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Chairman’s message

We have maintained robust fundamentals, generated significant free cash flow, and created shareholder value



Ahmad Bin Byat
Chairman

Dividends	
Interim paid	0.12
Final proposed	0.19
Total annual	0.31
Special paid	0.10
Total payout to shareholder for 2013	0.41

Dear Shareholders,

I am proud to report our business has experienced another year of solid growth, in line with our expectations. Positive sentiment is returning to international markets and sentiment remains strong in our regional environment.

Our objective is to invest in the business in order to deliver a consistently excellent service for our customers, provide a healthy and safe environment for our staff and contribute to the growth of the UAE’s economy. By doing so, we will generate long term value for all our shareholders.

In line with the UAE Government’s vision to develop a knowledge based economy, we continue to innovate and develop our talent, enabling our company to record robust growth in both revenues and net profit. Ensuring we are always looking to the future in terms of the products we provide and the quality of the services we offer, has allowed us to grow our customer base at a strong and steady pace. As a result, through a continued effort to improve operational efficiency, we delivered close to double digit growth that saw revenue for 2013 reach AED 10.80 billion.

Innovation remains at the heart of our business. By focusing on efficiency and fostering innovation, I am proud say that we have retained our position as the UAE’s operator of choice. Over the course of the year, we have developed new innovative propositions to meet the requirements of our rapidly evolving consumer base, including a focus on providing high speed data.

Committed to shareholder value

Dedication to serving our customers and continuing to improve efficiency has again delivered strong results, generated significant free cash flow and as such, shareholder value.

I am pleased to report that the Board of Directors has proposed a final annual dividend of AED 0.19 making a total annual dividend for the year of AED 0.31 taking into account the commencement of our interim dividend programme and its subsequent first interim payment of AED 0.12.

In addition, in July, we were delighted to be able to reward our investors for their loyalty and continuing support with a special dividend of AED 0.10.

‘Smart Government’, ‘Smart City’: Developing our citizen’s wellbeing

Under the umbrella of the UAE’s Vision 2021 and the pivotal role ICT plays in making this vision a reality, we fully support the Smart Government initiative. As such, we have aligned our philosophy on customer satisfaction through round-the-clock services using the latest technologies based on a clear understanding of their needs.

The ability to connect has changed our world. In October, UAE Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum, announced his vision to transform the Emirate into a Smart City. Smart City is a key component of Dubai’s drive to become the capital of the Islamic economy. We have a huge contribution to make to this initiative which, in turn,

will contribute to the social fabric of our nation. As a Smart City, Dubai will empower our digitally-driven society. We look forward to contributing to this through collaboration with our partners, to assist in carrying Dubai forward on its journey to becoming a Smart City.

Encouraging enterprise and supporting SMEs

Working to encourage enterprise and entrepreneurship remains a hugely important part of our company’s wider role in society. We believe this is a vital element in developing the UAE economy over the long term, and through our strategic partnerships with HH Sheikh Khalifa Bin Zayed Al Nahyan Foundation and HH Mohammed Bin Rashid Establishment for Young Business Leaders, we look to prioritise Emirati owned and small-to-medium sized suppliers and vendors.

We also want to make life easier for hardworking small and medium enterprises (SMEs) by facilitating partnerships with leading organisations that will help them operate more efficiently and effectively in an increasingly digital age. For example, this year we joined forces with Google to bring the online search engine’s AdWords advertising programme to the UAE. We also signed an agreement with Ajman Free Zone Authority to support more than 7,000 of their SME tenants.

Understanding the needs of small firms lies at the heart of our business product development. We regularly engage with the SME community to know exactly what

they want and need from us as a telecoms provider. That is why we launched ‘The Business Plan for SMEs’ in October this year, which enables smaller companies to make much more productive use of data.

Building a sustainable business through best practice

We believe corporate governance goes beyond regulatory and legal compliance. We have continued to deliver strong results for our shareholders against the backdrop of the aftermath of the global financial crisis. However, the challenges from such an environment have driven the need to embrace a unified governance culture within our firm more than ever.

In 2013, our enduring commitment continued through a system of corporate governance that combines responsible business practices with the highest standards of business integrity and accountability. On 30 December 2013 we were very proud to receive acknowledgement from Securities and Commodities that we had fully complied with the MIR518 code concerning governance rules and corporate discipline standards, a significant milestone in our pursuit for best governance practice.

We are striving to embrace gender diversity at all levels. To that end, we added Hana Al Rostamani to our Board of Directors, this follows the appointment of Hanan Ahmad as Company Secretary during 2012. Furthermore, by continuing to embrace international governance systems such as the importance of female leadership, based on the evolving requirements of the Dubai



“ By focusing on efficiency and fostering innovation, we have retained our position as the UAE’s operator of choice.”

Financial Market, Emirates Securities and Commodities Authority and international best practice, we have built a sustainable business that will thrive in the future.

As part of our ongoing commitment to our surrounding communities, we have made excellent progress with our efforts to minimise our environmental impact through integrating sustainable development policies throughout our business.

People are the essence of success

I am proud to report that we now have more Emiratis working with us than ever before. Approximately 34% of our people are UAE Nationals and we continue to be a hugely attractive employer brand for the most talented Emirati youth – the nation’s leaders of tomorrow.

Without incredible employees who contribute every day to the success of our organisation, we would not have the successful thriving business that continues to grow. I would like

to take this opportunity to thank each du team member for their valuable contribution over the past year and look forward to collaborating further, to ensure that we provide our customers with the innovation and creativity they have come to expect from us.

Looking to the future and continuing to deliver value

The UAE is beginning its next chapter. Guided by the wise leadership and vision of the UAE government, November’s Expo 2020 win for Dubai is set to act as a catalyst for the future growth and development of our nation. Similarly, as Dubai establishes itself as the capital of the Islamic Economy, we will see opportunities in our industry.

Our company itself is also embarking on a new phase as we further develop our management team, developing a new generation of talented Emirati leaders. We stand ready to face the challenges of the coming year, and capture the opportunities that we are presented with as we look to further grow shareholder value.

CEO's review

Enhancing customer experience and driving operational efficiency remained at the heart of our business



Osman Sultan
Chief Executive Officer

With a revenue increase of 9.7% over 2012, we have continued our strong market performance for the seventh consecutive year.

Dear Shareholders,

I am delighted to announce that our company delivered another year of strong revenues and profitability for our shareholders. Continuing our record of six consecutive years of exceptional growth as the fastest growing telecommunications company in the Middle East, we entered 2013 with a clear determination to deliver additional shareholder value and improved financial and operational efficiency in an increasingly competitive environment.

By embedding a culture of innovation throughout our business and maintaining an unrelenting focus on customer experience we have been able to acquire more customers for the seventh year in succession and achieve robust results.

Over the year our company has been at the heart of a number of Dubai's and UAE's major initiatives to improve and enhance the lives of citizens, residents and visitors and develop a truly integrated ICT ecosystem. UAE's 'Smart Government' and Dubai's 'Smart City' initiatives are excellent example, and we are privileged to be a major part of a plan to transform the UAE into one of the world's most connected and digitally enabled cities.

Delivering strong market performance

In 2013 we achieved growth with like for like revenues of AED 10.80 billion, an increase of 9.7% on 2012. As a result of yet another year of steady performance and operational efficiency, 2013 provided healthy levels of profitability. EBITDA for the year reached AED 4.29 billion, an annual growth of 7.3%.

Net profit before royalty grew by 6.7% to reach AED 3.01 billion in 2013 resulting in net profit after royalty of AED 1.99 billion. We now have clear visibility of the royalty charge until 2016 allowing us to plan accordingly.

Data continued to be a key market driver during the course of 2013 as our customers' demand for connectivity remained strong. This demand translated into significant growth in mobile data revenue, which increased by 33.8%, from AED 1.77 billion in 2012 to AED 2.36 billion. As was the case last year, data now represents a larger percentage of mobile service revenues, at 27.7%, up from 22.6% in 2012.

Reshaping the way we interact through data

As the world's appetite for connectivity continues to grow, demand for data is set to overtake voice-based services as the key driver of telecommunications revenue and mobile data services will therefore remain vital to the continued success of our business. We continually search for innovative ways to ensure our customers can access high speed and large capacity services across all of our data platforms. In doing so, we have made significant investment in the infrastructure that supports these services and will continue to look for ways in which we can provide attractive data offerings and high quality customer experience.

In placing customers at the centre of our company, we continued to develop pioneering, innovative products and services, speed and capacity across all data platforms.

With the world turning to data-services and the explosion of social networking, we too must evolve to meet rising demand from our customers and ensure sustainable financial growth for our company.

Over the course of the year, we completed the task of migrating all our operations into two streams; Consumer and Enterprise, to ensure we are appropriately structured to provide tailored products and services focused on their specific needs. This change has enabled us to deliver simpler, smarter solutions for each segment of the market.

We have maintained our efforts to provide simple and transparent data packages enabling our prepaid, post-paid consumer and enterprise customers to remain in full control of their consumption. Our emphasis on product innovation and providing a superior customer experience has led to the launch of a number of market-leading propositions.

On the Enterprise side, we signed a strategic partnership with Google AdWords, launched a new Business Super 600-G plan for small and mediums sized companies, and announced a new Multi-SIM that allows customers to manage five devices with one plan and one number.

We also announced a range of new price plans that offer our customers the flexibility and great value they have come to expect. Our ambition is to provide excellent customer service at every point of interaction.

In 2013, we made significant investment in our network and IT infrastructure to further

improve our data capabilities and underpin the market leading products and services we are offering. Investment in state-of-the-art technologies are a priority for us as we seek to continue to delight our customers through enhanced services and applications.

In June, we purchased a 10% stake in Khazna Data Centre for AED 57.5 million. Investment in the data centre is a step towards our strategy of industry-related diversification as we examine our entire value chain making investments that better serve our Enterprise customer-base. This investment will give our Enterprise customers access to one of the leading data centres in the country, together with the capability to have dual redundancy as Khazna Data Centre is in the process of finalising Tier 3 data centres in Abu Dhabi and Dubai. These are expected to come on line in 2014 to serve our customers.

Putting UAE talent at the heart of our business

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 Emiratization strategy went from strength to strength as we increased our Emirati employees to 34%. As we enter the next phase of development in our management team, we are also proud to announce that UAE nationals now account for 81% of the company's senior executives.



Our customers' demand for connectivity remained strong, translating into a growth of 33.8% in mobile data revenue.

We are entering our next phase of business, and in preparation, 2013 saw us focus on providing opportunities for the next generation of Emirati leadership to guide our company to sustainable success. With this strategy in mind, we made a number of organisational changes to our management team, including appointing Farid Faraidooni as Chief Operations Officer and Fahad Al Hassawi as Chief Commercial Officer. We also welcomed Ibrahim Nassir as Chief Human Capital and Administration Officer. To ensure we deliver on this ambition, we continued our work with the leading business school INSEAD to develop our executive talent.

Creating a smarter world: Pioneering 'Smart Government' and 'Smart City'

As changing communication habits spur innovation across the industry, connectivity in its most traditional sense is no longer our primary goal. Today, we are in the business of creating a more digitally empowered community, making the lives of our customers better through cutting-edge technology ensuring innovation is deeply

ingrained in the culture of our organisation. In June, the Government announced its intention to use technology to transform the UAE by implementing its initiative – 'Smart Government'. This initiative is centred upon customer satisfaction by delivering services via the latest technology. The infrastructure we provide and the products and services we deliver to our customers enables us to assist in this ambition.

It was, therefore, with great excitement that we received the announcement from UAE Vice President, Prime Minister and Ruler of Dubai His Highness Sheikh Mohammed bin Rashid Al Maktoum of his vision to transform Dubai into a 'Smart City' to better serve the residents of the Emirate. At du, we are proud to be part of making this vision a reality and have already implemented a number of specific services to contribute to the 'Smart Government' initiative.

As our leadership strives to improve inter-connectivity to provide faster services and information to all citizens and guests, we will work alongside to create

citizen-centric services, smart devices and systems interconnecting various government departments that will benefit our whole community. We have created a Digital Business Unit reporting directly to me in order to drive forward this important dimension for our company.

The next phase of our journey

Just as the UAE is entering a new phase, buoyed by Dubai winning the right to host Expo 2020 and its ambition to become the global capital of the Islamic Economy, we are also entering our next chapter. Evolution is vital for the development of any organisation and the past year has been a landmark one for our company.

