Emirates Integrated Telecommunications Company PJSC

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Chairman's message

Dear Shareholders,

On behalf of the board of directors I am pleased to present the 2009 annual report. The year demonstrated the underlying quality and strength of our business. It was universally recognised as the most challenging year for the world economy. However, against this challenging environment, we managed to record our third consecutive year of growth.

Behind this success lies a sound strategy that is consistently delivered by an experienced management team. At the heart of this team is a commitment to perform and deliver value for our customers, employees, shareholders and the community.

When we launched our services in February 2007, our goal was to become a competitive telecommunications service provider in the UAE. In 2009, we have reached a mobile market share of 32%, in less time than we expected, confirming that we have achieved our goal. In the third quarter of the year we exceeded 3,000,000 customers and by the end of the year, that figure had reached 3,477,000. In a population of around 5 million, competing against a well-established incumbent, this is an extraordinary achievement.

The majority of new subscribers in the UAE come to du. This is testament to the reputation we have built for the quality of our network, our innovative services, and, of course, the value we offer our customers.

Financially, we performed strongly and continued delivering on our growth strategy. Revenues grew 35% to AED 5.3 billion. We also built on our first year of net profit before royalty in 2008 to reach a net profit before royalty in 2009 of AED 528.2 million. Earnings per share for our shareholders grew to AED 0.066, from AED 0.001 in 2008.

Our customers are at the heart of our business. In 2009 we continued to focus our attention on introducing more innovative, world class mobile and broadband services for our postpaid and our prepaid subscribers. Business customers also saw a wealth of new products and services to help them perform efficiently.

At the core of all of these products and services are the three things that we are now known for: innovation, quality and value.

It is our responsibility to provide our customers with a reliable, fast, state-of-the-art network. In 2009 we continued our commitment to providing the best network in the UAE with a further investment of AED 2.4 billion. Our customers can see the benefits of this investment every time they use our mobile service, surf the web or turn on their television sets. This is what lies at the centre of our investment programme: showing that du is different, that du performs.

Not only are we committed to our subscribers, we are devoted to the development of the telecommunications sector and the nation's economy as a whole. One of the pillars of this commitment is our Emiratisation program where we will continue to drive and promote the employment of UAE Nationals, a program that is rooted in quality and performance.

The dedication and passion of our team help us deliver our strategy and our commitment to our customers. Our employees have shown again what sets this company apart: they have delivered the innovation that we are known for, and they have provided ever-increasing levels of customer service to our growing subscriber base. By working together, they have achieved another great year of operational and financial performance. Our employees power our success, and we aim to provide them with an environment that they love working in, to help nurture and develop their talent, and reward their dedication.

The Board of Directors and our management team are working together to create a sustainable business which performs consistently for its owners, our shareholders.

To help us attain this goal, we have created a world-class system of corporate governance to ensure the right checks and balances are in place, putting all of our shareholders at the centre of each business decision we make. Our governance standards exceed those recommended by the Dubai Financial Market, and are among the strongest not just in the UAE but across the region. Part of our commitment to good corporate governance is to ensure that the level of transparency and disclosure we provide to the market is also among the highest in the region. We are continually making improvements to the already high standards we have set.

Finally, we are as much a part of the UAE as the UAE is a part of our business. As the country grows, so we can grow with the country. We remain committed to education, heritage, talent development and social issues. Throughout the year our staff participated in a large number of social and community activities and initiatives in each of the seven emirates. We remain committed to continue performing for the community in which we do business.

Looking towards 2010 and beyond, we expect to see a return to the positive sentiment that drove the UAE economy so successfully. We aim to continue delivering sustainable business performance and growth, and will continue investing to develop and enhance our network, our service levels and our people.

With that in mind, I would once again like to take this opportunity, on behalf of the entire Board of du, to thank every one of our employees for their unwavering commitment to the performance of our company. I would like to thank our customers for their business, recognising that they have a choice and they choose to be part of our success. I would like to thank our business partners, who are our allies in much of what we do, for their partnership, trust and performance. And I would like to thank our shareholders for their continued commitment to our success.

Ahmad Bin Byat
Chairman

CEO's message

Dear Shareholders,

It is with great pleasure that I present the 2009 annual report outlining the financial and operational highlights for du. 2009 was our third year of trading and we have continued to exceed expectations with an exceptional performance at both an operational and financial level, despite an undeniably challenging economic environment.

Throughout the year we have launched and significantly improved our mobile segment, reaching a level of maturity of which we are proud. However, we do believe there is more to do and considerable potential is available for the fixed line business by the provision of infrastructure sharing.

