of transparency and accountability.

Most importantly, we have the support of all our people and suppliers in maintaining our governance standards. Our tireless commitment to improving transparency and accountability has enabled us to clearly demonstrate to our employees, the benefits of these activities. As a result of this commitment, we continue to be recognised and awarded for our efforts in this areas both regionally and internationally.

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.

In 2014, we continued our commitment to creating and maintaining shareholder value by combining responsible business practices with the highest standards of corporate governance.



“ Since our company began in 2006, we have remained dedicated to building a sustainable business on the foundations of integrity, accountability and a strong code of ethics. ”

Our Board committees

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

Audit Committee

The Audit Committee is responsible for monitoring our company’s financial statements and recommending changes to 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. The Audit Committee plays a key role in ensuring the company’s compliance to legal and regulatory requirements, and overseeing its accounting practices. It also oversees and develops the governance arrangements of the company.

Audit Committee members

- Ziad Galdari (Chair)
- Saeed Al Yateem
- Fadhel Al Ali
- Abdulla Al Shamsi
- Mohammed Al Suwaidi

Nomination and Remuneration Committee

The Nomination and Remuneration Committee set our policies that determine targets for performance related pay and determine the total individual package of each executive. The committee is also in charge of the preparation and review of HR policies ensuring they remain in line with relevant laws and regulations. The committee also oversees the Board membership nomination procedures.

Nomination and Remuneration Committee members

- Abdulhamid Saeed (Chair)
- Saeed Al Yateem
- Ziad Galadari
- Fadhel Al Ali
- Masood Mahmood

Investment Committee

The Investment Committee reviews and approves our company’s investment strategy in relation to core and non-core business that falls outside the executive management’s authority matrix.

This committee oversees all significant investment made by our company such as financial and strategic investments. All potential investments exceeding AED 100 million are referred to the Board for approval.

Investment Committee members

- Waleed Al Muhairi (Chair)
- Ahmad Bin Byat
- Hana Al Rostamani
- Mohammed Al Suwaidi
- Masood Mahmood

Transparency remains a key focus for our Board of Directors and executive management team.

Each of our committees is governed by internal systems designed to control risk through clearly stated policies. To make sure all of these elements are adhered to, our dedicated Compliance Officer governs all compliance requirements in terms of laws and regulations.

Our system of corporate governance continues to be managed in accordance with our corporate governance manual, approved by the Board of Directors. It is reviewed annually and the last revised version was approved in July 2014.

Our corporate governance report is available online at:  
[www.du.ae/about/corporate-governance](http://www.du.ae/about/corporate-governance)

Last year, we installed a number of new governance based procedures aimed at improving engagement with our stakeholders.

Sustainability and community engagement

We are committed to building an innovative and responsible business, and raising standards of sustainability across our entire company

In 2014 we continued to build upon our solid business foundations and consolidated our strategy to ensure all departments play their part towards corporate responsibility.

Our approach towards sustainability is about operating ethically and ambitiously, ‘adding life to life’ and creating value for all of our stakeholders – our customers, our employees, our investors, our community and our environment.

In 2014, we continued to build upon our solid business foundations and consolidated our strategy to ensure all departments play their part towards corporate responsibility. We implemented community-focused projects to ensure greater efficiency across our entire business, with a focus on four main themes – education, environment, entrepreneurship and the UAE’s heritage.

In line with the UAE National Innovation Strategy, we introduced our innovation platform, which will revolutionise the services and products we offer and provide innovative solutions to all of our customers.

In 2014, we continued to increase our drive to reduce our carbon emissions through the introduction of hybrid generators and recycling initiatives, to help us to become more efficient and resourceful.

In 2015, we will continue to enhance customer experience through a range of innovative services and continue to encourage the creation of a workplace that fosters creativity and genuine engagement.

Our people

Our highlight in 2014 was the introduction of our corporate volunteering programme, which has engaged our people in a number of activities, leading to a more meaningful contribution to our society.

This programme encourages our employees to participate in various activities across our four sustainability pillars – society, education, environment and entrepreneurship, and around 200

colleagues pledged more than 2,500 hours of volunteering service during the year.

In 2015, our employees will be encouraged to spend at least 8 hours taking part in volunteering initiatives over the course of the year.

Following the launch of ‘Every Step Counts’ in 2013 and to encourage wellness and healthier living for our people and the wider community, and after the success of the iOS version, we launched the Android version of the region’s first Wellness app in 2014, which aims to make healthy living accessible and fun. We also introduced wellness related KPI’s for our executive management team, supported by a structured wellness programme to increase and sustain optimal health. We involved the rest of our colleagues through unique fitness challenges and encouraging their participation in major marathons and events.

Learning and development lies at the core of our business. Last year we launched the ‘Development for All’ career planning framework that develops technical, managerial and leadership skills. Our commitment towards creating excellent career opportunities for our people and also providing them with a vibrant working environment has been recognised, and we were awarded one of the ‘Great Places to Work in the UAE’ at the ‘Gallup Great Workplace’ award, as well as the GCC ‘Best Employer Brand’ Award. Our people come from around the world, with UAE Nationals making up over 35% of our workforce, and women counting for nearly half of our hires over the year. Testament to this, we were recognised as ‘Employer of the Year’ by Dubai Women’s College, celebrating our continued efforts to provide employment opportunities for UAE Nationals and towards promoting gender equality.





“ We are committed to building a better tomorrow and strive to integrate sustainable practices within our business operations. ”

Our environment

We are committed to building a better tomorrow and strive to integrate sustainable practices within our business operations.

Our strategy stems from a commitment towards ensuring environmental sustainability across our entire business, with a key focus on our carbon footprint. Over the past year, we have installed hybrid energy solutions in our base transceiver stations to cut back on fossil fuel consumption and carbon emissions, introduced e-billing to reduce paper consumption, and focused on the recycling of office waste.

We introduced 41 hybrid power generation sites in 2014, which helped us save 6.2 million litres of diesel, and we have 10 solar sites planned for 2015. We also increased our efforts to recycle electronic waste, introduced a number of water conservation strategies, and encouraged all of our vendors to register on our online portal.

In 2014, our HSE policy was revised to include our commitment to climate change, and we will continue to track energy used across our operations and departments, and integrate KPIs.

We also introduced a special customer offer tied in with trading in old mobiles for new devices, ensuring handsets are disposed of in the correct way.

Our community

Over the course of 2014, we introduced a number of programmes and initiatives to encourage entrepreneurship and innovation, promote education and wellness, and also educate the UAE’s residents on the country’s rich culture and heritage.

Education is one of the key pillars of growth in the UAE, and continued to be an important focus for us in 2014. We formed partnerships with some of the best universities in the

country to promote education, and worked closely with the American University of Dubai (AUD) to award 20 scholarships to bright Emirati students. Our partnership with Zayed University, in the form of the state of the art du Multimedia Lab, also bore exciting results.

As part of our InfoSec Award, we invited university and college students from across the UAE to compete in a competition to develop new technologies related to cyber security. The top three innovations were awarded at our Cyber Security conference, which was held under the theme ‘Envisioning Smart City Security Challenges.’ The conference also featured our inaugural ‘Hackathon’ where UAE’s students participated to hack a typical Smart City model.

We continued to promote health and wellness through our ‘Every Step Counts’ wellness programme, with the launch of the Android version of our wellness app to complement the existing iOS version. Through a series of activations at popular locations, we attempted to reach the wider audience and encourage the adoption of a healthy lifestyle.

Our Ramadan campaign, ‘30 days of sharing’, aimed to bring the UAE’s residents together and share their special moments. To promote this message, we created a series of humorous advertisements that were aired through the Holy month. We further demonstrated our message through our Mawaed Al Rahman iftar distribution initiative, where we partnered with the Khalifa Foundation to support underprivileged Emirati women and help them build their entrepreneurial skills in the catering industry. Orders for tens of thousands of meal boxes were placed with these women so that we could distribute free iftar to the UAE’s low-income residents visiting local mosques during Ramadan.

Our customers

Our customer base continues to grow, testament to our commitment towards improving our products and services, giving customers’ choice and making life easier.

In 2014, we embedded structural change to meet our customers’ desire for simple, flexible and value-for-money products and services, and over the year, built on our capabilities to accelerate our ability to bring products and services to market and ensure an even better customer experience with us.

To better address our customers’ needs in an increasingly connected, data driven era, we launched daily and monthly social media bundles for pre-paid and post-paid customers segments, and reinforced our post-paid Smart Plan by offering additional benefits, such as bundles of flexible minutes and free calls to selected numbers.