The past year has been an exciting yet challenging phase for our company. I would like to thank our shareholders for their continued trust in our company. 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 maintaining the highest level of governance begins with enforcing a strict code of business ethics throughout our company



Ahmad Bin Byat
Chairman



Abdulhamid Saeed
Vice Chairman



Fadhel Al Ali
Board Member



Ziad Galadari
Board Member



Masood M. Sharif Mahmood
Board Member



Waleed Al Muhairi
Board Member



Hana Al Rostamani
Board Member



Abdulla Al Shamsi
Board Member



Mohamed Al Suwaidi
Board Member



Saeed Rashed Al Yateem
Board Member

Senior management team

Our management team is comprised of some of the region's brightest talent. Their knowledge and experience enables us to deliver excellent customer service through an unrelenting drive for 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 Officer



Mark Shuttleworth
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 & Digital Business



Jawad Shaikh
Executive Vice President, Digital Business



Rashid El Sheikh
Executive Vice President, Corporate Services

Highlights

A commitment to customer service and continued efficiency improvements has delivered strong results and shareholder value

Financial

Total revenues grew	9.7% to AED 10.80 billion year on year
Mobile data revenues increased	33.8%, to AED 2.36 billion year on year
EBITDA increased	7.3% to AED 4.29 billion year on year
Net profit before royalty increased by	6.7% to AED 3.01 billion year on year
Net profit after royalty stood at	AED 1.99 billion despite a royalty increase of AED 183.5 million
Free cash flow grew	33.2% to reach AED 2.33 billion year on year
Dividends	Annual
	AED 0.12 paid > AED 0.19 proposed > AED 0.31 final
	Special
	AED 0.10 paid

Operations

Product Engineering function restructured to improve product development cycle and time-to-market	Significant LTE and broadband coverage investment to enhance customer service	Improved ICT industry-related diversification through purchase of a 10% stake in Khazna Data Centre
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Human capital

Strengthening gender diversity at all levels including appointment of Hana Al Rostamani to Board of Directors	UAE nationals now account for 81% of the company's senior executives	Achieved Emiratisation of 34%
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“ The shift from voice and messaging conversations to data has meant our company has refocused on upgrading and delivering on our customers’ demand for data.”

Statistical summary

	2009	2010	2011	2012	2013
Active customers (thousands)					
Mobile	3,477	4,333	5,216	6,457	7,244
Fixed total	357	477	531	561	599
Telephony including Call Select	210	289	293	299	310
Broadband	72	96	124	140	157
TV	75	93	113	122	132
Traffic (millions)					
Total Outgoing Mobile Minutes	-	6,262	8,633	9,997	11,422
Outgoing Local Mobile Minutes	-	4,617	6,217	7,446	8,448
Outgoing International Mobile Minutes	-	1,645	2,416	2,551	2,974
Data (Terabytes)	-	-	-	9,357	16,396
Market share	32.9%	40.2%	46.0%	48.7%	47.2%
Value share	16.8%	22.2%	26.9%	30.3%	29.1%
Average revenue per user					
Mobile	105	113	119	115	108
Fixed total	270	224	166	151	151
Telephony including Call Select	149	123	119	116	107
Broadband	554	405	252	209	220
TV	167	165	152	174	178

Awards and recognition

In 2013 we received a number of awards in recognition of our contribution to the sector and commitment to the communities we serve

We are proud of our achievements across the business.

Business excellence awards

- Premier Plan adjudged Best Business Service in commsMEA awards 2013
- Datamena won Best Cloud Provider at Telecom Review Industry Awards
- Named Independent Teleport Operator of the Year 2013 by the World Teleport Association
- Honorary Customer Delight Award by The Secretariat of the Middle East and North Africa Customer Delight Award
- Chosen as the UAE Superbrand of the year 2013 by the Superbrands Council; a powerful endorsement of our brand's success

Sustainability Achievements

- Honoured with the Small Energy Award – Golden Category at Emirates Energy Award for our LEED platinum-certified Fujairah retail shop
- LEED platinum Fujairah shop honoured with The International Green Apple Award for 'build environment and architectural heritage'
- Awarded the Dubai Chamber CSR Label for the second year in recognition of our continuing commitment to CSR best practice
- Awarded The Green Award at Asia Communication Awards in recognition of our extensive green initiatives particularly hybrid solutions for our base transceiver stations
- Our team won at the UK's 'People and Environment Achievement Awards'

Certification

- Managed Security Services awarded ISO-27001:2005 certification, an international standard and framework for establishing an Information Security Management System (ISMS)

Honour

- Recognition by the Private Office of HH Sheikh Majid bin Mohammed bin Rashid Al Maktoum for our support of the Majid bin Mohammed UAE Nationals Training initiative
- Honoured with the Hamdan Bin Zayed Humanitarian Aid Award by His Highness Sheikh Hamdan bin Zayed Al Nahyan, Ruler's Representative in the Western Region, in recognition of our philanthropic and humanitarian efforts
- Felicitated by HH Sheikh Majid bin Mohammed bin Rashid Al Maktoum, Chairman of Dubai Culture and Arts Authority for our continued support of Youth Media Awards
- Honoured by HH Sheikh Sultan bin Mohammed bin Sultan Al Qasimi, Crown Prince and Deputy Ruler of Sharjah, for our support of Maraya Art Centre



Other accomplishments

- Launched our 'Wellness' app, the region's first bilingual fitness companion to promote a healthier lifestyle
- Associated with the Global Innovation Index as a Knowledge Partner along with WIPO, University of Cornell and INSEAD
- Launched our Data Manager app allowing customers to monitor and track their data usage in real time



Financial summary

Despite the company entering a phase of maturity, we continue to deliver strong margins

Financial Highlights (AEDm)

	2009	2010	2011	2012	2013
Total revenue	5,148	6,815	8,539	9,842	10,799
Gross margin	3,507	4,600	5,901	6,897	7,247
Overheads	2,443	2,583	2,984	2,899	2,955
EBITDA	1,064	2,018	2,916	3,999	4,292
EBITDA (%)	20.7%	29.6%	34.2%	40.6%	39.7%
Net profit before royalty	528	1,226	1,812	2,823	3,014
Net profit after royalty	264	1,310	1,098	1,980	1,986
Free cash flow	(769)	36	1,377	1,748	2,329
EPS (AED)	0.06	0.31	0.24	0.43	0.43

Restatement in revenue numbers due to change in accounting treatment.

Overview

The financial year ending 31 December 2013 saw another healthy performance and represents du’s seventh year of consecutive growth. The robust operational aspects of the business and its brand strength have again translated into solid financial results.

We succeeded again growing our revenue base, with total revenues increasing 9.7% from AED 9.84 billion in 2012 to AED 10.80 billion in 2013. The business increased its levels of profitability, with net profit before royalty reaching AED 3.01 billion in 2013, a 6.7% increase on the AED 2.82 billion achieved in 2012. After deduction of AED 1.03 billion royalty, our net profit after royalty was 0.3% higher at AED 1.99 billion (2012: AED 1.98 billion). During the year the Federal Government clarified the methodology for the royalty calculation which resulted in a

AED 42 million refund relating to 2012. This clarification brings more accuracy to the company in planning and reporting on an ongoing basis.

Capital expenditure was slightly lower, at AED 1.56 billion compared with AED 1.72 billion in 2012, mainly due to timing of completion of projects. We continued to invest in our infrastructure and we remain committed to investing in state-of-the art technologies and data networks to enable us to offer our customers the very best communications experience, in addition to positioning our company for future growth.

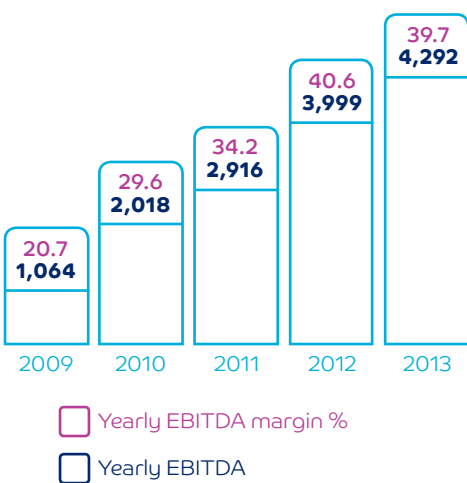
Growth in free cash flow was even stronger than in the previous year, increasing by 33.2% to AED 2.33 billion from AED 1.75 billion in 2012.

“ Once again we have delivered strong performance despite an increased competitive environment.”

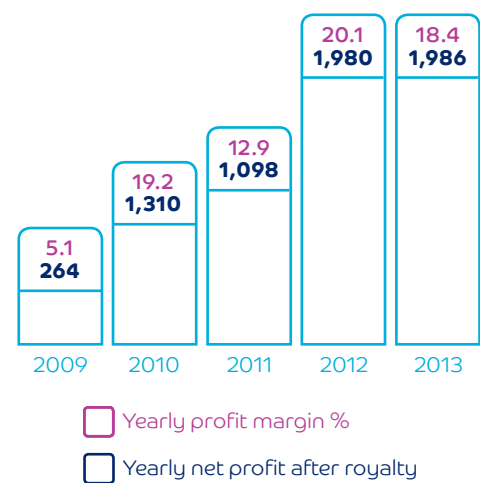
Total revenue (AEDm)



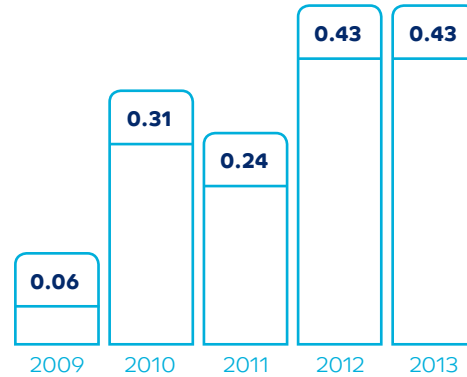
EBITDA (AEDm)



Net profit after royalty (AEDm)



Earnings per share (AED)



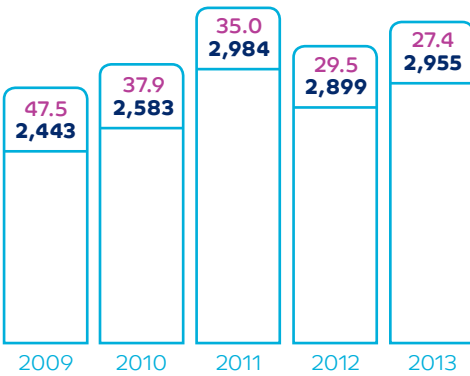
Overheads as a percentage of revenue

	2009	2010	2011	2012	2013
Manpower	19.4%	17.4%	16.1%	13.7%	12.7%
Telecommunications license & related fees	2.6%	2.6%	2.5%	2.6%	2.5%
Sales & marketing expenses	6.0%	4.7%	3.8%	3.1%	2.3%
Bad debts	0.9%	1.9%	1.1%	0.5%	0.7%
Network operation & maintenance	14.5%	8.4%	8.5%	7.4%	7.3%
Rent & utilities	2.8%	1.9%	1.8%	1.3%	1.0%
Miscellaneous	1.3%	1.0%	1.1%	0.9%	0.8%
Total overheads as % of revenue	47.5%	37.9%	35.0%	29.5%	27.4%

Overheads

We continued to exercise tight control over overheads throughout the year. Whilst our revenues increased by 9.7% in the year, we were able to maintain total overheads at AED 2.96 billion, only 1.9% higher than 2012 (AED 2.90 billion). As an efficiency indicator, this is a positive achievement as overheads as a percentage of total revenues was 27.4% in 2013, compared with 29.5% in the previous year.

Overheads (AEDm)



% of Revenue Total overheads for the year

Profitability

Throughout 2013 we continued to deliver sustained yearly growth in profitability with positive EBITDA and Net Profit performance driven by our strategic focus on higher value segments of the market and greater operational efficiency.

EBITDA for the year reached AED 4.29 billion, an annual increase of 7.3%.

Net profit before royalty grew 6.7% year-on-year to AED 3.01 billion versus 2012 (AED 2.82 billion). Net profit after royalty stood at AED 1.99 billion up from AED 1.98 billion in 2012 despite an increase in year-on-year royalty of AED 183.5 million year-on-year.