Subscriber numbers have grown across the board as we introduced new products to the market place and, with our sizeable capital expenditure programme, upgraded our state-of-the-art network even further.

With a focus on service and increasing the value we add to each and every customer, 2009 has seen us launch many initiatives such as WoW International, Double Talktime, and our postpaid Elite and Premier Plans. We were also the first to offer a competitive BlackBerry® solution to the market, and our launch of the Apple iPhone has been extremely successful. All of these initiatives have provided immediate and relevant benefits to our customers.

During the year we increased our Broadband width to 24 Mb, a first in the Middle East. Our home products platform is continually being developed and refined with du being the first in the region to launch IP TV.

Since we first began operations we have set one clear objective; to become the telecommunications provider of choice in the UAE. From the moment a customer walks into one of our outlets, calls the Customer Care centre, turns on the TV or accesses the internet, we have a goal: to make the customer feel valued. We seek to enhance the customer experience, and this philosophy is being implemented across all our business segments.

We have delivered to shareholders an exceptional year, with increased subscriber numbers, revenues and profits reaching record levels.

Highlights for 2009 are considerable. Revenues grew by 35% to AED 5.3 billion, an indication of the substantial increase in our customer base over the past twelve months.

This upward trend was seen across all revenue segments; mobile, fixed, wholesale and broadcasting. Mobile revenues reached AED 3.7 billion, representing a 42% increase over 2008. Fixed business revenues, including fixed telephony, IP TV and Broadband, amounted to AED 970.3 million, a 17% increase year-on-year. While wholesale and broadcasting achieved AED 495.7 million and AED 145.4 million in revenues, respectively. This saw a year-on-year increase of 33% for wholesale and 21% for broadcasting.

Over the year, we added a further 1,011,200 active mobile customers with our total active subscriber base at 3,477,000 and corresponding mobile revenue of AED 3.7 billion, a 42% increase on 2008.

Customers have increased across many segments, expanding our market share to 32%, a tremendous achievement driven by a considered expansion to our range of propositions and service offerings which enhanced our customers' experience.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased substantially to our highest level at AED 1.1 billion for 2009, up 189% from 2008.

Net profit before royalty reached AED 528.2 million, well in excess of previous years.

Since our last annual report, we have continued to build on our strong foundations and providing our customers a high quality network. Throughout the year, we have been dedicated to improving our network capabilities, expanding our Broadband infrastructure, as well as increasing mobile coverage and have invested in excess of AED 2.4 billion in our capital expenditure programme.

Our investment this year into our network constitutes AED 1.3 billion invested in our mobile network infrastructure and AED 853.7 million to the fixed line and broadcasting segments will transform our performance objectives.

We will continue to focus on expanding and improving our networks, services and capabilities with a comprehensive approach to exceptional telecommunications solutions and we are looking at an investment programme of around AED 2.2 billion for the coming year to provide our customers with a superior telecommunications service.

2009 would not have been the achievement it has been without the efforts and hard work of everyone in our team. I sincerely thank each and every team member for helping make us the success we are today. Without the support and direction of our distinguished Board, du would not have prospered as a business, and on behalf of the du team we thank you for your guidance and direction.

As we enter 2010, we see our future full of promise as we increase our Broadband and triple play services to far reaching areas and foster relationships with strategic partners to build upon the value proposition we currently provide.

We see two particular milestones being achieved in 2010 which are seen as major building blocks to our continued growth story.

The benefit from the introduction of mobile number portability in 2010 is expected to see du capture greater market share and higher value customer base. This will mean that to meet the anticipated growth and deliver a sustainable business model we will continue to invest in our high quality network.

2010 will also see the formalisation of an infrastructure sharing agreement which will see expansion beyond our current footprint. This step forward will result in a direct benefit for customers with increased competition in fixed services across the UAE.

Our story remains one of growth and we will continue to focus our efforts in service innovation and in further strengthening our value proposition. We are proud of the evolution of du and our objective is to maintain the growth momentum, drive the business and continue to invest in our capabilities and with this we will maintain our integrity and continue to deliver productivity and performance to our customers and our shareholders.