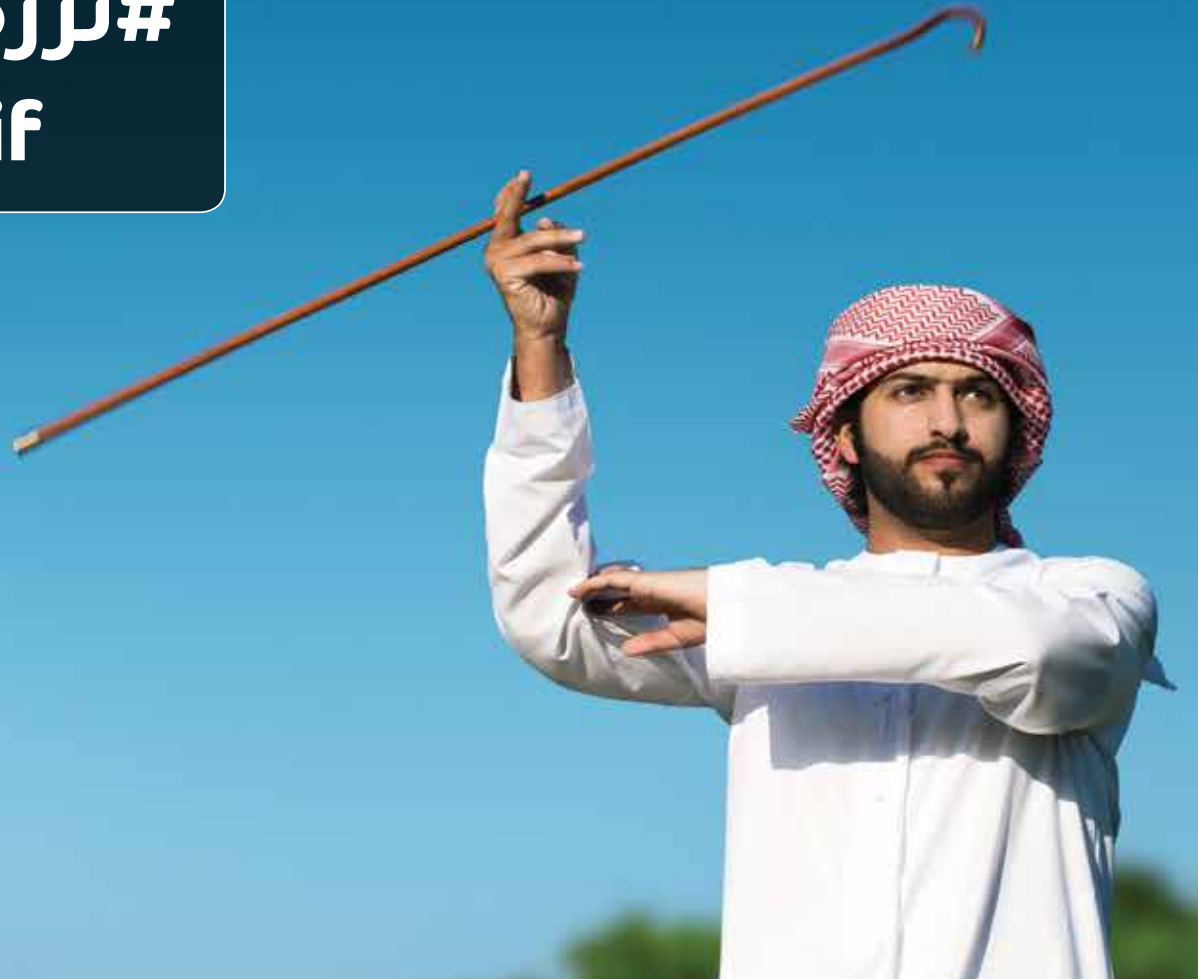
We extended our 3G and 4G network over the year, enhancing our capacity and coverage, and successfully fulfilled our TRA regulatory mandate as part of the My Number, My Identity Campaign.

We implemented various plans for our Enterprise customers, including Business Roaming Packs, which offer corporates greater flexibility, value and continued connectivity for their employees when travelling overseas.

In 2014, we also focused on allowing our customers to stay connected, everywhere, and we were involved in the consortium working on the SAE-ME-WE 5 project, a submarine cable being laid between Malaysia and France, through which we are hoping to bring more international capacity into the UAE.



# #نرذف\_لها #Narzif



2014 was also marked by the celebration of many other occasions, involving all of UAE's residents, be it rallying support for the Gulf Cup, spreading the message on the meaning of Hag El Laila or skydiving with the UAE flag across different Emirates to celebrate Flag Day .

We ended the year with a landmark National Day campaign that truly demonstrated residents' unified spirit of pride and love for the UAE. As part of the campaign, we wrote and produced a song – Narzif - for this occasion, with a video to match. The film captures Emiratis and non-Emirati's engaging in the traditional razfa dance, paying tribute to the nation. The video also

extended to the UAE diaspora, members of which are seen doing the razfa at popular locations in the UK and USA .

The video went viral, receiving over 5.5 million views on our YouTube channel alone. Encouraged by the public support, we started a competition asking people to create their own Narzif video receiving over 8000 entries!

After a successful and prosperous year, in 2015 we will continue to look at ways we can support and encourage education, drive Dubai's development into a sustainable and Smart City and pioneer wellness across every aspect of our business.

**2014 was also marked by the celebration of many other occasions, involving all of UAE's residents.**

## Consolidated 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 (the Company) and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### 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 the auditor's 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, the auditor considers 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 financial position of the Group as at 31 December 2014, and its



financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (8) of 1984, as amended, in respect of the Company, we report that:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, and the Articles of Association of the Company;
- (iii) the Company has maintained proper books of accounts and has carried out physical verification of inventories in accordance with properly established procedures;
- (iv) the financial information included in the Chairman’s message and Chief Executive Officer’s review is consistent with the books of account of the Company; and
- (v) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2014.

Other matter

The consolidated financial statements of the Group as of and for the year ended 31 December 2013 were audited by another auditor whose report dated 17 February 2014 expressed an unqualified opinion on those consolidated financial statements.



PricewaterhouseCoopers  
18 February 2015

Paul Suddaby  
Registered Auditor Number 309  
Dubai, United Arab Emirates

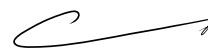
Consolidated statement of financial position

	As at 31 December		
	Note	2014 AED 000	2013 AED 000
Non-current assets			
Property, plant and equipment	6	8,202,372	7,872,918
Intangible assets	7	1,208,949	1,182,046
Investment	8	107,890	56,913
Total non-current assets		9,519,211	9,111,877
Current assets			
Inventories		150,183	56,251
Trade and other receivables	9	1,709,493	1,494,063
Due from related parties	10	466,475	408,098
Short term investments	11	5,840,000	4,485,000
Cash and bank balances	12	192,737	393,783
Total current assets		8,358,888	6,837,195
Current liabilities			
Trade and other payables	13	5,330,087	4,566,942
Due to related parties	10	-	21,317
Borrowings	14	574,462	1,031,651
Total current liabilities		5,904,549	5,619,910
Net current assets		2,454,339	1,217,285
Non-current liabilities			
Borrowings	14	3,856,136	2,943,799
Provision for employees’ end of service benefits	15	165,396	143,697
Provisions	16	113,279	97,989
Total non-current liabilities		4,134,811	3,185,485
Net assets		7,838,739	7,143,677
Represented by:			
Share capital and reserves			
Share capital	17	4,571,429	4,571,429
Share premium	18	393,504	393,504
Other reserves	19	1,792,982	1,626,373
Retained earnings		1,080,824	552,371
Total equity		7,838,739	7,143,677

The consolidated financial statements were approved by the Board of Directors on 18 February 2015 and signed on its behalf by:



Ahmad Bin Byat  
Chairman



Osman Sultan  
Chief Executive Officer

The notes on pages 45 to 84 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

	For the year ended 31 December		
	Note	2014 AED 000	2013 AED 000
Revenue	29	12,238,365	10,799,320
Interconnect costs		(3,046,378)	(2,668,656)
Staff costs		(903,690)	(840,524)
Network operation and maintenance		(746,829)	(771,572)
Product costs		(637,275)	(558,248)
Outsourcing and contracting		(470,314)	(469,851)
Commission		(362,079)	(245,835)
Telecommunication license and related fees		(311,606)	(269,542)
Marketing		(296,993)	(288,928)
Dedicated leased lines		(84,349)	(79,354)
Rent and utilities		(83,665)	(108,828)
Other expenses	21	(270,940)	(202,272)
Other income		6,160	10,685
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		5,030,407	4,306,395
Depreciation	6	(1,162,403)	(1,109,424)
Amortisation of intangible assets	7	(152,049)	(154,027)
<b>Operating profit</b>		<b>3,715,955</b>	<b>3,042,944</b>
Finance income	23	93,095	54,970
Finance expense	23	(106,539)	(83,752)
Share of loss of investment accounted for using equity methods	8	(968)	(313)
<b>Profit before royalty</b>		<b>3,701,543</b>	<b>3,013,849</b>
Royalty	24	(1,592,194)	(1,027,449)
<b>Profit for the year</b>		<b>2,109,349</b>	<b>1,986,400</b>
Total profit and comprehensive income attributable to shareholders of the Company		2,109,349	1,986,400
Basic and diluted earnings per share (AED)	25	0.46	0.43

There has been no "other comprehensive income" for the years ended 31 December 2014 and 2013.