During Q4 2013, we received final decree of Federal Govt. on 2012 royalty declaration that resulted in a refund of AED 42m.

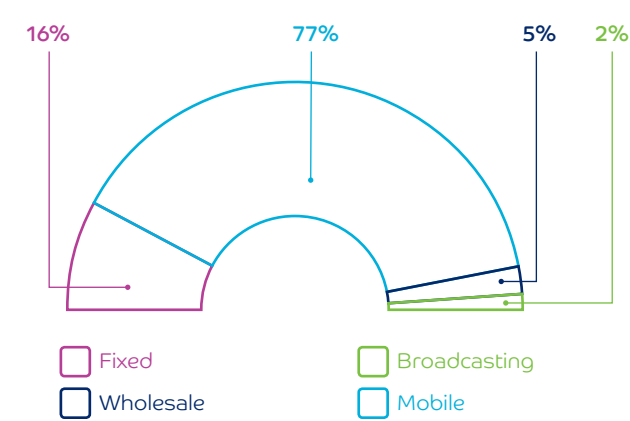
“ Our mobile revenues showed solid growth during the year, with an increase of 9.6% to reach AED 8.37 billion in 2013.”



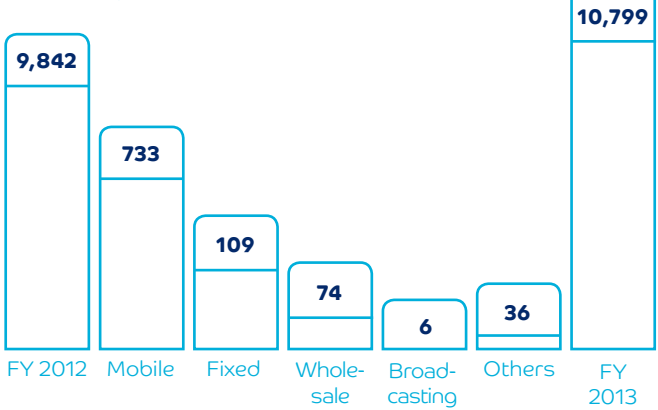
Performance by line of business 2013 vs 2012

	2012 AED millions	2013 AED millions	Change %
Mobile			
Revenue	7,632	8,365	9.6%
Gross margin	5,459	5,654	3.6%
% of Revenue	71.5%	67.6%	(3.9%)
Fixed			
Revenue	1,603	1,711	6.8%
Gross margin	1,264	1,374	8.7%
% of Revenue	78.9%	80.3%	1.4%
Wholesale			
Revenue	437	511	16.8%
Gross margin	111	109	(1.9%)
% of Revenue	25.5%	21.4%	(4.1%)
Broadcasting			
Revenue	170	177	3.7%
Gross margin	63	73	16.2%
% of Revenue	37.1%	41.6%	4.5%
Total Revenue	9,842	10,763	-

FY 2103 revenue split



Revenue growth (AEDm)



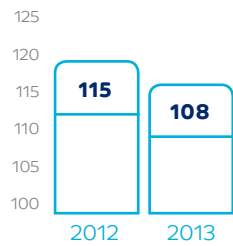
Mobile

Our mobile revenues showed solid growth during the year, with an increase of 9.6% to reach AED 8.37 billion in 2013, up from AED 7.63 billion in 2012. Our emphasis on mobile data continued, in line with the industry as a whole, and we also saw our drive towards high value customers being reflected in an increase in the number of post-paid customers, who represented 9.2% of mobile subscribers compared to 7.9% in 2012. By contrast, and as expected, pre-paid, whilst still the vast majority of mobile business, saw its share of the total mobile subscriber base decrease slightly, from 92.1% to 90.8%. We forecast this trend to continue as consumers needs become more demanding and as they become more aware of the products we bring to market, what they cost and how they can benefit.

Mobile ARPU

Mobile ARPU for the year kept pace with the global trend of consumers spending more on data and less on voice packages. As a result, ARPU for mobile users decreased by 6.0% to AED 107.7 in 2013, compared to AED 114.6 in 2012.

Mobile ARPU (AED)



Mobile data

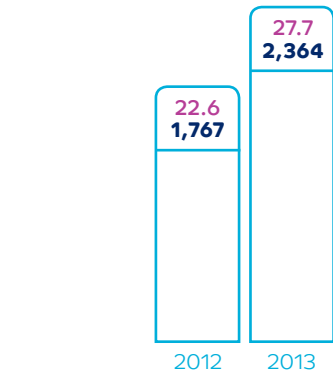
Unsurprisingly in view of the global trend described above, mobile data was again a significant area of growth. The global demand for data, fuelled by the appetite for smartphones and other mobile data devices, continues to expand and the UAE market is no different. Mobile data revenues increased by 33.8% in 2012 to AED 2.36 billion, compared with AED 1.77 billion the previous year.

In 2013 data represented 27.7% of mobile revenues, up from 22.6% in 2012. In response to this increasing level of demand, we continue to invest in our infrastructure to maximize our data capabilities, and we have upgraded our offerings to provide our customers with the flexibility to access the different types of data and the transparency to keep pace with their purchases.

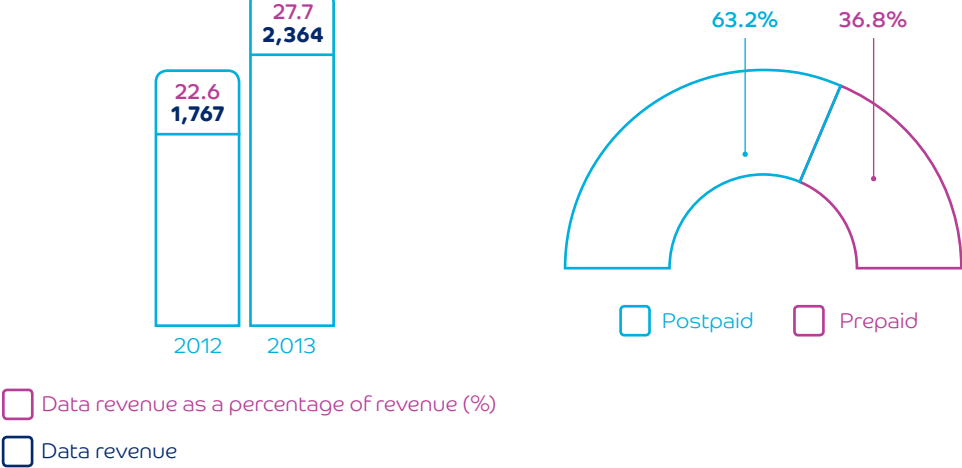
Mobile data (2013 vs 2012)

	2012	2013	Change %
Data Revenue (AED millions)	1,767	2,364	33.8%
Data as a percentage of mobile service revenue (%)	22.6%	27.7%	510 basis points

Mobile data revenue (AEDm)



Breakdown of growth in mobile revenues



“ We have retained our position as market leaders in prepaid, whilst making significant progress in growing the high-value mobile post-paid base.”

High-value postpaid customers

Our high-value postpaid customer base continued to expand, growing by 30.3% to 668,542. As a result, postpaid customers added to mobile revenues, increasing to 63.2% from 56.7% in 2012. The rise in postpaid customer base as well as increased data usage positively impacted the contribution to mobile revenue.

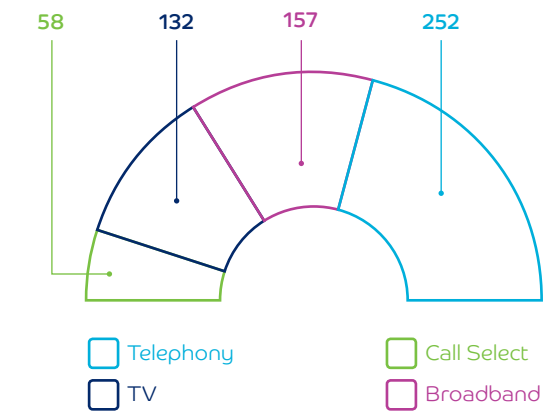
Our high-value mobile postpaid base continues to be an area of focus and we intend to introduce measures to enhance further growth, whilst remaining conscious of the need to protect our position in the prepaid market. For example, we now offer our Absher Plan, a post-paid plan specifically designed to meet the lifestyle requirements of Emiratis working in the private sector. We also launched our Easy Roaming proposition that allows customers to make local calls in the country they are visiting but at UAE rates.

“ We continued to invest in our infrastructure, state-of-the art technologies and data networks to enable us to offer our customers the very best communications experience.”

Fixed

Our fixed line revenues were AED 1.71 billion in 2013, a 6.8% increase on 2012, up from AED 1.60 billion. The continued strength of the property market and improving economic conditions generally meant that demand for new lines increased.

Breakdown of fixed line customers (000s)



Wholesale

Our wholesale revenues increased by 16.8% from AED 437 million in 2012 to AED 511 million in 2013. 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, grew in 2013, with an increase of 3.7% to AED 177 million, up from AED 170 million in 2012.



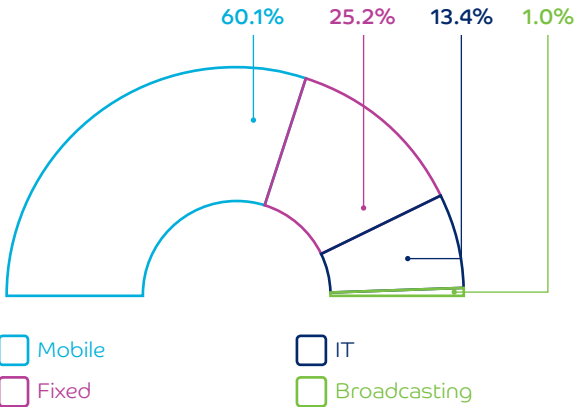
“ We are well positioned to continue with our capital expenditure programme to increase value for all our shareholders.”

Capital Expenditure

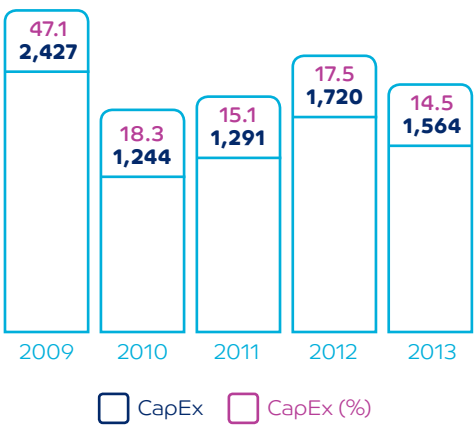
In 2013 we continued to investment in capital expenditure spending AED 1.56 billion, a slight drop from 2012 when we spent AED 1.72 billion. This amount reflects significant investments in improving mobile infrastructure with over 60.1% dedicated to improving infrastructure and 3G, LTE networks along with our drive to develop sustainable growth.

Breakdown of CapEx for 2012, 2013 (AEDm)	2012	2013
Mobile	1,096	940
Fixed	383	394
IT	201	210
Broadcasting	28	15
Others	12	5
Total	1,720	1,564

CapEx breakdown for 2013 spend by segment



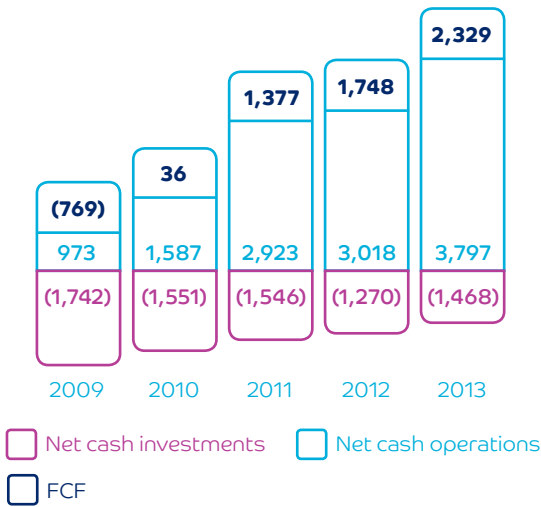
CapEx chart – 2009-2013 (AEDm)



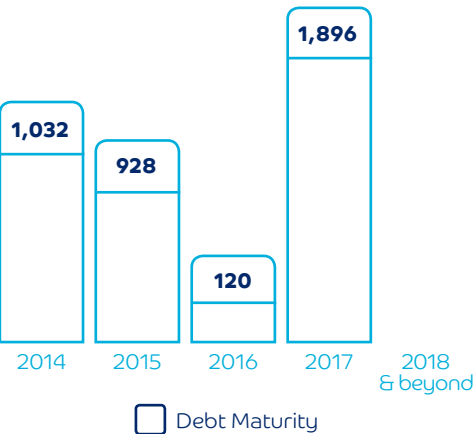
Cash and debt overview

Once again, we present positive free cash flow and ended 2013 with AED 4.88 billion in cash and cash equivalents. The cash reserves have been accrued to finance the three key major outlays due in Q2 which will total AED 2.7 billion. These payments include annual royalty amount, dividend payment and loan repayment.