Osman Sultan
Chief Executive Officer

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Independent auditors' report

The Shareholders
Emirates Integrated Telecommunications Company, PJSC

Report on the financial statements

We have audited the accompanying financial statements of Emirates Integrated Telecommunications Company PJSC ("the Company"), which comprise the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the 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 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 principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, that a physical count of inventories was carried out by Management in accordance with established principles, and the contents of the Directors' report which relate to these 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 2009, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

24 FEB 2010

Vijay Malhotra
Registration No. 48B

Emirates Integrated Telecommunications Company PJSC

Balance sheet

As at 31 December

	Note	2009 AED 000	2008 AED 000
Non-current assets			
Property, plant and equipment	*6*	6,107,216	4,283,727
IT software	*7.1*	450,220	425,543
Telecommunications license fee	*7.2*	100,452	106,678
Indefeasible right of use	*7.3*	100,080	108,650
Goodwill		549,050	549,050
Total non-current assets		**7,307,018**	5,473,648
Current assets			
Deferred fees	*7.4*	5,923	113
Inventories		38,931	52,962
Accounts receivable	*9*	900,865	599,445
Other receivables	*10*	103,961	106,275
Due from related party	*8.1*	163,847	153,844
Prepayments		142,096	114,043
Cash and cash equivalents	*11*	869,264	1,275,611
Total current assets		**2,224,887**	2,302,293
Current liabilities			
Bank overdraft		-	4,901
Notes payable	*12.1*	142,868	-
Accounts payable and accruals	*13*	3,479,687	2,425,054
Due to related party	*8.1*	54,287	11,080
Total current liabilities		3,676,842	2,441,035
Net current liabilities		**1,451,955**	138,742
Non-current liabilities			
Employee benefits	*14*	63,523	49,972
Long term bank borrowings	*12.2*	3,000,000	2,775,000
Total non-current liabilities		**3,063,523**	2,824,972
Net assets		**2,791,540**	2,509,934
Represented by:			
Share capital	*15*	4,000,000	4,000,000
Share based payment reserve	*16*	17,482	-
Statutory reserve	*17*	26,825	412
Accumulated losses		(1,252,767)	(1,490,478)
Shareholders' equity		**2,791,540**	2,509,934

The financial statements were approved on ______February 2010 by:

2 4 FEB 2010

Ahmad bin Byat
Chairman

Osman Sultan
Chief Executive Officer

The notes set out on pages 9 to 30 form an integral part of these financial statements.
The Independent auditors' report is set out on page 4.

Emirates Integrated Telecommunications Company PJSC

Statement of comprehensive income
For the year ended 31 December

	Note	**2009 AED 000**	2008 AED 000
Revenue		5,338,699	3,950,936
Cost of sales		(1,831,347)	(1,439,539)
Gross profit		3,507,352	2,511,397
General and administrative expenses	*18*	(3,044,490)	(2,615,670)
Finance income	*20*	6,057	12,399
Finance expense	*20*	(12,774)	(9,064)
Other income	*21*	72,103	109,186
Profit before Royalty		528,248	8,248
Royalty	*22*	(264,124)	(4,124)
Profit for the year		264,124	4,124
Profit and comprehensive income attributable to shareholders of the Company		264,124	4,124
Earnings per share AED	*23*	0.066	0.001

The notes set out on pages 9 to 30 form an integral part of these financial statements

The Independent auditors’ report is set out on page 4.

Emirates Integrated Telecommunications Company PJSC

Statement of cash flows
For the year ended 31 December

	2009	2008
	AED 000	AED 000
Cash flows from operating activities (note 24)	976,666	542,106
Change in inventories	14,031	(16,539)
Change in accounts receivable	(301,420)	(205,928)
Change in prepayments	(28,053)	(63,227)
Change in other receivables	2,314	(33,649)
Change in accounts payable and accruals	342,643	310,082
Change in amounts due from related party	(10,003)	(41,850)
Change in amounts due to related party	(5,261)	11,080
Change in long term portion of Executive Share Option Plan	(9,954)	9,954
Change in deferred fees	(5,810)	54
Payment of end of service benefits	(2,341)	(4,024)
Net cash generated from operating activities	972,812	508,059
Cash flows used in investing activities		
Purchase of property, plant and equipment	(1,623,824)	(2,032,777)
Proceeds from disposal of property, plant and equipment	-	99
Purchase of IT software	(94,159)	(132,766)
Payment of telecommunications license fee	(49,800)	(37,350)
Finance income	6,057	1,097
Finance expense	(12,774)	(9,064)
Other income	32,374	109,186
Net cash used in investing activities	(1,742,126)	(2,101,575)
Cash flows from financing activities		
Notes payable	142,868	-
Long term financing	225,000	2,775,000
Net cash from financing activities	367,868	2,775,000
Net (decrease)/increase in cash and cash equivalents	(401,446)	1,181,484
Cash and cash equivalents at beginning of the year	1,270,710	89,226
Cash and cash equivalents at end of the year	**869,264**	**1,270,710**

The notes set out on pages 9 to 30 form an integral part of these financial statements.