The presentation of the consolidated statement of comprehensive income in these consolidated financial statements has been changed as compared to the consolidated statement of comprehensive income in the consolidated financial statements for the year ended 31 December 2013. Details on this change are referred to in Note 2.4.

The notes on pages 45 to 84 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	For the year ended 31 December		
	Note	2014 AED 000	2013 AED 000
<b>Cash flows from operating activities</b>			
Profit for the year		2,109,349	1,986,400
<b>Adjustments for:</b>			
Depreciation		1,162,403	1,109,424
Amoritsation of intangible assets		152,049	154,027
Provision for employees' end of service benefits	15	42,943	42,030
Provision/(reversal of provision) for slow moving and obsolete inventories		5,585	(4,016)
Provision for impairment of trade receivables	9	75,089	79,149
Gain on interest rate swap	9.3	(786)	-
Finance income	23	(93,095)	(54,970)
Interest expense	23	105,089	84,706
Equity-settled share based payment transactions	19	2,855	6,801
(Fair value adjustment (asset retirement obligations	16	3,697	(1,064)
Share of loss of investment accounted for using equity method	8	968	313
Changes in working capital	26	304,028	410,038
<b>Net cash generated from operating activities</b>		<b>3,870,174</b>	<b>3,812,838</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(1,485,489)	(1,325,849)
Purchase of intangible assets		(153,701)	(134,264)
Purchase of additional investment		(26,741)	(21,543)
Interest received		71,755	39,194
Margin on guarantees placed	12	3,269	16,829
Short term investments placed	11	(1,355,000)	(3,855,000)
<b>Net cash used in investing activities</b>		<b>(2,945,907)</b>	<b>(5,280,633)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,337,732	2,406,276
Repayment of borrowings		(2,882,584)	(603,557)
Payment on behalf of founding shareholders		(57,883)	(150,991)
Interest paid		(102,167)	(84,822)
Dividends paid	19	(1,417,142)	(2,377,143)
<b>Net cash used in financing activities</b>		<b>(1,122,044)</b>	<b>(810,237)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(197,777)</b>	<b>(2,278,032)</b>
Cash and cash equivalents at 1 January		378,477	2,656,509
<b>Cash and cash equivalents at 31 December</b>	12	<b>180,700</b>	<b>378,477</b>

The notes on pages 45 to 84 form an integral part of these consolidated financial statements.



## Notes to the consolidated financial statements for the year ended 31 December 2014

### Consolidated statement of changes in equity

	Share capital (Note 17) AED 000	Share premium (Note 18) AED 000	Other reserves (Note 19) AED 000	Retaining earnings AED 000	Total AED 000
<b>At 1 January 2013</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,923,790</b>	<b>638,896</b>	<b>7,527,619</b>
Total profit and comprehensive income for the year	-	-	-	1,986,400	1,986,400
<b>Total</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,923,790</b>	<b>2,625,296</b>	<b>9,514,019</b>
Transfer to share based payment reserve	-	-	6,801	-	6,801
Transfer to statutory reserve	-	-	198,640	(198,640)	-
Interim cash dividend <sup>(1)</sup>	-	-	548,571	(548,571)	-
Special cash dividend <sup>(2)</sup>	-	-	457,143	(457,143)	-
Final cash dividend proposed <sup>(3)</sup>	-	-	868,571	(868,571)	-
Cash dividends paid	-	-	(2,377,143)	-	(2,377,143)
<b>Total transactions with shareholders recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(297,417)</b>	<b>(2,072,925)</b>	<b>(2,370,342)</b>
<b>At 31 December 2013</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,626,373</b>	<b>552,371</b>	<b>7,143,677</b>
<b>At 1 January 2014</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,626,373</b>	<b>552,371</b>	<b>7,143,677</b>
Total profit and comprehensive income for the year	-	-	-	2,109,349	2,109,349
<b>Total</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,626,373</b>	<b>2,661,720</b>	<b>9,253,026</b>
Transfer to share based payment reserve	-	-	2,855	-	2,855
Transfer to retained earnings	-	-	(92,896)	92,896	-
Transfer to statutory reserve	-	-	210,935	(210,935)	-
Interim cash dividend <sup>(1)</sup>	-	-	548,571	(548,571)	-
Final cash dividend proposed <sup>(3)</sup>	-	-	914,286	(914,286)	-
Cash dividends paid	-	-	(1,417,142)	-	(1,417,142)
<b>Total transactions with shareholders recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>166,609</b>	<b>(1,580,896)</b>	<b>(1,414,287)</b>
<b>At 31 December 2014</b>	<b>4,571,429</b>	<b>393,504</b>	<b>1,792,982</b>	<b>1,080,824</b>	<b>7,838,739</b>

(1) An interim cash dividend of AED 0.12 per share (2013: AED 0.12 per share) amounted to AED 548,571 thousand (2013: AED 548,571 thousand) was paid during the year.

(2) A special cash dividend of AED 0.10 per share amounted to AED 457,143 thousand was paid during the year 2013.

(3) A final cash dividend of AED 0.20 per share (2013: AED 0.19 per share) amounting to AED 914,286 thousand (2013: AED 868,571 thousand) is proposed.

The notes on pages 45 to 84 form an integral part of these consolidated financial statements.

### 1. General information

Emirates Integrated Telecommunications Company PJSC ("the Company") is a public joint stock company with limited liability. The Company was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates (UAE). These consolidated financial statements for the year ended 31 December 2014 include the financial statements of the Company and its subsidiaries (together "the Group").

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

During the year 2010, the Group established a wholly owned subsidiary; EITC Investment Holdings Limited incorporated as an offshore company in accordance with the Jebel Ali Free Zone Offshore Companies Regulations, 2003. The principal objective of this entity is to hold investments for new non-core business activities in which the Group wishes to invest in the future, such as content, media, data and value added services for telecommunications.

During the year ended 31 December 2014, EITC Investment Holdings Limited established a wholly owned subsidiary; Telco Operations FZ-LLC, registered on 24 April 2014 under Dubai Technology and Media Free Zone Private Companies Regulations, 2003. The principal activity of this entity is telecommunication services and network development. This entity started its operations during June 2014.

### 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee

interpretations (IFRIC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments.

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

#### 2.1 New standards, amendments and interpretations

(a) Amended standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2014 adopted by the Group but not currently relevant or not having material impact

- Amendment to IFRS 10, 'Consolidated financial statements', effective date 1 January 2014;
- Amendment to IFRS 12, 'Disclosure of interests in other entities', effective date 1 January 2014;
- Amendment to IAS 27, 'Separate financial statements', effective date 1 January 2014;
- Amendment to IAS 32, 'Financial instruments presentation', effective date 1 January 2014;
- Amendment to IAS 36, 'Impairment of assets', effective date 1 January 2014;
- Amendment to IAS 39, 'Financial instruments: recognition and measurement', effective date 1 January 2014; and
- IFRIC 21, 'Levies', effective date 1 January 2014.

(b) New standards and amendments issued but not effective until financial years beginning after 1 January 2014 and not early adopted by the Group

# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 2. Basis of preparation (continued)

- Amendment to IAS 19, 'Employee benefits' (effective from 1 July 2014);
- Amendment to IFRS 11, 'Joint arrangements' (effective from 1 January 2016);
- Amendments to IAS 16, 'Property, plant and equipment' (effective from 1 January 2016);
- Amendment to IAS 38, 'Intangible assets' (effective from 1 January 2016);
- Amendment to IAS 41, 'Agriculture' (effective from 1 January 2016);
- Amendment to IFRS 10, Consolidated financial statements ' (effective from 1 January 2016);
- Amendment to IAS 28, 'Investments in associates and joint ventures' (effective from 1 January 2016);
- Amendment to IAS 27, 'Separate financial statements' (effective from 1 January 2016);
- IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017); and
- IFRS 9, 'Financial instruments' (effective from 1 January 2018)

IFRS 15 'Revenue from contracts with customers', establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard is effective for annual periods beginning on or after 1 January 2017 while earlier application is permitted. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This revenue standard will impact telecommunication entities with certain changes having the potential for the greatest impact, such as:

- Additional revenue may need to be allocated to discounted or 'free' products provided at the beginning of a service period due to the elimination of the 'contingent revenue cap', and changes to and restrictions in the use of the 'residual method' currently applied by some telecommunication entities; and
- Accounting treatment of activation fees, customer acquisition costs, and certain contract fulfilment costs may be affected etc.