Free cash flow (AEDm)



Debt maturity profile (AEDm)



Strategic Guidelines

Our strategy is designed to create exceptional shareholder value and to delight our customers at every opportunity

Positioning our company for success

Following another year of growth, we must consider our plans to build our business and improve efficiency to ensure our success continues. Our company is entering the second phase of our life cycle, a stage of maturity. Our business is maturing and therefore, over the course of 2013 we focused on delivering operational excellence to ensure we maximise shareholder value.

By driving efficiency through a greater focus on market segmentation and resource utilisation, we were able to further improve our customer service by simplifying our products, services and processes, drive innovation and increase our revenues.

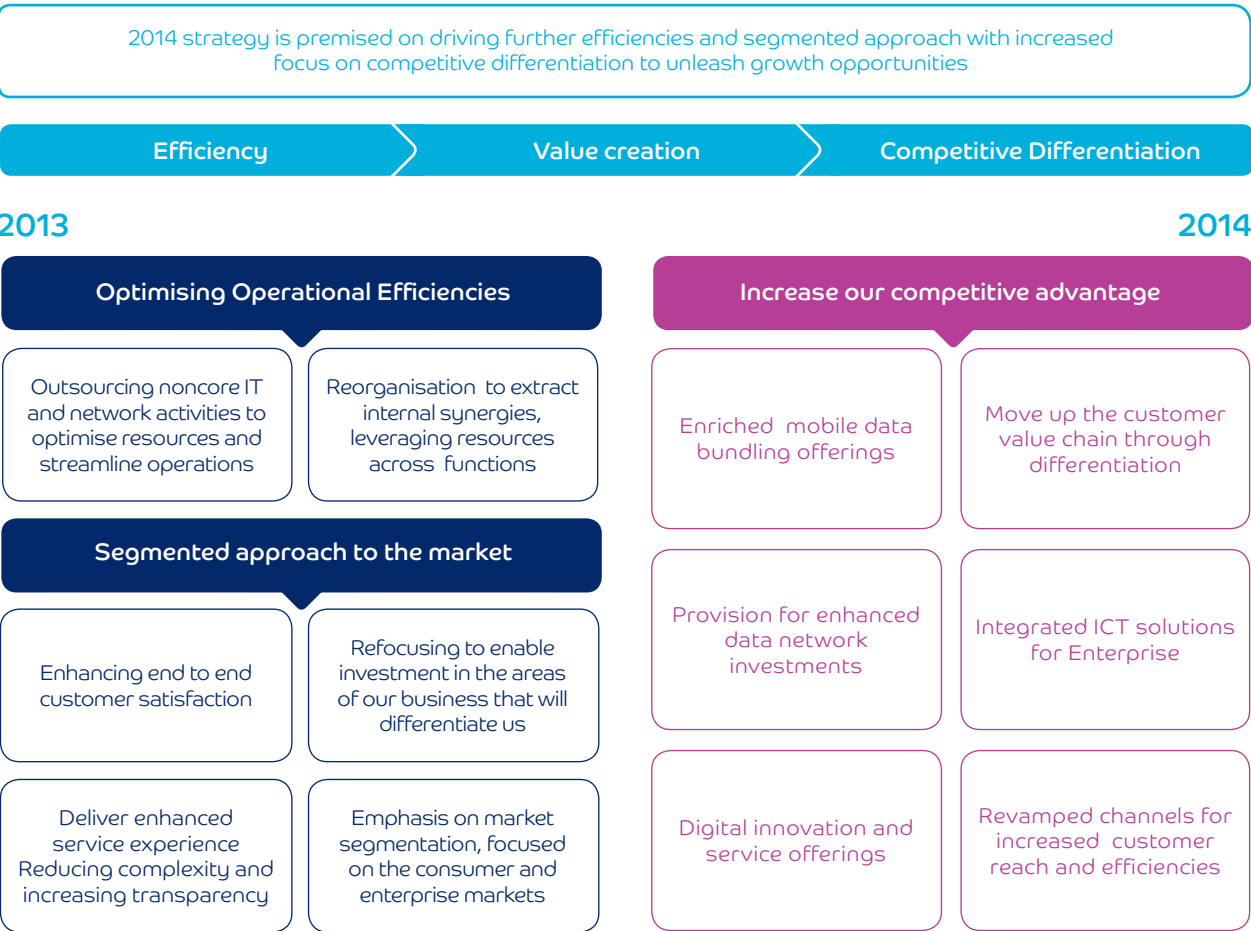
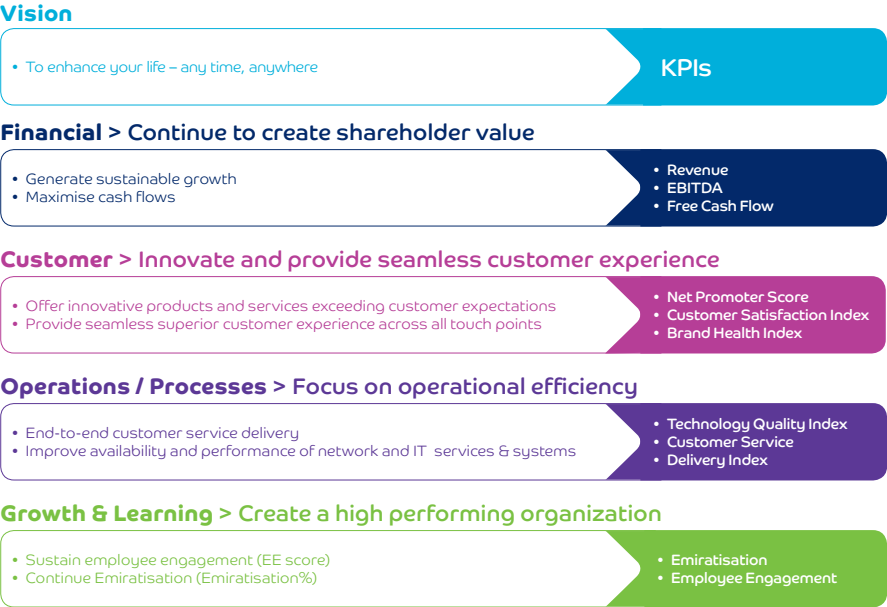
Turning to 2014, we have made great efforts to ensure that our strategic programme

puts the company in the strongest possible position to allow us to tackle the challenges and deliver on the opportunities present in today's ICT market.

The key strategic focus areas of the company are to:

- Deliver profitable growth through an increased focus on data network investments and digital innovation
- Retention and growth of high value customers alongside efforts to address the opportunity of untapped consumer segments
- Develop fully integrated ICT solutions for business customers
- Continue our emphasis on operational efficiencies
- Provide our customers with a superior service through investments to improve their end experience

2013 Strategy Map



Operational highlights

Delivering on our customers’ desire for connectivity means meeting the demand for data and understanding how the digital era is evolving

Enhancing our operations to meet the needs of customers and improve their experience remained core to our business strategy in 2013. We continued to respond to the growing demand for connectivity by ensuring we are focused, correctly structured, offering a compelling and varied range of innovative products and services, and investing in our infrastructure, technology and people. We also maintained our drive for greater operational efficiency.

Despite an increasingly competitive environment, this combination proved successful at both the top and bottom line; and it allowed us to deliver additional shareholder value over the course of the year as our business continues to mature.

By keeping customers and our engagement with them at the heart of what we do, as well as applying an intelligent commercial approach to different segments of the market, we gained 786,731 new mobile customers in 2013, bringing the total to over 7 million customers.

Capitalising on the data opportunity
Delivering on our customers’ desire for connectivity means meeting the demand for data and understanding how the digital era is evolving. These are operational priorities and will continue to be over the years ahead as the data trend intensifies across the industry.

In 2013, we were able to further capitalise on this trend, with our efforts translating into significant growth in mobile data revenue,

which increased by 33.8% to AED 2.36 billion. Data continues to expand its overall contribution to our mobile services revenues, which now stands at 27.7%.

The shift from voice and messaging conversations to data has meant our company has refocused and reoriented in line with this shift, upgrading and improving our operations where necessary. Over the year, we have reorganised into two divisions: Consumer and Enterprise. This new focus enables our people to operate cross-functionally driving greater efficiency, which will help us attract new customers looking for a provider that can match their appetite for data connectivity. We have also implemented a number of management changes to ensure the right people are in the right positions to respond to the challenges and opportunities our industry now faces.

To support these changes, and to deliver further efficiency, we restructured our Product Engineering function. The team is now able to act as an interface between the Consumer and Enterprise divisions, and is tasked with developing a product from inception to launch, with a view to speeding up our ability to bring it to market.

Best-in-class infrastructure, technology and network coverage
Providing our customers with fast and reliable download speeds, comprehensive network coverage, and minimal lag are all vital components in delivering a competitive and attractive data proposition. In 2013, we made significant investments in our

IT infrastructure, including our LTE and broadband networks, to underpin the leading products and services we offer. Investment in key technologies was also important as we aim to please customers through enhanced services and applications. Excellent results in the TRA’s latest Mobile Networks Benchmarking Survey is testament to our efforts to provide best-in-class infrastructure and technology.

To better serve our Enterprise customers, in June we purchased a 10% stake in Khazna Data Centre. This investment was part of our strategy of industry-related diversification, and an important step as we examine our full value chain. Through this acquisition, customers will now have access to one of the leading data centres in the country.

Enhancing our regional and international capabilities
Under our Datamena scheme – a carrier-neutral transit and content hub that provides an interconnection platform for international carriers, content and service providers in the

Middle East – we saw significant growth over the year. We further diversified our customer base strengthening our business ecosystem with major international carriers, regional operators, and content providers.

One of the year’s biggest developments was the launch of the Middle East-Europe Terrestrial System (MEETS). A response to the rapidly growing demand for international capacity in the region, we are leading a consortium of Middle East operators in unveiling a new terrestrial network that will link several Gulf countries to Europe via an open data freeway, providing reliable and cost-effective access to alternative operators in the region and beyond.

Applying an intelligent approach to the market
Providing our customers with innovative products and services that meet their needs is an ongoing commitment. It is also another element in ensuring we have a data offer that is compelling in every facet. In 2013, we launched a number of new products

We continue to improve our operations to deliver to our customers needs, especially the demand for data.



aimed at making life as straightforward and enjoyable as possible for customers. Many of these products were conceived to meet our ambition of targeting higher value parts of the market, such as post-paid and managed services.

On the Consumer side, we rolled out the Smart Plan, which was aimed at the post-paid segment. The proposition is designed to ensure simplicity, flexibility, and value for money. In a first for the UAE, the plan included 'flexible minutes', which can be used for local and international calls, as well as receiving calls or roaming abroad. It also features a generous data allowance.

We have continued to develop segmented propositions which reflect the diverse needs of the UAE market. In support of the Government's Absher Initiative, we now offer our Absher Plan, a post-paid plan specifically designed to meet the lifestyle requirements of Emiratis working in the private sector.

A drive to increase our penetration in the post-paid segment has not prevented us from maintaining our strong position in pre-paid. This year we focused on offering customers increased value for money by launching country specific plans and promoting lower cost services for those who are happy with a basic voice service to call internationally.

We understand that in an increasingly connected world people are travelling more, which means their mobile service needs to fit their lifestyle. To that end, we launched our Easy Roaming proposition. This innovative product allows customers to make local calls in the country they are visiting but at UAE rates. We also launched a package for data roaming, where customers buy bundles of data when travelling via a simple web application.