The Independent auditors' report is set out on page 4.

Emirates Integrated Telecommunications Company PJSC

Statement of Changes in Equity
For the year ended 31 December

	Share capital	Share based payment reserve	Statutory reserve	Accumulated losses	Total equity
	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2008	4,000,000	-	-	(1,494,190)	2,505,810
Profit for the year	-	-	-	4,124	4,124
Transfer to statutory reserve	-	-	412	(412)	-
At 31 December 2008	**4,000,000**	**-**	**412**	**(1,490,478)**	**2,509,934**
At 1 January 2009	4,000,000	-	412	(1,490,478)	2,509,934
Profit for the year	-		-	264,124	264,124
Share based payment reserve	-	17,482	-	-	17,482
Transfer to statutory reserve	-	-	26,413	(26,413)	-
At 31 December 2009	**4,000,000**	**17,482**	**26,825**	**(1,252,767)**	**2,791,540**

The notes set out on pages 9 to 30 form an integral part of these financial statements.

The Independent auditors' report is set out on page 4.

Notes to the financial statements

1 Legal status and principal activities

Emirates Integrated Telecommunications Company PJSC ("the Company") is a public joint stock company with limited liability. The Company was incorporated on 28 December 2005 and registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates.

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.

2 Basis of preparation

i Statement of compliance

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

ii Adoption of new accounting standard

The Company has adopted new accounting standard IAS 1 Revised which became effective on 1 January 2009. The revised standard requires the Company to present a statement of comprehensive income. The adoption of the standard did not have any material impact on the financial statements of the Company.

iii Basis of measurement

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

iv Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED ") rounded to the nearest thousand. This is the currency of the country in which the Company is domiciled.

v Use of estimates and judgments

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

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a risk of material adjustment in the next year mainly relates to residual value and useful lives of items of property, plant and equipment and intangible assets, provision for bad and doubtful debts, provision for slow moving inventories and share option pricing.

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 financial statements.

i Property, plant and equipment

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

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

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

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

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

ii Goodwill

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

iii Intangible assets

Intangible assets that are acquired by the Company, which have finite useful life, are measured at cost less accumulated amortisation and 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 license fee	20
Indefeasible right of use	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 balance sheet.

3 Significant accounting policies *(continued)*

v Inventories

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

vi Financial Instruments

vi (i) Non-derivative financial assets

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

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

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

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

Loans and receivables comprise due from related party, trade and other receivables, including service concession 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, bank overdrafts, notes payable, due to related party 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 in the balance sheet 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.

3 Significant accounting policies *(continued)*

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

The provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with UAE Federal Law and is based on the liability that would arise if the employment of the entire Company's staff was terminated at the balance sheet date except for UAE national staff who are members of the UAE Federal Pension scheme into which the Company makes contributions.

ix Impairment

ix(i) Financial assets

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

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

ix(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss 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.

3 Significant accounting policies *(continued)*

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.

Interest earned on bank deposits is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate of return.

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 income statement 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.

4 Determination of fair values

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

i Accounts and other receivables

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

ii Non-derivative financial liabilities

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

iii Share based payment transactions

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

5 Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these 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 Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

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

Trade and other receivables

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

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

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

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

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a collective loss component established in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

5 Financial risk management *(continued)*

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.

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.

The Company does hedge the currency risk in respect of its foreign currency exposure. As the majority of the Company transactions are concluded in local currency or in US dollars, 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 risk

During the year, the Company drew down the remaining portion of a syndicated term loan facility of AED 3 billion. The facility incurs interest at EIBOR /LIBOR plus 125 basis points. 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.

There were no changes in the Company's approach to capital management during the year and the Company is subject to the provisions of UAE federal law no.8 of 1984 (as amended) in respect of its capital requirements.