The Group is yet to assess full impact of this new revenue standard on its operations. It expects to apply this standard from 1 January 2017.

Management is in the process of identifying the relevance and the impact of the above standards, amendments and interpretations on its consolidated financial statements. Management expects that most of the relevant standards, amendments and interpretations will not have a material impact on the consolidated financial statements, except for IFRS 15, which is likely to result in acceleration of recognition of some revenue streams when adopted.

### 2.2 Earnings per share

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

### 2.3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are

believed to be reasonable under the circumstances.

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

#### (i) Provision for impairment of trade receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the aging of the party accounts, historic experience and the information available on the parties' financial position. Changes to the estimated impairment provision may be required if the financial condition of the parties was to improve or deteriorate.

#### (ii) Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested, but do include the Group's expectations of future capital expenditure necessary to maintain the Group's network existing operations. These calculations are performed internally by the Group and require the use of estimates and assumptions.

The input factors most sensitive to change are management estimates of future cash flows based on budgets, growth rates and discount rate. Further detail on these assumptions has been disclosed in Note 7. The Group has performed a sensitivity

analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. No impairment is recognised on the goodwill in the current and the prior year.

#### (iii) Useful lives of property, plant and equipment

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

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets. The useful lives of the property, plant and equipment are provided in Note 3.2.

#### (iv) Asset retirement obligations

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

The present value of the Group's provision is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate discount rate. Additional information on this provision is disclosed in Note 16.



Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

2. Basis of preparation  
(continued)

(v) Intangible assets with finite  
useful lives

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

**Licenses**  
The useful lives of licenses are determined primarily with reference to the unexpired license period.

**Software**  
The useful life is determined with reference to the license term of the computer software. For specific software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.

**Other intangible assets**  
Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

The useful lives of the intangible assets are provided in Note 3.3.

(vi) Federal royalty

The computation of Federal Royalty in accordance with the Cabinet of Ministers of UAE decision No. 320/15/23 of 2012 and various guidelines issued by the UAE Ministry of Finance ("the MoF") and subsequent clarification letters require use of certain critical judgements, interpretations and assumptions. These mainly relate to the segregation of items

between regulated and other activities and items which the Group judges as not subject to Federal royalty or which may be set off against revenue which are subject to Federal royalty.

(vii) Provision for employees' end of  
service benefits

The Group exercises judgement in determining the expected cash outflows related to its end of service benefits provision. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur. The present value of the Group's provision is based on management's best estimate of period of employment, annual rate of salary increment and discount rate. Additional information on this provision is disclosed in Note 15.

2.4 Change in the presentation  
of consolidated statement of  
comprehensive income

During 2014, the Group has changed the categorisation and presentation of its expenses in the 'consolidated statement of comprehensive income' from 'by function' to 'by nature', both of which are allowed as per International Financial Reporting Standards. Accordingly, the presentation of comparative information for the year ended 31 December 2013 has been amended to be consistent. There is no impact of the change on revenues, the total amount of expenses or on profit for the year. It is merely a change in presentation.

The new presentation 'by nature' of expenses provides information which the Group believes to be more relevant to the operations of a telecom business, compared to the previous presentation which, for example, included 'network operation and maintenance' expense in 'operating expenses' rather than 'cost of sales'.

Further, in the consolidated statement of comprehensive income, the Group has presented a new measure i.e. Earnings

Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") which is a Key Performance Indicator ("KPI") that is relevant to the telecom business and closely monitored by analysts.

This measure is out of scope of IFRS but is presented only for the users to compare profitability between various telecommunication companies eliminating the effects of financing and accounting decisions.

The table below shows the impact of the change in classification of various expenses of 2013:

Presentation of expenses by nature	2013 AED 000	Presentation of expenses by function	2013 AED 000
Interconnect costs	2,668,656	Cost of sales	3,552,629
Commission	245,835		
Product costs	558,248		
Dedicated leased lines	79,354		
Other expenses	536		
	3,552,629		
Staff costs	840,524	General and administrative expenses	4,214,432
Outsourcing and contracting	469,851		
Marketing	288,928		
Network operation and maintenance	771,572		
Rent and utilities	108,828		
Telecommunication license and related fees	269,542		
Depreciation	1,109,424		
Amortisation of intangible assets	154,027		
Other expenses	201,736		
	4,214,432		

There is no change to the consolidated statement of financial position presentation or amounts as a result of the above change. Accordingly, no consolidated statement of financial position as at 31 December 2012 has been shown.

Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains

or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of

the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

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

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

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the

Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investment in associate are recognised in the consolidated statement of comprehensive income.

3.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of



Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

the replaced part is derecognised. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

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

	Years
Buildings	20-35
Plant and equipment	2-25
Furniture and fixtures	3-5
Motor vehicles	4

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 3.11.2).

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

Capital work in progress is stated at cost net of any accumulated impairment losses. When available for use, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group’s policies. Assets in the course of construction or under inspection pending certification for their intended use, are carried at cost as capital work-in-progress, and transferred to property, plant and equipment when

available for use. All costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management, are included in the cost of the asset. No depreciation is charged on such assets until available for use.

3.3 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquiree, in the case of a bargain purchase, the difference is recognised directly in the profit and loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units, or groups of cash generating units (CGU), that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

Licenses and other rights of use

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

	Years
Telecommunications license fee	20
Indefeasible right of use	10-15

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

3.4 Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Lease of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases’ commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The

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

3.5 Inventories

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

3.6 Trade receivables

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

3.7 Financial instruments

3.7.1 Non-derivative financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'due from related parties' 'short term investments' and 'Cash and bank balances' in the consolidated statement of financial position.

Recognition and measurement

The Group recognises loans and receivables when it becomes a party to the contractual provision of the instruments. The Group 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 Group is recognised as a separate asset or liability.

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.

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

3.7.2 Non-derivative financial liabilities

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

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

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

3.7.3 Offsetting of financial instruments

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

3.7.4 Share capital

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

3.7.5 Dividend on ordinary shares

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

3.8 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within

one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.9 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in the consolidated statement of comprehensive income.

Asset retirement obligations

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

3.10 Employee benefits

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

Provision for employees' end of service benefits for non-UAE nationals is made in accordance with UAE Labour Law. 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.

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

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

3.11 Impairment

3.11.1 Financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

3.11.2 Non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.12 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured.

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

3.13 Revenue recognition

Revenue comprises the invoiced or accrued amounts from the sale of goods and services (telecommunication and others) in the ordinary course of the Group’s activities. Revenue is shown net of returns, discounts and rebates allowed. Revenue from telecommunication services comprise amounts charged to customers in respect of monthly access charges, airtime usage, messaging, the provision of other mobile telecommunications services, including data services and information provision and fees for connecting fixed line and mobile users to the Group’s network.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and

associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Postpaid products with multiple deliverables that have value to a customer on standalone basis are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, subscriber identification module (SIM) card and a service contract. These arrangements (mainly the subsidy plans) are divided into separate units of accounting, and revenue is mainly recognised through application of the residual value method. In applying the residual value method, consideration is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

The Group launched new handset instalment plans in 2013 and 2014 wherein the consideration is allocated to each deliverable based on the relative fair value of the individual elements. Relative fair value method with respect to these plans has been applied by the Group as a pilot to prepare for the adoption of IFRS 15.

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

Access charges, airtime and other services used by postpaid customers are invoiced

and recorded as part of a periodic billing cycle and recognised as revenue over the related access period, with unbilled revenue resulting from services already provided from the billing cycle date to the end of each period accrued.

Revenue from the sale of prepaid credit is recognised on the actual utilisation of the prepaid credit and is deferred as deferred revenue until such time as the customer uses the credit, or the credit expires.

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

Contract revenue is recognised under the percentage of completion method. Profit on contracts is recognised only when the outcome of the contracts can be reliably estimated. Provision is made for foreseeable losses estimated to complete contracts. Contract revenue mainly comprises revenue from managed services provided by the Group.