On the Enterprise side, one of our major target segments was managed services. We saw significant growth of around 52% for managed services versus 2012, which was fuelled by product launches. In 2013, we launched 12 new propositions across six core areas of ICT. We now have 22

managed services offerings.

The significant corporate deals won over the year are testament to the compelling nature of our Enterprise and managed services proposition, which included new custom from: Emirates, LukOil, CNN, Huawei, Mashreq, DP World, Mubadala, Emaar, and Drake & Skull.

Our efforts to offer more for small and medium enterprises (SMEs) were also up-scaled. An important and growing segment, we extended our range of plans for corporates with the Executive Plan Plus, and rolled out the Business Advantage Plan, which offers customers the ability to pay less the longer they stay with us.

Partnerships to enhance our Enterprise services were a significant feature in 2013. We linked with Google Adwords to give SMEs the ability to buy digital marketing packages through a post-paid plan but all under a single proposition. We also signed an agreement with Ajman Free Zone Authority (AFZA), enabling over 7,000 of AFZA's tenants to benefit from our SME-specific mobile plans.

Ensuring our services add even more value

Our ambition to combine compelling products with services that enhance our customer's lives led to the launch of a range of new initiatives in 2013. Our Near Field Communication SIM allowed customers to pay for goods and services with a tap of their mobile, and by combining with the RTA's NOL card, customers are now able to pay for Dubai Metro on their mobile.

Our focus on M-Health was extended, deepening our collaboration with the Ministry of Health. Working with the Rashid Centre for Diabetes Research, we deployed an SMS alert system to remind patients about appointments and to take their medication. With Sharjah University, we participated in the first-ever National Epidemiological Diabetes Survey by providing 3G data SIM cards to connect survey tablets enabling real time data collection and processing. The Ministry of Health also identified us as the partner for a



campaign to fight childhood obesity.

There was ongoing success with our Mobile Doctors service and 24/7 helpline. This initiative has evolved into a preferred health benefit service with corporates and insurers. With more than 30,000 enrolled members and averaging over 150 calls per day, the service is able to clinically resolve over 50% of cases in-house. Patient satisfaction is high and evidence of savings for customers is impressive. The technology component is a du Hosted IP Call Centre.

Ongoing development of a strong brand

The strength, health and value of our brand continued to develop positively through 2013. Our brand health index is at its best ever, indicating that we have built a resilient brand with strong equity. The financial value of our brand rose by almost \$200 million to \$920 million, the biggest gain among telecom companies in the region. We are now the fifth most valuable brand in the UAE, and 14th in the GCC.

These gains were driven by enhanced customer satisfaction, indicating that the quality of their experience with us continues

to improve across all touch points. They were also driven by successful advertising, with our messages communicated simply and clearly. All of this contributed to us being named 'UAE Superbrand of the Year 2013' by the Superbrands Council.

Our efforts went further over the year in terms of direct engagement with customers. Ensuring social media works hard for us we were able to reduce customer service response times to an industry-leading 10 minutes. Achievements like this led to du being ranked as the number one social media customer service brand in the MENA region.

For business customers, we attended Cloud World Forum MENA, which provided a platform to launch our cloud based services. We also leveraged the CEO Forum, Entrepreneur Forum for SMEs, and the Cyber Security Conference. Our presence at GITEX, the Middle East's leading IT exhibition, allowed us to showcase some of our most innovative products.

For consumers, our entertainment platform du Live offered a wide range of events and music. Over the year, 20 events took place

du Live! continues to strengthen our customer relationships and drive brand engagement.



at the du Arena and Forum, including well-attended concerts by Justin Bieber and Jay Z. We also hosted eight concerts under the umbrella of the du World Music Festival (WMF). Both the WMF and du Live continue to be successful vehicles for strengthening our customer relationships.

Investing in our people

Investing in our people is an absolute must to ensure we attract the best talent and remain an employer of choice. This year our focus was on greater employee engagement. We have had an engagement programme for many years; however, in 2013 we revamped this and promoted it more purposefully among employees. The refreshed programme includes; an Employee Wellness scheme, Personal Action Plans, a new performance management system, and new graduate training programmes. These changes have led to a significant increase in employee engagement.

Our Emiratisation drive continued apace, with the percentage of Emiratis now working with us increasing from 31% (2012) to 34% (2013). We made several national

hires across the company and provided an excellent employment opportunity for UAE nationals at our call centre in Fujairah. These employees are an essential part of our company's sustainable long term future and we are committed to their development.

Moving to the next phase

We are in a strong position having put in place numerous changes and initiatives over recent years to meet the challenges and opportunities that lie ahead. However, for our business to remain at the forefront of the industry, we must continually evolve all aspects of our operations while staying efficient and finely tuned into the needs of all segments of our customer base.

As our company matures, we will remain focused on the connectivity challenge ensuring our data proposition is the most compelling in the market. This means striving for operational excellence delivered through quality and innovative products and services, which are underpinned by trained and committed employees, and state-of-the-art technology and infrastructure.

Our employees continue to be our greatest asset so to allow them to flourish, we nurture their welfare and development.

Corporate governance

Our commitment to corporate governance excellence involves application of international best practice, extending beyond legal requirements

Our goal is to create and maintain shareholder value by combining responsible business practices with the highest standards of business integrity and accountability. We believe that the key to building a sustainable business is commitment to best practice and good corporate governance. During 2013, we continued to build on the strong foundations created since our inception. This includes attention to areas such as stronger governance of our internal and external auditing processes, implementation of share trading and whistleblowing policies, updated risk management initiatives and greater transparency and accountability in Board-level decision making.

Our efforts ensure that we continue to adhere to international best practice guidelines, as well as meeting the recommendations of the Dubai Financial Market (DFM) and the Securities and Commodities Authority (SCA).

In our bid to ensure our corporate governance initiatives extend beyond legal requirements, we launched a dedicated governance page on our website that holds our annual governance report, the Board structure, details of our founding shareholders and information on all of our governance policies. We communicate with our Board and shareholders via corporate governance email to facilitate transparency and consistency between Board, Executive Management and other staff practices.

Shareholder information

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

Our Board of Directors and Executive Management teams are now more transparently governed than ever before. The Internal Control System is designed to control risk by outlining procedures that must be followed by the Board of Directors and all other employees and the existence of a dedicated Compliance Officer responsible for governing our compliance in terms of laws and regulations.

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 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.

In 2013, we continued to build on and strengthen our existing corporate governance foundation.

“ Our Board of Directors dedicates all of its efforts and experience to the advancement of the company’s performance, in line with shareholder and key partner aspirations.”

Audit Committee members

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

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

- Waleed Al Muhairi (Chairman)
- Saeed Al Yateem
- Abdulla Al Shamsi

Investment Committee

The Investment Committee reviews and approves our company’s investment strategy regarding 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

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

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

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

Our system of corporate governance continues to be managed in accordance with our Corporate Governance Manual, approved by the Board of Directors.



Sustainability and community engagement

We are building the future by doing our business in an ethical and sustainable way

We aim to deliver value through all aspects of our operations.

For us, sustainability is about ensuring happy, healthy and successful futures for our company, our people, our customers and the community around us. Our brand promise 'add life to life' truly reflects our commitment to sustainability and we aim to make a significant difference to everyone we serve or who comes into contact with our company.

Our business practices are anchored around the concept of sustainability, with a particular focus on operating ethically while protecting the environment, and empowering people, customers and communities in a meaningful and measurable way.

We have come a long way in terms of implementing sustainable practices and ensuring this objective is felt in our interaction with all stakeholders – whether internal and external. We are proud to now be working with the government, regulatory authorities, civil society, businesses, charities, and the public across a wide range of areas, including social development, education and the promotion of the UAE's heritage and culture. With this in mind, we are working towards building a world that is in line with our core values and ethics.

In 2013, we continued vigilant monitoring of our activities and assessed them for their contribution to the business and our overall sustainability effort. We increased our drive to meaningfully contribute to society, reduce our carbon emissions and guide

our company along a path of sustainable growth through integrity, transparency and responsible behaviour.

A commitment to excellence in corporate governance is a central pillar in our ability to be a sustainable business. Our leadership team is determined to uphold the highest possible standards of governance hinged around fairness, accountability, proper and timely disclosure, and ethical behaviour.

Our excellence in terms of organisational management remains unparalleled in the UAE. Our sustainability strategy traverses our entire business. By interweaving our desire to remain a force for good throughout the company has led us to enable, rather than hinder, our ability to make great financial returns for shareholders.

As a telecoms company, we have the privilege of being able to connect people with each other and the world around us. Therefore, we understand our responsibility to invest significant time and effort in creating a sustainable business model, products and services that engage our customers, employees and the wider community so that we can be a force for good.

Our people

Our ambition is to develop a sustainable workforce that is happy, rewarded and empowered. To this end, we have put in place a number of employee-friendly We have evolved our corporate culture by taking employee-volunteerism to the next level with a ground-breaking strategy



that allows our staff to contribute their time to a range of carefully selected social and environmental initiatives. In 2013, our employees contributed 1860 hours of their time to community volunteering and in doing so; we have amplified our impact on the surrounding community.

Our customers

From business owners to labourers, Emiratis to expatriates, our customer base is extensive and attests to our commitment to remain customer-focused by striving to continually improve and innovate our products and services for the benefit of the 7.8 million customers who chose to use us. Giving customers choice and making life easier and more enjoyable is core to our proposition. With this in mind, we tailor our products and services to meet the needs of the different

socio-economic groups that make up the UAE population. For example, in 2013 we introduced the Post Paid Absher Plan specifically designed to meet the requirements of Emiratis working in the private sector. We also welcomed mobile number portability (MNP) to enable new customers to join us whilst retaining their mobile telephone numbers.

There are a range of issues that are critical to the telecom sector and its customers – the foremost being customer safety and data privacy. We take our role as an enabler of information seriously and this responsibility was a key focus for us throughout 2013.

We implemented various initiatives to ensure customer service through data protection and security to protect our

“ By creating a culture of inclusivity and providing a positive working environment we continue to attract and retain talent.”

systems and your data from cyber-crimes. We also work hard to protect our children from online threats and inappropriate content. We provide a safety net for the young and vulnerable within our society, ensuring we pay particular attention to cyber-bullying, access to social networking and privacy. We are in regular contact with the National Media Council and we receive approvals on all new content activities through the Telecommunications Regulatory Authority.

Our environment

We strongly believe that to create a business built for longevity, we must be aware of and prepared for the wide range of environmental challenges that the world already faces or may face in the future. As a result of this belief, we continually evaluate our performance in terms of management of our environmental resources.

We are proud to be one of the few businesses in the region that has mapped our carbon emissions, in our attempt to measure and mitigate our environmental impact. Our emissions stand at 248,553 tonnes of carbon dioxide equivalent (tCO₂e) which translates to 0.5% of Dubai's and 0.12% of the UAE's total emissions. As a result of our commitment to keeping these metrics at a minimum, we have been hailed as “an example to be followed in the industry” by the Dubai Carbon Center for Excellence (DCCE).

We have approached our environmental impact with dedication and dynamism. Last year, we altered 72 base transceiver stations from reliance on carbon to be run on hybrid energy systems. This investment will reduce our reliance on fossil fuels and strengthen our ability to withstand any future energy-related risks.

Our community

Since inception, we have consistently sought to be a responsible corporate citizen and thus, pursued a strategy that allows us to serve the UAE and its residents. This passion has translated into a number of programmes and activities that promote our national culture and heritage within the wider UAE community.

We have renewed partnerships and formed new ones with some of the best universities in the country to promote education. We also continue to work hard to nurture budding entrepreneurs and locally-owned SMEs by giving them preference in our supply chain. Our long-term aim is to be the organisation of choice from all aspects – whether employment, investment, partnership and community engagement. We want to push the boundaries of business and sustainability.

Our highlight in 2013 was the launch of 'Every Step Counts', our nation-wide wellness programme that has been able to engage UAE's residents to be



healthier through a number of initiatives. A prominent milestone under this campaign included the launch of a unique bilingual mobile app on the iOS platform. Featuring 'challenges' customised to the UAE, this app is a true example of our commitment to ensure sustainability goes beyond philanthropy or compliance.

