# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Consolidated Financial Statements

31 December 2013

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# Chairman’s Message

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 Government of the UAE’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**

In June 2013, readiness for the UAE to transform into a smart government in line with the initiative of His Highness Shaikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai. We fully support this initiative and 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, while leveraging ICT technology.

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 suppliers and vendors that are Emirati and small-to-medium in size (SMEs).

We also want to make life easier for hardworking 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. We are striving to embrace gender diversity at all levels. To that end, since appointing Hanan Ahmed as Company Secretary last year, we added Hana Al Rostamani to our Board of Directors. Furthermore, by continuing to embrace international governance systems such as the importance of female leadership, based on the evolving requirements of the Dubai 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 brand to 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.

du 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.

**Ahmad Bin Byat**
**Chairman**

# CEO Review

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 asthe 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 strong 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 4.30 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 34%, 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 28%, up from 23% 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 both 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 Emiratisation 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.

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 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 and 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.

In 2014 we will say goodbye to current CFO Mark Shuttleworth who will step down during Q1 after eight years of service. I would like to personally thank him for his commitment and dedication during his tenure with our company and I wish him all the best in his future endeavours.

As we begin our next chapter, we have been joined by Amer Kazim as the new CFO. Amer is a valuable addition to our team, a new spirit into our plans for the future. Welcoming Amer is testament to our drive to develop our future leadership to ensure that du remains under the responsibility of young, Emirati nationals.

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 twelve months and to our Board of Directors, who continued to provide valuable guidance and support during this time of transition and growth.

**Osman Sultan**
**Chief Executive Officer**

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**Independent Auditors' Report**

The Shareholders
Emirates Integrated Telecommunications Company PJSC

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Emirates Integrated Telecommunications Company PJSC and its subsidiary ("the 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 10 to 36 are an integral part of these consolidated financial statements.

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

## Consolidated statement of comprehensive income

For the year ended 31 December

| | *Note* | 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 |

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

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

## Consolidated statement of cash flows

For the year ended 31 December

| | Note | 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 10 to 36 are an integral part of these consolidated financial statements.

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

## Consolidated statement of changes in equity

For the year ended 31 December

| | Share capital (Note 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 10 to 36 are an integral part of these consolidated financial statements.

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

## 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 recognized.

### 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.

## 2 Basis of accounting *(continued)*

### 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. 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.

## 3 Significant accounting policies *(continued)*

### 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.

## 3 Significant accounting policies *(continued)*

### vi Financial instruments *(continued)*

### vi (i) Non-derivative financial assets *(continued)*

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

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

### vi (ii) Non-derivative financial liabilities

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

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

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

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

### vi (iii) Share capital

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

### vi (iv) Dividend on ordinary shares

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

### vii Provisions

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

### viii End of service benefits

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

Provision for employees' end of service benefits for non-UAE nationals is made 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.

## 3 Significant accounting policies *(continued)*

### ix Impairment *(continued)*

### ix(i) Financial assets *(continued)*

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.

**Notes to the consolidated financial statements (*continued*)**

## 3 Significant accounting policies *(continued)*

### xi Revenue recognition *(continued)*

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 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 lAS 1).
f. lAS 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.

## 3 Significant accounting policies *(continued)*

**Change in accounting policies *(continued)***

(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 lAS 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 lAS 19 (2011), the Company determines the net interest expense (income) on the net defined benefit liability asset) for the period b 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.

**Notes to the consolidated financial statements (*continued*)**

## 4 Determination of fair values *(continued)*

### ii Non-derivative financial liabilities

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

### iii Share based payment transactions

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

## 5 Financial risk management

**Overview**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

## 5 Financial risk management *(continued)*

***Credit risk (continued)***

**Trade and other receivables *(continued)***

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 | Plant and equipment | Furniture and fixtures | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Cost** | | | | | | |
| At 1 January 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** | 2012 |
|---|---|---|
| | **AED 000** | 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** | **Capital work in progress** | **Total** |
|---|---|---|---|
| | **AED 000** | **AED 000** | **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<br>At 31 December 2012 | 208,050 | 122,684 | 330,734 |
| **Net book value**<br>**At 31 December 2013** | 239,419 | 111,866 | 351,285 |

## 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 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.

## 8 Intangible assets and deferred fees *(continued)*

### 8.5 Deferred fees

| | **2013 AED 000** | 2012 AED 000 |
|---|---|---|
| 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 |

**Notes to the consolidated financial statements (*continued*)**

## 9 Related party transactions *(continued)*

### 9.2 Compensation to key management personnel

| | **2013** | 2012 |
|---|---|---|
| | **AED 000** | 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 |

## 10 Accounts receivable

| | **2013** | 2012 |
|---|---|---|
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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 |

(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.

## 13 Long term borrowings *(continued)*

(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:

| | | | | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|---|---|---|
| | Currency | Nominal interest rate | Year of maturity | 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 |

**Notes to the consolidated financial statements (*continued*)**

## 15 Accounts payable and accruals

| | **2013** | 2012 |
|---|---|---|
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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 to7 years | 3 to7 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** | 2012 |
|---|---|---|
| | **AED 000** | 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 |
| | ======== | ======== |

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)** | **Commencement 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.

**Notes to the consolidated financial statements (*continued*)**

## 19 Share based payment reserve *(continued)*

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

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

The 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% |

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

## 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*).

**Notes to the consolidated financial statements (*continued*)**

## 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 (gain) / loss | (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.

## 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 Royalty *(continued)*

### 25.1 Movement in accrual for royalty

| | **2013** | 2012 |
|---|---|---|
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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** | **Impairment** | Gross | Impairment |
|---|---|---|---|---|
| | **2013** | **2013** | 2012 | 2012 |
| | **AED 000** | **AED 000** | AED 000 | 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 Financial instruments *(continued)*

### 29.2 Liquidity risk

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

**31 December 2013**

| | **Fair values** | **Carrying amount** | Contractual cash flows: Total | 6 months or less | 6-12 months | 1-2 years | Above 2 years |
|---|---|---|---|---|---|---|---|
| | **AED 000** | **AED 000** | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Non-derivative financial liabilities** | | | | | | | |
| Long term bank borrowings | 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** | **Carrying amount** | Contractual cash flows: Total | 6 months or less | 6-12 months | 1-2 years | Above 2 years |
|---|---|---|---|---|---|---|---|
| | **AED 000** | **AED 000** | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| **Non-derivative financial liabilities** | | | | | | | |
| Long term bank borrowings | 2,172,731 | 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 |

**Notes to the consolidated financial statements (*continued*)**

## 29 Financial instruments *(continued)*

### 29.3 Currency risk

**Exposure to currency risk**

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

| | **31 December 2013** | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **AED 000** | | | 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.

| | **2013** | 2012 |
|---|---|---|
| | **AED 000** | AED 000 |
| **Profit / (Loss)** | | |
| 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 Financial instruments *(continued)*

### 29.4 Interest risk

### Exposure to interest risk

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

| | Carrying Amount | |
|---|---|---|
| | **2013** | 2012 |
| | **AED 000** | 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** | 2012 |
|---|---|---|
| | **AED 000** | 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.

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

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.