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

Incentives (promotions) are provided to customers in various forms and are usually offered on signing a new contract, sale of SIM card, sale of recharge or as part of a regular promotional offering. Incentives provided on the signing of contracts or sale of SIM cards to customers are recognised as an upfront discount against revenue. Incentives provided on the sale of recharge to prepaid customers are recognised as a deduction against revenue over the estimated period of usage of the respective recharge while incentives provided to postpaid customers are recorded over their billing period.

Incentives are also provided upon sale of SIM cards and vouchers to intermediaries.

Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Where amounts paid upfront to intermediaries represent an amount contributed to enable the intermediaries to offer discounts to customers, they are recognised as a discount from revenue.

When the Group sells goods or services as a principal, revenue from customers and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

**3.14 Commission to intermediaries**  
Intermediaries are given commissions by the Group mainly to acquire new customers and supply recharge credits. Such commissions are recognised as an expense in the period when the respective services are provided.

**3.15 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 expense 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.

**3.16 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.

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

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

**3.19 Borrowing costs**  
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of

time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

**3.20 Derivative financial instruments**  
The Group enters into derivative financial instruments such as interest rate swaps to manage its exposure to interest rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The Group does not currently designate any financial instruments as hedging instruments, and accordingly all resulting gains or losses arising from the remeasurement of derivatives are recognised in the profit or loss immediately.

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

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

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

**4.3 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**  
**5.1 Financial risk factors**  
The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group’s overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

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

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



Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

5. Financial risk management  
(continued)

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

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

(a) Credit risk

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

Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group’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 Group’s terms and conditions are offered. The Group’s review can include

external ratings, when available, customer segmentation, and in some cases bank references. Credit limits are established for each customer in accordance with this policy, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed periodically.

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

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

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

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

Cash and bank balances

Cash is placed with reputable banks and the risk of default is considered remote.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s business and reputation. A major portion of the Group’s funds are invested in short term investments which are readily available to meet expected operational expenses, including servicing of financial obligations. The table in Note 28.2 analyses the Group’s non-derivative financial liabilities and derivative financial liabilities, if any, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities, if any, are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

(c) Market risk

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

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

(i) Foreign exchange risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency, primarily the Euro, other than the functional currency of Group. In respect

of the Group’s transactions denominated in US Dollars (USD), the Group is not exposed to material currency risk as the AED is currently pegged to the USD at a fixed rate of exchange.

The Group’s exposure and sensitivity analysis in respect to the foreign exchange risk is detailed in Note 28.3.

(ii) Price risk

The Group is not exposed to any material equity securities or commodity price risk.

(iii) Cash flow and fair value interest rate risks

The Group’s interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2014 and 2013, the Group’s borrowings at variable rate were denominated in the USD.

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

The sensitivity analysis performed by the Group in respect to the interest rate risk is detailed in Note 28.4. The sensitivity analysis is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the

Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

5. Financial risk management  
(continued)

economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

5.2 Capital risk management

The 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 Group performance in relation to its long range business plan and its long-term profitability objectives.

5.3 Fair value estimation

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	In AED’000			
	Level 1	Level 2	Level 3	Total
At 31 December 2014				
Financial assets at fair value through profit or loss				
Derivative financial instruments [Note 9.3]	-	-	786	786

The derivative financial instruments were acquired during the year ended 31 December 2014.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of interest rate swaps classified as derivative financial instruments in the table above is calculated by the bank providing the loan and derivative using mark to market method.

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
<b>Cost</b>						
At 1 January 2013	47,208	9,770,529	237,354	1,482	951,830	11,008,403
Additions	-	722,293	1,944	-	642,738	1,366,975
Addition: asset retirement obligations	-	3,416	-	-	-	3,416
Transfers	-	430,491	11,565	-	(442,056)	-
Disposals	-	(59,018)	(20,751)	-	-	(79,769)
<b>At 31 December 2013</b>	<b>47,208</b>	<b>10,867,711</b>	<b>230,112</b>	<b>1,482</b>	<b>1,152,512</b>	<b>12,299,025</b>
Additions		654,066	8,242	87	812,606	1,475,001
Addition: asset retirement obligations	-	11,593	-	-	-	11,593
Transfers	-	338,354	1,815	-	(340,169)	-
Disposals	-	(6,538)	(2,148)	(33)	-	(8,719)
<b>At 31 December 2014</b>	<b>47,208</b>	<b>11,865,186</b>	<b>238,021</b>	<b>1,536</b>	<b>1,624,949</b>	<b>13,776,900</b>
<b>Depreciation / impairment</b>						
At 1 January 2013	15,273	3,188,332	176,243	1,481	36,306	3,417,635
Charge for the year	2,234	1,043,567	33,784	1	-	1,079,586
Disposals/write-off	-	(56,619)	(20,250)	-	(24,083)	(100,952)
Impairment/(reversal of Impairment)	-	30,211	-	-	(373)	29,838
<b>At 31 December 2013</b>	<b>17,507</b>	<b>4,205,491</b>	<b>189,777</b>	<b>1,482</b>	<b>11,850</b>	<b>4,426,107</b>
Charge for the year	2,233	1,120,567	23,175	10	-	1,145,985
Disposals/write-off		(5,478)	(1,866)	(33)	(6,605)	(13,982)
Impairment/(reversal of impairment)	-	15,167	-	-	1,251	16,418
<b>At 31 December 2014</b>	<b>19,740</b>	<b>5,335,747</b>	<b>211,086</b>	<b>1,459</b>	<b>6,496</b>	<b>5,574,528</b>
<b>Net book value</b>						
<b>At 31 December 2014</b>	<b>27,468</b>	<b>6,529,439</b>	<b>26,935</b>	<b>77</b>	<b>1,618,453</b>	<b>8,202,372</b>
At 31 December 2013	<b>29,701</b>	<b>6,662,220</b>	<b>40,335</b>	<b>-</b>	<b>1,140,662</b>	<b>7,872,918</b>

The carrying amount of the Group’s buildings include a nominal amount of AED 1 (2013: AED 1) in relation to land granted to the Group by the UAE Government.



# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 7. Intangible assets

	2014 AED 000	2013 AED 000
Goodwill	549,050	549,050
Other intangible assets	659,899	632,996
	1,208,949	1,182,046

### Goodwill

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

	2014 AED 000	2013 AED 000
Goodwill	549,050	549,050

The Group tests goodwill for impairment annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the five year business plan approved by the Board of Directors. Goodwill is allocated to two CGU, being the broadcasting operations to which AED 135,830 thousand is allocated and the fixed line business to which AED 413,220 thousand is allocated.

The key assumptions for the value-in-use calculations at 31 December 2014 include a discount rate of 9.3% and a terminal growth rate of 3%. The discount rate was a post-tax measure based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 13.5%. The terminal growth rate was determined based on management's estimate of the long term compound EBITDA growth rate, consistent with the assumption that a market participant would make.

The estimated recoverable amount of the broadcasting CGU exceeded its carrying amount by AED 389 million and that of the fixed line business exceeded its carrying amount by AED 6,562 million. The management has identified that a reasonably possible change in its key assumptions would not cause the carrying amount to exceed its recoverable amount.

## 7. Intangible assets (continued)

### Other intangible assets

The net book value of the other intangible assets is as follows:

	Software in use AED 000	Capital work in progress AED 000	Telecomm- unications license fees AED 000	Indefeasible right of use AED 000	Total AED 000
<b>Cost</b>					
At 1 January 2013	947,136	122,684	124,500	287,759	1,482,079
Additions	72,152	69,297	-	32,845	174,294
Transfers	80,115	(80,115)	-	-	-
Write off	(26,076)	-	-	-	(26,076)
<b>At 31 December 2013</b>	<b>1,073,327</b>	<b>111,866</b>	<b>124,500</b>	<b>320,604</b>	<b>1,630,297</b>
At 1 January 2014	1,073,327	111,866	124,500	320,604	1,630,297
Additions	37,807	113,260	-	27,887	178,954
Transfers	69,690	(69,690)	-	-	-
Write off	(18)	-	-	-	(18)
<b>At 31 December 2014</b>	<b>1,180,806</b>	<b>155,436</b>	<b>124,500</b>	<b>348,491</b>	<b>1,809,233</b>
<b>Amortisation</b>					
At 1 January 2013	739,086	-	42,722	88,101	869,909
Charge for the year	117,269	-	6,225	26,345	149,839
Write off	(26,635)	-	-	-	(26,635)
Impairment	4,188	-	-	-	4,188
<b>At 31 December 2013</b>	<b>833,908</b>	<b>-</b>	<b>48,947</b>	<b>114,446</b>	<b>997,301</b>
At 1 January 2014	833,908	-	48,947	114,446	997,301
Charge for the year	116,568	-	6,225	29,256	152,049
Write off	(16)	-	-	-	(16)
<b>At 31 December 2014</b>	<b>950,460</b>	<b>-</b>	<b>55,172</b>	<b>143,702</b>	<b>1,149,334</b>
<b>Net book value</b>					
<b>At 31 December 2014</b>	<b>230,346</b>	<b>155,436</b>	<b>69,328</b>	<b>204,789</b>	<b>659,899</b>
At 31 December 2013	<b>239,419</b>	<b>111,866</b>	<b>75,553</b>	<b>206,158</b>	<b>632,996</b>

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

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. 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.

# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 8. Investment

In the year 2013, the Group acquired 10% shares in Khazna Data Center Limited ("the Associate"), a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Associate is providing wholesale data centre services.

On 17 December 2014, the Group exercised first (in full) and second (in part) call options to acquire additional 16% interest in the ownership shares of the Associate as well as its contributed capital. At 31 December 2014, the legal formalities to complete the transaction were under process.

	2014 AED 000	2013 AED 000
At 1 January	56,913	-
Increase in investment	73,631	57,226
Repayment of contributed capital	(21,686)	-
Share of loss for the year	(968)	(313)
<b>At 31 December</b>	<b>107,890</b>	<b>56,913</b>

Summarised financial information for the Associate is as follows:

### Statement of financial position as of 31 December:

	2014 AED 000	2013 AED 000
Non-current assets	507,090	412,927
Current assets	95,317	1,186
Current liabilities	(97,788)	(116,822)
Non-current liabilities	(166,451)	(2)
<b>Net assets</b>	<b>338,168</b>	<b>297,289</b>

### Income statement for the year ended 31 December:

	2014 AED 000	2013 AED 000
Revenue	14,876	-
Loss for the year	(9,678)	(6,398)

## 9. Trade and other receivables

	2014 AED 000	2013 AED 000
Trade receivables	955,109	797,085
Less: provision for impairment of trade receivables	(423,389)	(417,670)
	531,720	379,415
Due from other telecommunications operators, net of provision for impairment	405,171	350,283
Less: payable balances set off where right to set off exists	(247,026)	(231,917)
Unbilled revenue	536,772	450,814
<b>Total trade receivables, net (Note 9.1)</b>	<b>1,226,6377</b>	<b>948,595</b>
Advances to suppliers	183,518	285,134
Prepayments	230,834	203,837
Deferred fees (Note 9.2)	1,250	84
Other receivables	67,254	56,413
	<b>1,709,493</b>	<b>1,494,063</b>

9.1 The majority of the provision for impairment of trade receivables is against balances more than 180 days overdue. At 31 December 2014, AED 454,403 thousand of receivables are more than 180 days overdue against which impairment provisions of AED 332,925 thousand are carried. (31 December 2013: AED 479,750 thousand and AED 331,254 thousand).

9.2 An annual license fee is charged in respect of the telecommunications license 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 Group.

9.3 Other receivables include AED 786 thousand **(2013: nil)** being the fair value of the interest rate swap, a derivative financial instrument designated as fair value through profit and loss account by the Group.



# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 9. Trade and other receivables (continued)

The movement in the provision for impairment of trade receivables is as follows:

	2014 AED 000	2013 AED 000
At 1 January	417,670	352,913
Provision for impairment	75,478	78,509
Write-off during the year	(69,759)	(13,752)
<b>At 31 December</b>	<b>423,389</b>	<b>417,670</b>

The movement in the provision for impairment of telecommunication operators is as follows:

	2014 AED 000	2013 AED 000
At 1 January	2,732	2,092
Reversal of provision for impairment	(389)	640
<b>At 31 December</b>	<b>2,343</b>	<b>2,732</b>
<b>Total provision for impairment of receivables</b>	<b>425,732</b>	<b>420,402</b>

Trade receivables that are 30 days past due are considered for impairment. Ageing analysis of trade receivables is provided in Note 28.1. The Group had no significant concentration of credit risk. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

## 10. Related party balances and transactions

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

	2014 AED 000	2013 AED 000
<b>Related party balances:</b>		
<b>Due from related parties</b>		
Axiom Telecom LLC	234,650	197,024
Founding shareholders	230,994	196,755
Tecom Investments FZ LLC	831	-
Others	-	14,319
	<b>466,475</b>	<b>408,098</b>
<b>Due to related parties</b>		
Tecom Investments FZ LLC	-	17,161
Others	-	4,156
	<b>-</b>	<b>21,317</b>

### Related party transactions:

All transactions with related parties are carried out at commercial rates. The following table reflects the gross value of transactions with related parties.

	2014 AED 000	2013 AED 000
Tecom Investments FZ LLC:	55,046	66,202
- Office rent and services		
- Infrastructure cost		
Employees' end of service benefits	16,082	14,418
Axiom Telecom LLC - Authorised distributor - net revenue	3,163,197	2,455,219
Injazat Data Systems LLC - Data Centre rent and services	12,735	11,455
Investment in Associate (Note 8)	73,631	57,226

### Key management compensation

	2014 AED 000	2013 AED 000
Short term employee benefits	43,125	37,695
Employees' end of service benefits	1,235	1,239
Post-employment benefits	1,101	575
Long term incentives	7,459	2,161
Directors' remuneration	9,401	9,072
	<b>62,321</b>	<b>50,742</b>

The Group also provides telecommunication services to the Federal Government (including Ministries and local bodies). These transactions are at normal commercial terms. In accordance with IAS 24 (revised 2009): Related Party Disclosures, the Group has elected not to disclose transactions with the UAE Federal Government and other entities over which the Federal Government exerts control, joint control or significant influence.

# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 11. Short term investments

	2014 AED 000	2013 AED 000
Short term investments	5,840,000	4,485,000

Short term investments represent bank deposits with maturity periods exceeding 3 months from the date of acquisition. Management does not have any intention to hold these short term investments for more than 1 year from the reporting date.

## 12. Cash and bank balances

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

	2014 AED 000	2013 AED 000
Cash at bank (on deposit and call accounts)	192,353	393,384
Cash on hand	384	399
	<b>192,737</b>	<b>393,783</b>
Less: margin on guarantees	(12,037)	(15,306)
<b>Cash and cash equivalents</b>	<b>180,700</b>	<b>378,477</b>

## 13. Trade and other payables

	2014 AED 000	2013 AED 000
Trade payables and accruals	2,075,729	2,048,381
Due to other telecommunications operators	919,978	892,609
Less: receivable balances set off where right to set off exists	(247,026)	(231,917)
Accrued royalty (Note 24)	1,594,268	1,075,047
Deferred revenue	573,237	469,375
Customer deposits	129,030	120,896
Employee benefit accruals	197,051	178,261
Retention payable	13,876	13,976
Others	73,944	314
	<b>5,330,087</b>	<b>4,566,942</b>

## 14. Borrowings

	2014 AED 000	2013 AED 000
Bank borrowings (i), (ii) and (iii)	4,044,103	3,379,454
Buyer credit arrangements (iv)	386,495	595,996
	<b>4,430,598</b>	<b>3,975,450</b>
Less: Current portion of borrowings	(574,462)	(1,031,651)
	<b>3,856,136</b>	<b>2,943,799</b>

- Total facility of AED 2,644.9 million (USD 720.0 million). During the year ended 31 December 2014, the Group settled in full term loans of AED 808.2 million (USD 220 million) and AED 1,836.7 million (USD 500 million), respectively. The facilities carried an interest rate of LIBOR+1.45% and LIBOR+1.75% per annum, respectively and were unsecured. However, during the same period, the Group secured another facility of AED 2,644.6 million (USD 720.0 million). This facility is to be repaid in six bi-annual instalments commencing 14 October 2016 and carries an interest rate of LIBOR+1.20% per annum. This facility which is fully utilised as at the year-end is unsecured.
- Total facility of AED 551.03 million (USD 150 million). Facility of AED 367.3 million (USD 100 million) is to be repaid in full on the final maturity date (12 December 2015) and carried an interest rate of LIBOR+1.6% per annum until it was revised to LIBOR+1.15% per annum during the year ended 31 December 2014. An additional facility of AED 183.65 million (USD 50 million) was obtained during the year ended 31 December 2014. This is to be repaid in full on the final maturity date (13 April 2017) and carries an interest rate of LIBOR+1.17% per annum. AED 551.03 million (USD 150 million) has been utilised as of the year end. The facilities are unsecured.
- Total facility of AED 1.10 billion (USD 300 million). The Group initially had a facility of AED 367.3 million (USD 100 million) from a lender which carried interest of LIBOR+1.82% per annum. During the year ended 31 December 2014, the Group secured another facility of AED 1,102.05 million (USD 300 million). This facility is to be repaid in six bi-annual payments commencing 30 September 2016. It carries an interest rate of LIBOR+1.15% per annum and is unsecured. A portion (USD 100 million) of this facility was utilised to refinance the initial facility of AED 367.3 million (USD 100 million) from the same lender. AED 848.2 million (USD 230.9 million) has been utilised as at the year end.
- The Group has utilised the following buyer credit arrangements obtained from three suppliers:

# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 14. Borrowings (continued)

- (a) An original facility of AED 987.1 million (USD 268.7 million), of which AED 73.4 million (USD 20.0 million) remains outstanding as at 31 December 2014. The facility is being repaid in ten bi-annual instalments commencing January 2011. The facility carries an average interest rate of LIBOR+1.5% per annum. AED 73.6 million (USD 20.0 million) was repaid during the year ended 31 December 2014.
- (b) An original facility of AED 760.4 million (USD 207.0 million), of which AED 299.0 million (USD 81.4 million) remains outstanding as at 31 December 2014. The facility is being repaid in ten bi-annual instalments commencing September 2012. The facility carries an average interest rate of LIBOR+1.2% per annum. AED 119.6 million (USD 32.6 million) has been repaid during the year ended 31 December 2014.
- (c) An original facility of AED 112.2 million (USD 30.54 million), of which AED 14.1 million (USD 3.8 million) remains outstanding as at 31 December 2014. The facility is being repaid in five bi-annual instalments commencing September 2012. The facility carries no interest. AED 28.2 million (USD 7.7 million) was additionally drawn and AED 44.4 million (USD 12.1 million) has been repaid during the year ended 31 December 2014.

## Terms and debt repayment schedule

Terms and conditions of the outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2014		31 December 2013	
				Face value AED 000	Carrying amount AED 000	Face value AED 000	Carrying amount AED 000
Unsecured bank loan	USD	LIBOR+1.45%	2014	-	-	808,170	808,170
Unsecured bank loan	USD	LIBOR+1.75%	2017	-	-	1,836,750	1,836,750
Unsecured bank loan	USD	LIBOR+1.20%	2019	2,644,920	2,644,920	-	-
Unsecured bank loan	USD	LIBOR+1.15%	2019	848,158	848,158	367,186	367,186
Unsecured bank loan	USD	LIBOR+1.20%	2017	551,025	551,025	367,348	367,348
Buyer credit agreement	USD	LIBOR+1.50%	2015	73,445	73,445	147,092	147,092
Buyer credit agreement	USD	LIBOR+1.20%	2017	298,968	298,968	418,556	418,556
Buyer credit agreement	USD	Nil	2015	14,082	14,082	30,348	30,348
				<b>4,430,598</b>	<b>4,430,598</b>	<b>3,975,450</b>	<b>3,975,450</b>

## 15. Provision for employees' end of service benefits

	2014 AED 000	2013 AED 000
At 1 January	143,697	122,682
Charge for the year	42,943	42,030
Payments made during year	(21,244)	(21,015)
<b>At 31 December</b>	<b>165,396</b>	<b>143,697</b>

The provision was recognised based on the following significant assumptions:

	2014	2013
Average period of employment (years)	3 to 5	3 to 7
Average annual rate of salary increase	4.3%	5%
Discount rate	4.23%	3.55%

## 16. Provisions

### Asset retirement obligations

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

	2014 AED 000	2013 AED 000
At 1 January	97,989	95,638
Additions during the year	11,593	3,415
Fair value adjustment	3,697	(1,064)
<b>At 31 December</b>	<b>113,279</b>	<b>97,989</b>

The provision was recognised based on the following significant assumptions:

	2014	2013
Average period of restoration (years)	10-15	10-15
Inflation rate	3%	3%
Discount rate	8.3%	8.1%



Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

17. Share capital

	2014	2013
Authorised, issued and fully paid up share capital (par value AED 1 each)	4,571,428,571	4,571,428,571

18. Share premium

	2014 AED 000	2013 AED 000
Premium on issue of common share capital	393,504	393,504

19. Other reserves

	Share based payment reserve (Note 20) AED 000	Statutory reserve (see below) AED 000	Proposed dividend AED 000	Total AED 000
At 1 January 2013	86,780	465,581	1,371,429	1,923,790
Transfer to share based payment reserve	6,801	-	-	6,801
Transfer to statutory reserve	-	198,640	-	198,640
Interim cash dividend	-	-	548,571	548,571
Special cash dividend	-	-	457,143	457,143
Final cash dividend proposed	-	-	868,571	868,571
Cash dividends paid	-	-	(2,377,143)	(2,377,143)
At 31 December 2013	93,581	664,221	868,571	1,626,373
At 1 January 2014	93,581	664,221	868,571	1,626,373
Transfer to share based payment reserve	2,855	-	-	2,855
Transfer to retained earnings	(92,896)	-	-	(92,896)
Transfer to statutory reserve	-	210,935	-	210,935
Interim cash dividend	-	-	548,571	548,571
Final cash dividend proposed	-	-	914,286	914,286
Cash dividends paid	-	-	(1,417,142)	(1,417,142)
At 31 December 2014	3,540	875,156	914,286	1,792,982

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.

20. Share based payment plan

The Group had in place an Executive Share Option Plan ("ESOP") for selected senior managers to receive equity settled share options of the Group. The ESOP consisted of annual grant schemes up to 2011, when new grants were discontinued.

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.

31 December 2014

Details of the remaining ESOP scheme under which options remain outstanding and the assumptions used to calculate the fair value of the options as at 31 December 2014 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) <sup>(1)</sup>	Options exercised (000)	Options outstanding (000)	Commencement date	Vesting Date	Expiry Date <sup>(3)</sup>
Annual grant scheme 2008	25,275	5,594	19,681	-	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2009	27,587	2,447	25,140	-	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	5,798	20,910	846	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	5,902	18,635	2,949	01 Jul 2011	30 Jun 2014	30 Jun 2017
Annual grant scheme 2011 <sup>(2)</sup>	1,482	680	-	802	16 Jan 2012	16 Jan 2015	15 Jan 2018

# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 20. Share based payment plan (continued)

31 December 2013

Details of the ESOP scheme balances as at 31 December 2013 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) <sup>(1)</sup>	Options exercised (000)	Options outstanding (000)	Commencement date	Vesting Date	Expiry Date <sup>(3)</sup>
Annual grant scheme 2007	17,066	3,383	13,683	-	01 Jul 2007	30 Jun 2010	30 Jun 2013
Annual grant scheme 2008	25,275	5,385	17,683	2,207	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2009	27,587	2,447	24,257	883	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	5,798	19,036	2,720	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	5,480	-	22,006	01 Jul 2011	30 Jun 2014	30 Jun 2017
Annual grant scheme 2011 <sup>(2)</sup>	1,482	680	-	802	16 Jan 2012	16 Jan 2015	15 Jan 2018

(1) Forfeited due to executives leaving the Group.

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

(3) For options issued to new executives after the scheme commencement date, the expiry date is 3 years from the date of issue of the options.

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

Share scheme	Fair value per option (AED)	Stock price at measurement date (AED)	Expected volatility	Risk-free interest rate	Employee retention rate
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%	100%
Annual grant scheme 2011 <sup>(1)</sup>	0.60	2.85	28%	1.00%	100%

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

## 21. Other expenses

	2014 AED 000	2013 AED 000
Provision for impairment of receivables (Note 9)	75,089	79,149
Consulting	46,445	31,198
Legal and license fees	26,067	11,372
Office expenses	11,613	14,672
Others	111,726	65,881
	<b>270,940</b>	<b>202,272</b>

## 22. Operating leases

### Leases

Non-cancellable operating lease rentals are payable as follows:

	2014 AED 000	2013 AED 000
Less than one year	220,717	171,248
Between one and five years	459,390	358,013
More than five years	265,844	201,048
	<b>945,951</b>	<b>730,309</b>

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

## Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

### 23. Finance income and expense

	2014 AED 000	2013 AED 000
<b>Finance income</b>		
Interest income	93,095	54,970
<b>Finance expenses</b>		
Interest expense*	105,089	84,706
Exchange loss/(gain)	1,450	(954)
	<b>106,539</b>	<b>83,752</b>

\*Interest expense includes early settlement fees amounting to AED 17,092 thousand (2013: AED 7,498 thousand).