Further, under the 'Hassantoka Ya Watan' umbrella we organised several activities to promote National Day, including the distribution of UAE flags at the UAE Flag Day, social media awards and a unique singing competition – 'Operette Sang by the UAE People'. The activities culminated with an event at our 'du forum' in the presence of many dignitaries including His Excellency Lieutenant General Dhahi Khalfan Tamim and His Highness Sheikh Majid Bin Mohammed Bin Rashid Al Maktoum.

In 2014, we intend to pioneer market-leading campaigns through our core competence –communication. We will explore how we can use communications technology to benefit education and aid the development of the cities of the UAE into sustainable and 'smart cities'. This will directly feed into the global demand for the telecom sector to play a bigger role in every aspect of our life, from the way we learn, to the way we live.

For more information on our sustainability initiatives, please read our 2013 Sustainable Development report.

www.du.ae/en/about/sustainability

With 'Every Step Counts', we pioneered the wellness campaign in our sector.

Financial statements

Independent Auditors’ Report

The Shareholders
Emirates Integrated Telecommunications
Company PJSC

**Report on the Consolidated
Financial Statements**

We have audited the accompanying consolidated financial statements of Emirates Integrated Telecommunications Company PJSC and its subsidiary (“the Company”), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management’s Responsibility for the
Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply

with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at

31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and
Regulatory Requirements**

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Company; a physical count of inventories was carried out by the management in accordance with established principles; and the contents of the Directors’ report which relate to these consolidated financial statements are in agreement with the Company’s financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2013, which may have had a material adverse effect on the business of the Company or its consolidated financial position.



KPMG
Vijendra Nath Malhotra
Registration No.48B
17 Feb 2014

Consolidated statement of financial position

As at 31 December	Note	2013 AED 000	2012 AED 000
Non current assets			
Property, plant and equipment	6	7,872,918	7,590,768
Equity accounted investment	7	56,913	-
IT software	8.1	351,285	330,734
Telecommunications licence fee	8.2	75,553	81,778
Indefeasible right of use	8.3	206,158	199,658
Goodwill	8.4	549,050	549,050
Total non-current assets		9,111,877	8,751,988
Current assets			
Deferred fees	8.5	84	2,749
Inventories		56,251	24,547
Accounts receivable	10	1,180,512	1,109,872
Other receivables	11	341,547	334,146
Due from related parties	9.1	408,098	171,021
Prepayments		203,837	209,212
Cash and cash equivalents	12	393,783	2,688,644
Short term investments	12	4,485,000	630,000
Total current assets		7,069,112	5,170,191
Current liabilities			
Accounts payable and accruals	15	4,798,859	3,954,965
Due to related parties	9.1	21,317	48,544
Current portion of long term borrowings	13	1,031,651	328,613
Total current liabilities		5,851,827	4,332,122
Net current assets		1,217,285	838,069
Non-current liabilities			
Employee benefits	16	143,697	122,682
Long term borrowings	13	2,943,799	1,844,118
Provisions	14	97,989	95,638
Total non-current liabilities		3,185,485	2,062,438
Net assets		7,143,677	7,527,619
Represented by:			
Share capital	17	4,571,429	4,571,429
Share premium	18	393,504	393,504
Share based payment reserve	19	93,581	86,780
Statutory reserve	20	664,221	465,581
Proposed dividend		868,571	1,371,429
Retained earnings		552,371	638,896
Shareholders' equity		7,143,677	7,527,619

The consolidated financial statements were approved by the Board of Directors on 17 February 2014 and signed on its behalf by:




Ahmad Bin Byat
Chairman

Osman Sultan
Chief Executive Officer

The notes set out on pages 52 to 84 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

Consolidated statement of comprehensive income

For the year ended 31 December	Note	2013 AED 000	2012 AED 000
Revenue	30	10,799,320	9,841,516
Cost of sales		(3,552,629)	(2,944,133)
Gross profit		7,246,691	6,897,383
General and administrative expenses	21	(4,214,432)	(4,087,547)
Finance income	23	54,970	49,137
Finance expense	23	(83,752)	(69,542)
Other income	24	10,685	34,071
Share of loss of equity accounted investment	7	(313)	-
Profit before Royalty		3,013,849	2,823,502
Royalty	25	(1,027,449)	(843,961)
Profit for the year		1,986,400	1,979,541
Profit and comprehensive income attributable to shareholders of the Company		1,986,400	1,979,541
Earnings per share (AED)	26	0.43	0.43

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Consolidated statement of cash flows

For the year ended 31 December	Note	2013 AED 000	2012 AED 000
Cash flows from operating activities			
Profit for the year		1,986,400	1,979,541
Adjustment for:			
Depreciation of property, plant and equipment		1,079,586	983,933
Amortisation of IT software		117,269	159,198
Amortisation of intangible assets		32,570	29,039
Provision for end of service benefits		42,030	35,059
Impairment of property, plant and equipment and inventory		30,010	19,549
Net finance income and expense		29,736	20,405
Equity-settled share based payment transactions		6,801	14,856
Other income		(10,685)	(34,071)
Changes in working capital	27	485,172	(168,779)
Net cash generated from operating activities		3,798,889	3,038,730
Cash flows used in investing activities			
Purchase of property, plant and equipment		(1,322,898)	(1,221,239)
Purchase of IT software		(134,264)	(82,740)
Purchase of equity accounted investment		(21,230)	-
Short term investments	12	(3,855,000)	(630,000)
Other income		10,685	34,071
Net cash used in investing activities		(5,322,707)	(1,899,908)
Cash flows from financing activities			
Long term borrowings		2,406,276	573,785
Repayment of borrowings		(603,557)	(673,182)
Payment on behalf of founding shareholders		(150,991)	(17,557)
Finance income		39,194	49,115
Finance expense		(84,822)	(72,996)
Dividends paid		(2,377,143)	(685,714)
Net cash used in financing activities		(771,043)	(826,549)
Net (decrease) / increase in cash and cash equivalents		(2,294,861)	312,273
Cash and cash equivalents at 1 January		2,688,644	2,376,371
Cash and cash equivalents at 31 December	12	393,783	2,688,644

The notes set out on pages 52 to 84 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

Consolidated statement of changes in equity

For the year ended 31 December	Share capital (Note 17) AED 000	Share premium (Note 18) AED 000	Share based payment reserve (Note 19) AED 000	Statutory reserve (Note 20) AED 000	Proposed dividend AED 000	Retained earnings AED 000	Total AED 000
At 1 January 2012	4,571,429	393,504	71,924	267,627	685,714	228,738	6,218,936
Profit for the year	-	-	-	-	-	1,979,541	1,979,541
Transfer to share based payment reserve	-	-	14,856	-	-	-	14,856
Transfer to statutory reserve	-	-	-	197,954	-	(197,954)	-
Cash dividend paid	-	-	-	-	(685,714)	-	(685,714)
Proposed cash dividend	-	-	-	-	1,371,429	(1,371,429)	-
At 31 December 2012	4,571,429	393,504	86,780	465,581	1,371,429	638,896	7,527,619
At 1 January 2013	4,571,429	393,504	86,780	465,581	1,371,429	638,896	7,527,619
Profit for the year	-	-	-	-	-	1,986,400	1,986,400
Transfer to share based payment reserve	-	-	6,801	-	-	-	6,801
Transfer to statutory reserve	-	-	-	198,640	-	(198,640)	-
Interim cash dividend ⁽¹⁾	-	-	-	-	548,571	(548,571)	-
Special cash dividend ⁽²⁾	-	-	-	-	457,143	(457,143)	-
Final cash dividend ⁽³⁾	-	-	-	-	868,571	(868,571)	-
Cash dividend paid	-	-	-	-	(2,377,143)	-	(2,377,143)
At 31 December 2013	4,571,429	393,504	93,581	664,221	868,571	552,371	7,143,677

(1) An interim cash dividend of AED 0.12 per share (2012: Nil) amounting to AED 548,571 thousand was paid during the year and

(2) A special cash dividend of AED 0.10 per share (2012: Nil) amounting to AED 457,143 thousand was paid during the year.

(3) A final cash dividend of AED 0.19 per share (2012: AED 0.30 per share) amounting to AED 868,571 thousand (2012: AED 1,371,429 thousand) is proposed.

The notes set out on pages 52 to 84 form an integral part of these consolidated financial statements. The independent auditors' report is set out on page 46 and 47.

Notes to the consolidated financial statements

1. Legal status and principal activities

Emirates Integrated Telecommunications Company PJSC is a public joint stock company with limited liability. The Company was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates. The consolidated financial statements of the Company for the year ended 31 December 2013 comprises the Company and its Subsidiary ("the Company").

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

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

2. Basis of accounting

i. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No. 8 of 1984 (as amended).Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last

annual consolidated financial statements as at and for the year ended 31 December 2012.

ii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

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

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the Company's financial assets, but no impact on the Company's financial liabilities.

IAS 36 Impairment of Assets (Amendments to IAS 36) (2013). Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (2013) .Under this, the Company needs to expand its disclosures of recoverable amounts when they are based on fair value less costs of disposals and an

impairment is recognised.

iii. Basis of consolidation

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

The Company's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at cost , which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of profit or loss and Other Comprehensive Income (OCI) of equity accounted investees, until the date on which significant influence or joint control ceases.

iv. Basis of measurement

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

v. Functional and presentation currency

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

vi. Earnings per share

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

vii. Use of estimates and judgments

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

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

3. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's consolidated financial statements except for, the changes in accounting policies set out at the end of this note.

i. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of items of property, plant and equipment.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

The estimated useful lives for the current and comparative periods are as follows:

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

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

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

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

ii. Goodwill

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

iii. Intangible assets

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

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

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

iv. Leased assets

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

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

v. Inventories

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

estimated costs necessary to make the sale.

Inventory comprises of commercial items.

vi. Financial instruments

vi (i) Non-derivative financial assets

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

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

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

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

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

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

component of cash and cash equivalents for the purpose of the statement of cash flows.

vi (ii) Non-derivative financial liabilities

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

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

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

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

vi (iii) Share capital

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

vi (iv) Dividend on ordinary shares

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

vii. Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of that obligation. Provisions are determined by discounting

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

viii. End of service benefits

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

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

ix. Impairment

ix (i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is

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

ix (ii) Non-financial assets

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

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

is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

x. Foreign currency transactions

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

xi. Revenue recognition

Revenue represents amounts invoiced or accrued for telecommunications services

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

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

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

xii. Recognition of finance income and expenses

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

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

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

the cost of the assets.

xiii. Share based payment transactions

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

xiv. Segmental information

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

xv. Government grants

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

Change in accounting policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- a. Disclosures-Offsetting Financial, Assets and Financial Liabilities (Amendments to IFRS 7).
- b. IFRS 10 Consolidated Financial Statements (2011).
- c. IFRS 12 Disclosure of Interests in Other Entities.
- d. IFRS 13 Fair Value Measurement.
- e. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).
- f. IAS 19 Employee Benefits (2011).

The nature and effects of the changes are explained below.

(a) Offsetting of financial assets and financial liabilities
As a result of the amendments to IFRS 7, the Company has expanded its disclosures about the offsetting of financial assets and financial liabilities.

(b) Subsidiaries
As a result of IFRS 10 (2011), the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Company reassessed the control conclusion for its investees at 1 January 2013, however this reassessment has not resulted in any change in the accounting for investees.

(c) Disclosure of interests in other entities
As a result of IFRS 12, the Company has expanded its disclosures about its interests in its subsidiary and equity-accounted investee.

(d) Fair value measurement
IFRS 13 establishes a single framework for measuring fair value and making

disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

(e) Presentation of items of OCI
As a result of the amendments to IAS 1, the Company has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(f) Post-employment defined benefit plans
As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

Under IAS 19 (2011), the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of

contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Company determined interest income or plan assets based on their long-term rate of expected return.

The adoption of these standards is not expected to have a material impact on the financial statements of the Company.

4. Determination of fair values

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

i. Accounts and other receivables

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

ii. Non-derivative financial liabilities

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

iii. Share based payment transactions

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

Notes to the consolidated financial statements (continued)

4. Determination of fair values (continued)

behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

5. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

The Company’s Audit Committee oversees how management monitors compliance with the Company’s risk management

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

Credit risk

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

Trade and other receivables

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

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

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

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

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

Cash and cash equivalents

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s business and reputation. A major portion of the Company’s funds are invested in cash and cash equivalents which are readily available to meet expected operational expenses, including servicing of financial obligations.

Market risk

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

The Company’s exposure to market risk arises from:

- Currency risk
- Interest rate risk

Currency risk

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

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

Interest rate risk

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

Capital management

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

Notes to the consolidated financial statements (continued)

6. Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture and fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2012	47,208	8,079,374	233,666	2,227	977,255	9,339,730
Additions	-	925,510	10,924	136	661,206	1,597,776
Addition: Asset retirement obligations	-	95,638	-	-	-	95,638
Transfers	-	680,007	6,624	-	(686,631)	-
Disposal	-	(10,000)	(13,860)	(881)	-	(24,741)
At 31 December 2012	47,208	9,770,529	237,354	1,482	951,830	11,008,403
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)	-
Disposal	-	(59,018)	(20,751)	-	-	(79,769)
At 31 December 2013	47,208	10,867,711	230,112	1,482	1,152,512	12,299,025
Depreciation / impairment / provision for obsolescence*						
At 1 January 2012	13,040	2,240,146	151,449	2,204	29,395	2,436,234
Charge for the year	2,233	944,172	37,398	130	-	983,933
Disposal / write off	-	(8,624)	(12,604)	(853)	-	(22,081)
Impairment / provision for obsolescence	-	12,638	-	-	6,911	19,549
At 31 December 2012	15,273	3,188,332	176,243	1,481	36,306	3,417,635
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
Disposal / write off	-	(56,619)	(20,250)	-	(21,254)	(98,123)
Impairment / provision for obsolescence	-	30,211	-	-	(3,202)	27,009
At 31 December 2013	17,507	4,205,491	189,777	1,482	11,850	4,426,107
Net book value at 31 December 2012	31,935	6,582,197	61,111	1	915,524	7,590,768
Net book value at 31 December 2013	29,701	6,662,220	40,335	-	1,140,662	7,872,918

The carrying amount of the Company's buildings include a nominal amount of AED 1 (2012: AED 1) in relation to land granted to the Company by the UAE Government.

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

7. Equity accounted investment

During the year the Company 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 Company is providing whole sale data centre services.

The Company owns less than 20% of the voting rights in Khazna Data Center Limited but, the Company has determined that it has significant influence as it has one third representations on the Board of the investee.

	2013 AED 000	2012 AED 000
Carrying amount of interest in the Associate	56,913	-
Share of: Loss from continuing operations	(313)	-

8. Intangible assets and deferred fees

8.1 IT software

	Software in use AED 000	Capital work in progress AED 000	Total AED 000
Cost			
At 1 January 2012	858,565	92,990	951,555
Additions	52,656	65,609	118,265
Transfers	35,915	(35,915)	-
At 31 December 2012	947,136	122,684	1,069,820
At 1 January 2013	947,136	122,684	1,069,820
Additions	72,152	69,297	141,449
Transfers	80,115	(80,115)	-
Write off	(26,076)	-	(26,076)
At 31 December 2013	1,073,327	111,866	1,185,193
Amortisation			
At 1 January 2012	579,888	-	579,888
Charge for the year	159,198	-	159,198
At 31 December 2012	739,086	-	739,086
At 1 January 2013	739,086	-	739,086
Charge for the year	117,269	-	117,269
Write off	(26,635)	-	(26,635)
Impairment	4,188	-	4,188
At 31 December 2013	833,908	-	833,908
Net book value at 31 December 2012	208,050	122,684	330,734
Net book value at 31 December 2013	239,419	111,866	351,285

Notes to the consolidated financial statements (continued)

8. Intangible assets and deferred fees (continued)

8.2 Telecommunications licence fee

	2013 AED 000	2012 AED 000
At 1 January	81,778	88,003
Amortisation for the year	(6,225)	(6,225)
At 31 December	75,553	81,778

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

8.3 Indefeasible right of use

	2013 AED 000	2012 AED 000
At 1 January	199,658	164,282
Additions / transfers during the year	32,845	58,190
Amortisation for the year	(26,345)	(22,814)
At 31 December	206,158	199,658

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.

8.4 Goodwill

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

	2013 AED 000	2012 AED 000
Goodwill	549,050	549,050

The Company tests goodwill for impairment annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the three year business plan approved by the Board of Directors. Goodwill is allocated to two CGUs, 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 2013 include a discount rate of 8.09% 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 16.5% at a market interest rate of 10.1%.

The cashflow projections included specific estimates for 3 years and a terminal growth rate thereafter. 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. Revenue growth is projected taking into account the average growth levels in the past years and the estimated sales volume and price growth in the next three years.

The estimated recoverable amount of the broadcasting CGU exceeded its carrying amount by AED 875 million and that of the fixed line business exceeded its carrying amount by AED 5,391 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.

Notes to the consolidated financial statements (continued)

8. Intangible assets and deferred fees (continued)
8.5 Deferred fees

	2013 AED	2012 AED
Deferred annual licence fee, numbering fees and spectrum fees	84	2,749

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

9. Related party transactions

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

9.1 Due from / to related parties

	2013 AED 000	2012 AED 000
Due from related parties		
Axiom Telecom LLC	197,024	108,825
Eros Electronics	14,319	16,432
Founding shareholders	196,755	45,764
	408,098	171,021
Due to related parties		
Tecom Investments FZ LLC	17,161	28,058
Emaar Properties PJSC	4,156	20,486
	21,317	48,544

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

	2013 AED 000	2012 AED 000
Tecom Investments FZ LLC:		
Office rent and services	66,202	64,832
Infrastructure cost	14,418	35,146
Axiom Telecom LLC– Authorised distributor – Net Sales	2,455,219	2,021,536
Eros Electronics – Authorised distributor –Net Sales	403,359	395,053
Injazat Data Systems LLC –Data centre rent and services	11,455	11,130
Emaar Properties PJSC	26,774	39,262

9.2 Compensation to key management personnel

	2013 AED 000	2012 AED 000
Short term employee benefits	37,695	32,450
End of service benefits	1,239	1,302
Post-employment benefits	575	597
Share based benefits	2,161	5,999
Directors’ remuneration	9,072	9,072
	50,742	49,420

Notes to the consolidated financial statements (continued)

10. Accounts receivable

	2013 AED 000	2012 AED 000
Receivables for services and products	797,085	717,271
Less: Provision for doubtful debts (Refer note 10.1)	(417,670)	(352,913)
Net receivable for services and products	379,415	364,358
Due from other telecommunications operators	353,015	436,867
Less: Provision for doubtful debts (Refer note 10.1)	(2,732)	(2,092)
Net due from other telecommunications operators	350,283	434,775
Unbilled revenue	450,814	310,739
Accounts receivable	1,180,512	1,109,872

10.1 Movement in provision for doubtful debts

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

	2013 AED 000	2012 AED 000
Provision for receivables for services and products		
At 1 January	352,913	305,741
Impairment loss recognised	78,509	52,561
Write off during the year	(13,752)	(5,389)
At 31 December	417,670	352,913
Provision for dues from other telecommunications operators		
At 1 January	2,092	2,459
Impairment loss recognised / (reversal)	640	(367)
At 31 December	2,732	2,092
Total provision for doubtful debts	420,402	355,005

The Company's exposure to credit and currency risks and impairment losses related to accounts receivables are disclosed in note 29.

11. Other receivables

	2013 AED 000	2012 AED 000
Advances to suppliers	285,134	310,014
Interest receivable	24,205	8,429
Staff loans	3,606	2,504
Deposits and others	28,602	13,199
	341,547	334,146

The Company's exposure to credit and currency risks and impairment losses related to other receivables are disclosed in note 29

12. Cash and cash equivalents and short term investments

	2013 AED 000	2012 AED 000
Cash at bank (on deposit and call accounts)	393,384	2,688,232
Cash in hand	399	412
Cash and cash equivalents	393,783	2,688,644
Short term investments *	4,485,000	630,000

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

13. Long term borrowings

	2013 AED 000	2012 AED 000
Long term bank borrowings (i),(ii),(iii) and (iv)	3,379,454	1,092,021
Buyer credit arrangements (v)	595,996	1,080,710
	3,975,450	2,172,731
Less: Current portion of long term bank borrowings	(808,170)	-
Current portion of buyer credit arrangement	(223,481)	(328,613)
	(1,031,651)	(328,613)
	2,943,799	1,844,118

Notes to the consolidated financial statements (continued)

13. Long term borrowings (continued)

- i.

Facility for AED 808.2 million (USD 220 million) .This facilities is to be repaid in full on the final maturity date (30 June 2014) and carries an interest rate of LIBOR+ 1.45% per annum. The facility is unsecured.
- ii.

During the year 2012, the Company secured a bank facility amounting to AED 367.3 million (USD 100.0 million). This facility is to be repaid in full on the final maturity date (12 December 2015) and carries an interest rate of LIBOR+ 1.60% per annum. AED 83.5 million (USD 22.7 million) was utilised during the year 2013 as full and final draw down. The facility is unsecured.
- iii.

A facility of AED 367.3 million (USD 100 million) which was not utilised as at 31 December 2012. This facility is to be repaid in full on the final maturity date (24 December 2015) and carries an interest rate of LIBOR+ 1.82% per annum. AED 367.3 million (USD 100.0 million) was utilised during the year 2013. The facility is unsecured.
- iv.

A facility of AED 1,836.7 million (USD 500 million) which was not utilised as at 31 December 2012. This facility is to be repaid in full on the final maturity date (20 December 2017) and carries an interest rate of LIBOR+ 1.75% per annum. AED 1,836.7 million (USD 500 million) was utilised during the year 2013. The facility is unsecured.
- v.

The Company has utilised the following buyer credit arrangements obtained from three suppliers:

(a)

AED 147.1 million (USD 40.0 million) in full and final draw down of an available AED 987.1 million (USD 268.7 million) (2012: AED 606.2 million). The facility is to be repaid in ten equal bi-annual instalments commencing January 2011. The facility carries an average interest rate of LIBOR + 1.5% per annum. AED 459.1 million (USD 125.0 million) has been repaid during the year.

(b)

AED 418.6 million (USD 113.9 million) of an available AED 760.4 million (USD 207.0 million) (2012: AED 408.3 million). The facility is to be repaid in ten equal bi-annual instalments commencing September 2012. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 108.6 million (USD 29.6 million) has been repaid during the year. AED 118.8 million (USD 32.4 million) was utilised during the year.

(c)

AED 30.3 million (USD 8.3 million) in full and final drawdown of an available AED 84.0 million (USD 22.9 million) (2012: AED 66.1 million). The facility is to be repaid in five bi-annual instalments commencing September 2012. The facility carries no interest. AED 35.1 million (USD 9.7 million) has been repaid during the year.

Terms and debt repayment schedule

Terms and conditions of the outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2013		31 December 2012	
				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	808,170	808,170
Unsecured Bank Loan	USD	LIBOR+ 1.82%	2015	367,186	367,186	-	-
Unsecured Bank Loan	USD	LIBOR+ 1.60%	2015	367,348	367,348	283,851	283,851
Unsecured Bank Loan	USD	LIBOR+ 1.75%	2017	1,836,750	1,836,750	-	-
Buyer credit agreement	USD	LIBOR+ 1.50%	2015	147,092	147,092	606,218	606,218
Buyer credit agreement	USD	LIBOR+ 1.20%	2017	418,556	418,556	408,343	408,343
Buyer credit agreement	USD	Nil	2014	30,348	30,348	66,149	66,149
				3,975,450	3,975,450	2,172,731	2,172,731

14. Provisions

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

	2013 AED 000	2012 AED 000
Asset retirement obligations		
At 1 January	95,638	-
Additions during year	3,415	95,638
Adjustment of discount	(1,064)	-
At 31 December	97,989	95,638

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Notes to the consolidated financial statements (continued)

15. Accounts payable and accruals

	2013 AED 000	2012 AED 000
Trade payables and accruals	2,048,381	1,691,955
Due to other telecommunications operators	892,609	801,539
Payroll accruals	178,261	156,472
Customer deposits	120,896	99,154
Retention payable	13,976	22,507
Deferred revenue	469,375	339,002
Accrued royalty	1,075,047	843,961
Others	314	375
	4,798,859	3,954,965

The Company's exposure to currency and liquidity risk related to accounts payable and accruals is disclosed in note 29.