### 24. Royalty

The royalty rates payable to the UAE Ministry of Finance for the period from 2012 to 2016 are as follows:

Royalty	2012	2013	2014	2015	2016
On licensed revenue	5%	7.5%	10%	12.5%	15%
On profit after deducting royalty on licensed revenue	17.5%	20%	25%	30%	30%

	2014 AED 000	2013 AED 000
Total revenue for the year	12,238,365	10,799,320
Broadcasting revenue for the year (refer Note 29)	(162,224)	(176,531)
Other allowable deductions	(3,157,711)	(2,751,493)
<b>Total adjusted revenue</b>	<b>8,918,430</b>	<b>7,871,296</b>
<b>Profit before royalty</b>	<b>3,701,543</b>	<b>3,013,849</b>
Provision for royalty: 10% (2013:7.5%) of the total adjusted revenue plus 25% (2013: 20%) of the profit for the year before distribution after deducting 10% (2013: 7.5%) of the total licensed revenue	1,594,268	1,075,047
Less: prior year adjustment - 2013	(2,074)	-
Less: refund received - 2012	-	(47,598)
	<b>1,592,194</b>	<b>1,027,449</b>

### 24. Royalty (continued)

Movement in the royalty provision for royalty is as follows:

	2014 AED 000	2013 AED 000
At 1 January	1,075,047	843,961
Payment made during the year	(1,072,973)	(796,363)
Prior year adjustment - 2013	(2,074)	-
Refund received - 2012	-	(47,598)
Provision for the year	1,594,268	1,075,047
<b>At 31 December</b>	<b>1,594,268</b>	<b>1,075,047</b>

### 25. Earnings per share

	2014	2013
Profit for the year (AED 000)	2,109,349	1,986,400
Weighted average number of shares	4,571,428,571	4,571,428,571
Basic and diluted earnings per share (AED)	0.46	0.43

### 26. Changes in working capital

	2014 AED 000	2013 AED 000
<b>Change in:</b>		
Inventories	(99,518)	(27,689)
Trade and other receivables	(268,393)	(133,374)
Trade and other payables	714,994	705,429
Due from related parties	(494)	(86,086)
Due to related parties	(21,317)	(27,227)
Payment of employees' end of service benefits	(21,244)	(21,015)
<b>Net changes in working capital</b>	<b>304,028</b>	<b>410,038</b>

### 27. Contingent liabilities and commitments

The Group has outstanding capital commitments and outstanding bank guarantees amounting to AED 757,417 thousand and AED 12,037 thousand, respectively (2013: AED 928,697 thousand and AED 15,306 thousand, respectively). Bank guarantees are secured against margin of AED 12,037 thousand (2013: AED 15,306 thousand) (Note 12).



Notes to the consolidated financial statements  
for the year ended 31 December 2014 (continued)

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:

	Note	Carrying amount		Fair values	
		2014	2013	2014	2013
		AED 000	AED 000	AED 000	AED 000
Trade and other receivables	9	1,709,493	1,494,063	1,709,493	1,494,063
Due from related parties	10	466,475	408,098	466,475	408,098
Short term investments	11	5,840,000	4,485,000	5,840,000	4,485,000
Cash and bank balances	12	192,737	393,783	192,737	393,783
		8,208,705	6,780,944	8,208,705	6,780,944

Impairment of trade receivables

The ageing of trade receivables is as follows:

	Gross 2014 AED 000	Impaired 2014 AED 000	Gross 2013 AED 000	Impaired 2013 AED 000
Not past due	735,556	12,084	694,087	-
Past due 0-30 days	390,709	11,622	88,644	821
Past due 31-180 days	318,727	69,101	338,433	88,327
More than 181 days	454,403	332,925	479,750	331,254
	1,899,395	425,732	1,600,914	420,402

The impairment provision in respect of trade receivables is used to record impairment losses unless the Group 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 2014	Fair values AED 000	Carrying amount AED 000	Contractual cash flows				
			Total AED 000	6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	4,430,598	4,430,598	4,635,220	147,447	499,902	765,377	3,222,494
Trade payables and accruals	2,075,729	2,075,729	2,075,729	2,075,729	-	-	-
Due to other telecommunication operators	672,952	672,952	672,952	672,952	-	-	-
Customer deposits	129,030	129,030	129,030	129,030	-	-	-
Retention payable	13,876	13,876	13,876	13,876	-	-	-
Accrued royalty	1,594,268	1,594,268	1,594,268	1,594,268	-	-	-
Others	73,944	73,944	73,944	73,944	-	-	-
	8,990,397	8,990,397	9,195,019	4,707,246	499,902	765,377	3,222,494

31 December 2013	Fair values AED 000	Carrying amount AED 000	Contractual cash flows				
			Total AED 000	6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Borrowings	3,975,450	3,975,450	4,170,502	955,675	140,599	983,166	2,091,062
Trade payables and accruals	2,048,381	2,048,381	2,048,381	2,048,381	-	-	-
Due to other telecommunication operators	660,692	660,692	660,692	660,692	-	-	-
Customer deposits	120,896	120,896	120,896	120,896	-	-	-
Retention payable	13,976	13,976	13,976	13,976	-	-	-
Accrued royalty	1,075,047	1,075,047	1,075,047	1,075,047	-	-	-
Others	314	314	314	314	-	-	-
Due to related parties	21,317	21,317	21,317	21,317	-	-	-
	7,916,073	7,916,073	8,111,125	4,896,298	140,599	983,166	2,091,062

## Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

### 28. Financial instruments (continued)

#### 28.3. Currency risk

##### Exposure to currency risk

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

	31 December 2014 AED 000			31 December 2013 AED 000		
	USD	EUR	GBP	USD	EUR	GBP
Trade receivables	122,181	8,984	5,530	91,856	13,997	1,547
Trade payables	(260,152)	(10,221)	(967)	(439,191)	(11,011)	(592)
Net balance sheet exposure	(137,971)	(1,237)	4,563	(347,335)	2,986	955

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

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD 1	3.6735	3.6735	3.6731	3.6735
EUR 1	4.9147	4.8676	4.4444	5.0500
GBP 1	6.0701	5.7367	5.7215	6.0833

##### Sensitivity analysis

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

	2014 AED 000	2013 AED 000
Increase/(decrease) in profit		
USD	50,678	127,594
EURO	550	(1,453)
GBP	(2,611)	(548)

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

#### 28.4. Interest rate risk

##### Exposure to interest rate risk

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

	Carrying Amount	
	2014 AED 000	2013 AED 000
Variable interest rate instruments		
Bank borrowings	4,044,103	3,379,454
Buyer credit arrangements	386,495	595,996
	<b>4,430,598</b>	<b>3,975,450</b>

##### Sensitivity analysis

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

	2014 AED 000	2013 AED 000
Decrease in profit		
Variable interest rate instruments	11,840	28,062

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. Financial instruments by category

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

	2014 AED 000	2013 AED 000
Financial assets:		
Loans and receivables		
Trade and other receivables	1,295,141	1,005,092
Due from related parties	466,475	408,098
Short term investments	5,840,000	4,485,000
Cash and bank balances	192,737	393,783
	<b>7,794,353</b>	<b>6,291,973</b>
Borrowings	4,430,598	3,975,450
Trade and other payables	5,330,087	4,566,942
Due to related parties	-	21,317
	<b>9,760,685</b>	<b>8,563,709</b>

For the purpose of the financial instrument disclosure, non-financial assets amounting to AED 414,352 thousand (2013: AED 488,971 thousand) have been excluded from trade and other receivables.



# Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

## 29. Segment analysis

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

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI. Mobile handset sales are also included in this segment.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and 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 contribution, referred to by the Group as Gross Margin, represents revenue less direct costs of sales. It is calculated before charging network operating costs, sales and general and administration expenses. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

31 December 2014	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	9,175,190	2,245,788	655,163	162,224	12,238,365
Segment contribution	6,110,453	1,786,618	153,274	57,796	8,108,141
Unallocated costs	-	-	-	-	(4,398,346)
Finance income and expenses, other income, share of loss of investment	-	-	-	-	(8,252)
Profit before royalty	-	-	-	-	3,701,543
Royalty	-	-	-	-	(1,592,194)
<b>Profit for the year</b>	-	-	-	-	<b>2,109,349</b>

31 December 2013	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	8,365,179	1,675,968	581,642	176,531	10,799,320
Segment contribution	5,654,290	1,342,752	176,254	73,395	7,246,691
Unallocated costs	-	-	-	-	(4,215,505)
Finance income and expenses, other income, share of loss of investment	-	-	-	-	(17,337)
Profit before royalty	-	-	-	-	3,013,849
Royalty	-	-	-	-	(1,027,449)
<b>Profit for the year</b>	-	-	-	-	<b>1,986,400</b>

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