16. Employee benefits

	2013 AED 000	2012 AED 000
End of service benefits		
At 1 January	122,682	103,326
Charge for the year	42,030	35,059
Payments made during year	(21,015)	(15,703)
At 31 December	143,697	122,682

The provision was recognised based on the following significant assumptions:

	2013	2012
Average period of employment	3 to 7 years	3 to 7 years
Average annual rate of salary increase	5%	5%
Discount rate	3.55%	3.55%

17. Share capital

	2013	2012
Authorised, issued and fully paid up share capital (par value AED 1 each)	4,571,428,571	4,571,428,571

18. Share premium

	2013 AED 000	2012 AED 000
Premium on issue of common share capital	393,504	393,504

19. Share based payment reserve

	2013 AED 000	2012 AED 000
Share based payment reserve	93,581	86,780

Notes to the consolidated financial statements (continued)

19. Share based payment reserve (continued)

The Company has in place an Executive Share Option Plan (“ESOP”) for selected senior managers to receive equity settled share options of the Company. The ESOP consists of annual grant schemes.

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

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

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 31 December 2013 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) ⁽¹⁾	Options exercised (000)	Options outstanding (000)	Commence-ment date	Vesting Date	Expiry Date ⁽³⁾
Launch grant scheme	16,269	250	16,019	-	22 Apr 2006	21 Apr 2009	21 Apr 2012
Annual grant scheme 2007	17,066	3,287	13,683	96	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 ⁽²⁾	1,482	680	-	802	16 Jan 2012	16 Jan 2015	15 Jan 2018

(1) forfeited due to executives leaving the Company.
(2) issuance of pro-rated options to new senior management positions for the 2011 grant scheme.
(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 fair value and assumptions used to calculate the fair value of the options are:

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

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

31 December 2012

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

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

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

The 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
Launch grant scheme	1.55	2.51	50%	1.00%	100%
Annual grant scheme 2007	0.28	2.51	47%	1.75%	100%
Annual grant scheme 2008	0.28	2.51	42%	2.50%	100%
Annual grant scheme 2009	0.93	2.51	42%	2.50%	100%
Annual grant scheme 2010	0.63	1.91	42%	1.25%	100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	90-100%
Annual grant scheme 2011 ⁽¹⁾	0.60	2.85	28%	1.00%	90-95%

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

Notes to the consolidated financial statements (continued)

20. Statutory reserve

In accordance with the UAE Federal Law No. 8 of 1984 (as amended) and the Company's Articles of Association, 10% of the net profit is required to be transferred annually to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

	2013 AED 000	2012 AED 000
At 1 January	465,581	267,627
Transfer to statutory reserve during the year	198,640	197,954
At 31 December	664,221	465,581

21. General and administrative expenses

	2013 AED 000	2012 AED 000
Payroll and employee related expenses	872,401	953,869
Outsourcing and contracting	469,851	360,744
Consulting	31,198	33,252
Telecommunications licence and related fees	269,542	258,181
Sales and marketing expenses	251,640	300,791
Depreciation and amortisation expenses	1,229,425	1,172,170
Network operation and maintenance	786,244	727,758
Rent and utilities	108,828	125,459
Provision for doubtful debts	78,961	52,159
Impairment of property, plant and equipment and inventory	30,010	19,549
Miscellaneous expenses	86,332	83,615
	4,214,432	4,087,547

22. Operating leases

Leases

Non-cancellable operating lease rentals are payable as follows:

	2013 AED 000	2012 AED 000
Less than one year	171,248	185,177
Between one and five years	358,013	347,090
More than five years	201,048	301,406
	730,309	833,673

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

During the year ended 31 December 2013, AED 214,338 thousand was recognised as an expense in the statement of comprehensive income in respect of operating leases (2012: AED 205,340 thousand).

23. Finance income and expense

	2013 AED 000	2012 AED 000
Finance income		
Interest income	54,970	49,137
Finance expense		
Interest expense*	84,706	66,976
Exchange loss / (gain)	(954)	2,566
	83,752	69,542

*Interest expense includes early settlement fees amounting to AED 7,498 thousand. (2012: Nil)

24. Other income and expenses

Other income in the current year includes AED 5.5 million (2012: 5.4 million) relating to sublease of capacity and facilities to certain operators.

Notes to the consolidated financial statements (continued)

25. Royalty

The royalty rates payable to the UAE Ministry of Finance for the Royalty payable for the years ended 31 December 2012 through to 31 December 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%

	2013 AED 000	2012 AED 000
Total revenue for the year	10,799,320	9,841,516
Broadcasting revenue for the year (refer note 30)	(176,531)	(170,169)
Other allowable deductions	(2,751,493)	(1,190,177)
Total adjusted revenue	7,871,296	8,481,170
Profit before royalty	3,013,849	2,823,502
Provision for royalty : 7.5% (2012:5%) of the total adjusted revenue plus 20% (2012: 17.5%) of the net profit for the year before distribution after deducting 7.5% (2012: 5%) of the total licensed revenue.	1,075,047	843,961
Less : Refund received during the year relating to the year 2012	(47,598)	-
	1,027,449	843,961

25.1. Movement in accrual for royalty

	2013 AED 000	2012 AED 000
At 1 January	843,961	714,556
Payment made during the year	(796,363)	(714,556)
Adjustment for refund relating to the year 2012	(47,598)	-
Provision for the year	1,075,047	843,961
At 31 December	1,075,047	843,961

26. Earnings per share

	2013	2012
Profit for the year (AED 000)	1,986,400	1,979,541
Weighted average number of shares	4,571,428,571	4,571,428,571
Earnings per share (AED)	0.43	0.43

27. Changes in working capital

	2013 AED 000	2012 AED 000
Change in inventories	(31,704)	27,715
Change in accounts receivable	(70,640)	(228,272)
Change in prepayments	5,375	2,339
Change in other receivables	8,375	(41,073)
Change in accounts payable and accruals	705,429	64,643
Change in amounts due from related parties	(86,086)	9,771
Change in amounts due to related parties	(27,227)	13,946
Change in deferred fees	2,665	(2,145)
Payment of employee benefits	(21,015)	(15,703)
Net changes in working capital	485,172	(168,779)

28. Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 928,697 thousand and AED 15,306 thousand, respectively (2012: AED 1,338,585 thousand and AED 32,135 thousand respectively).

Notes to the consolidated financial statements (continued)

29. Financial instruments

29.1 Credit risk

Exposure to credit risk

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

	Notes	Carrying amount		Fair values	
		2013	2012	2013	2012
		AED 000	AED 000	AED 000	AED 000
Accounts receivable	10	1,180,512	1,109,872	1,180,512	1,109,872
Other receivables	11	56,413	24,132	56,413	24,132
Due from related parties	9.1	408,098	171,021	408,098	171,021
Cash and cash equivalents	12	393,783	2,688,644	393,783	2,688,644
Short term investments	12	4,485,000	630,000	4,485,000	630,000
		6,523,806	4,623,669	6,523,806	4,623,669

Impairment losses

The ageing of accounts receivables is as follows:

	Gross 2013 AED 000	Impairment 2013 AED 000	Gross 2012 AED 000	Impairment 2012 AED 000
Not past due	694,087	-	764,497	-
Past due 0-30 days	88,644	821	181,805	286
Past due 31-180 days	338,433	88,327	197,442	51,305
More than 180 days	479,750	331,254	321,133	303,414
	1,600,914	420,402	1,464,877	355,005

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

29.2. Liquidity risk

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

31 December 2013	Fair values AED 000	Carrying amount AED 000	Contractual cash flow				
			Total AED 000	6 months or less AED 000	6 - 12 months AED 000	1 - 2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Long term bank borrowings	3,975,450	3,975,450	4,170,502	955,675	140,599	983,166	2,091,062
Trade payables & accruals	2,048,381	2,048,381	2,048,381	2,048,381	-	-	-
Due to other telecommunications operators	892,609	892,609	892,609	892,609	-	-	-
Customer deposits	120,896	120,896	120,896	120,896	-	-	-
Retention payable	13,976	13,976	13,976	13,976	-	-	-
Accrued royalties	1,075,047	1,075,047	1,075,047	1,075,047	-	-	-
Other	314	314	314	314	-	-	-
Due to related parties	21,317	21,317	21,317	21,317	-	-	-
	8,147,990	8,147,990	8,343,042	5,128,215	140,599	983,166	2,091,062

31 December 2012	Fair values AED 000	Carrying amount AED 000	Contractual cash flow				
			Total AED 000	6 months or less AED 000	6 - 12 months AED 000	1 - 2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Long term bank borrowings	2,172,731	2,172,731	2,244,120	183,405	181,675	1,444,558	434,482
Trade payables & accruals	1,848,427	1,848,427	1,848,427	1,848,427	-	-	-
Due to other telecommunications operators	801,539	801,539	801,539	801,539	-	-	-
Customer deposits	99,154	99,154	99,154	99,154	-	-	-
Retention payable	22,507	22,507	22,507	22,507	-	-	-
Accrued royalties	843,961	843,961	843,961	843,961	-	-	-
Other	375	375	375	375	-	-	-
Due to related parties	48,544	48,544	48,544	48,544	-	-	-
	5,837,238	5,837,238	5,908,627	3,847,912	181,675	1,444,558	434,482

29. Financial instruments (continued)

29.3. Currency risk

Exposure to credit risk

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

	31 December 2013 AED 000			31 December 2012 AED 000		
	USD	EURO	GBP	USD	EURO	GBP
Trade receivables	91,856	13,997	1,547	68,685	4,221	114
Trade payables	(439,191)	(11,011)	(592)	(239,323)	(16,741)	(157)
Net balance sheet exposure	(347,335)	2,986	955	(170,638)	(12,520)	(43)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD 1	3.6735	3.6735	3.6735	3.6735
EURO 1	4.8676	4.7292	5.0500	4.8488
GBP 1	5.7367	5.8092	6.0833	5.9714

Sensitivity analysis

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

	Profit / (Loss)	2013 AED 000	2012 AED 000
USD		127,594	62,684
EURO		(1,453)	5,921
GBP		(548)	25

Conversely a 10 per cent weakening of the AED against the above currencies at 31 December will have had the exact reverse effect.

In each of the above cases the impact on equity would have the same values as the above amounts.

29.4. Interest risk

Exposure to interest risk

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

	Carrying Amount	
	2013 AED 000	2012 AED 000
Variable rate instruments		
Long term bank borrowings	3,379,454	1,092,021
Buyer credit arrangements	595,996	1,080,710
	3,975,450	2,172,731

Sensitivity analysis

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

	2013 AED 000	2012 AED 000
Profit / (Loss)		
Variable rate instruments	(28,062)	(19,031)

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.

29.5. Fair value

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

Fair value hierarchy

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

Notes to the consolidated financial statements (continued)

30. Segment analysis

The Company has operations only in the UAE.

The Company is organised into four major business segments as follows:

- Mobile segment offers mobility services to the enterprise and consumer markets. Services include mobile voice and data, mobile content and mobile broadband WIFI.
- Fixed segment provides wire line services to the enterprise and consumer markets. Services include broadband, IPTV, IP/VPN business internet and telephony.
- Wholesale segment provides voice and data services to national and international carriers and operators. Services include termination of inbound international voice traffic, international roaming agreements and point-to-point leased line connectivity.
- Broadcasting segment delivers integrated satellite and broadcasting services to broadcasters and media companies.
- Segment results represent the gross operating profit before general and administrative expenses, finance income and expense, other income and expense and royalty. This is the measure reported to the Company's Board of Directors for the purpose of resource allocation and assessment of segment performance.

31 December 2013	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broad- casting 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	-	-	-	-	(4,214,432)
Finance income and expense & other income	-	-	-	-	(18,410)
Profit before royalty	-	-	-	-	3,013,849
Royalty	-	-	-	-	(1,027,449)
Profit for the year	-	-	-	-	1,986,400

31 December 2012	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broad- casting AED 000	Total AED 000
Segment revenue	7,613,815	1,620,541	436,991	170,169	9,841,516
Segment contribution	5,458,554	1,264,213	111,444	63,172	6,897,383
Unallocated costs	-	-	-	-	(4,087,547)
Finance income and expense & other income	-	-	-	-	13,666
Profit before royalty	-	-	-	-	2,823,502
Royalty	-	-	-	-	(843,961)
Profit for the year	-	-	-	-	1,979,541

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