6 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture & fixtures AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2008	47,208	1,565,270	69,343	2,097	1,011,364	2,695,282
Additions	-	1,036,586	35,285	-	1,110,945	2,182,816
Transfers	-	247,556	25,185		(272,741)	-
Disposal of assets	-	-	-	(166)	-	(166)
Impairment provision transferred	-	(14,455)	-	-	-	(14,455)
At 31 December 2008	47,208	2,834,957	129,813	1,931	1,849,568	4,863,477
At 1 January 2009	47,208	2,834,957	129,813	1,931	1,849,568	4,863,477
Additions	-	1,346,474	39,793	192	896,082	2,282,541
Transfers	-	584,734	21,068	-	(605,802)	-
At 31 December 2009	**47,208**	**4,766,165**	**190,674**	**2,123**	**2,139,848**	**7,146,018**
Depreciation						
At 1 January 2008	4,105	184,907	21,924	959	-	211,895
Charge for the year	2,234	318,929	30,613	595	-	352,371
Depreciation on disposal	-	-	-	(113)	-	(113)
Impairment provision transferred	-	(5,869)	-	-	-	(5,869)
At 31 December 2008	6,339	497,967	52,537	1,441	-	558,284
At 1 January 2009	6,339	497,967	52,537	1,441	-	558,284
Charge for the year	2,234	412,536	49,287	318	-	464,375
At 31 December 2009	**8,573**	**910,503**	**101,824**	**1,759**	**-**	**1,022,659**
Impairment / Provision for obsolescence						
At 1 January 2008	-	8,586	-	-	8,924	17,510
Charge for the year	-	-	-	-	12,542	12,542
Impairment provision allocated	-	(8,586)	-	-	-	(8,586)
At 31 December 2008	-	-	-	-	21,466	21,466
At 1 January 2009	-	-	-	-	21,466	21,466
Charge for the year	-	-	-	-	(5,323)	(5,323)
At 31 December 2009	-	-	-	-	**16,143**	**16,143**
Net book value						
At 31 December 2008	40,869	2,336,990	77,276	490	1,828,102	4,283,727
Net book value						
At 31 December 2009	**38,635**	**3,855,662**	**88,850**	**364**	**2,123,705**	**6,107,216**

7 Intangible assets and deferred fees

7.1 IT software

	Software in Use AED 000	Capital Work in Progress AED 000	Total AED 000
Cost			
At 1 January 2008	354,284	58,202	412,486
Additions	158,424	11,827	170,251
Transfers	2,153	(2,153)	-
At 31 December 2008	514,861	67,876	582,737
At 1 January 2009	514,861	67,876	582,737
Additions	91,655	52,739	144,394
Transfers	4,886	(4,886)	-
At 31 December 2009	**611,402**	**115,729**	**727,131**
Amortisation			
At 1 January 2008	64,234	-	64,234
Charge for the year	92,960	-	92,960
At 31 December 2008	157,194	-	157,194
At 1 January 2009	157,194	-	157,194
Charge for the year	119,717		119,717
At 31 December 2009	**276,911**	**-**	**276,911**
Net book value			
At 31 December 2008	357,667	67,876	425,543
Net book value			
At 31 December 2009	**334,491**	**115,729**	**450,220**

7 Intangible assets and deferred fees *(continued)*

7.2 Telecommunications licence fee

	2009 **AED 000**	2008 AED 000
Opening balance	106,678	112,904
Amortisation for the year	(6,226)	(6,226)
Closing balance	100,452	106,678

Telecommunications licence fee represent the fee charged by the Telecommunications Regulatory Authority to the Company to grant the licence to operate as a telecommunications service provider in the United Arab Emirates. The fees are being amortised on a straight-line basis over a period of 20 years from the date of granting the licence.

7.3 Indefeasible right of use

	2009 **AED 000**	2008 AED 000
Opening balance	108,650	117,220
Amortisation for the year	(8,570)	(8,570)
Closing balance	100,080	108,650

Indefeasible right of use represents the fee charged by an operator of a fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees are amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

7.4 Deferred fees

	2009 **AED 000**	2008 AED 000
Deferred annual license fee, numbering fees and spectrum fees	5,923	113

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

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Notes to the financial statements *(continued)*

8 Related party transactions

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

8.1 Due from/to related party

	2009 AED 000	2008 AED 000
Due from related party		
Axiom Telecom ("Axiom")	163,847	153,844
Due to related party		
Tecom Investments FZ LLC ("Tecom")	54,287	11,080

Axiom is a distributor of the Company's products. The transactions are carried out at commercial rates. The balances mainly represent amounts due in respect of the Company's products sold through Axiom. Net sales through Axiom during the year were AED 898 million (*2008:* AED 688 million), after deduction of their commission.

The Company has transactions with Tecom predominantly comprising of rent payable for premises. Telecom services to Tecom and affiliates are provided at normal market value.

8.2 Compensation to key management personnel

	2009 AED 000	2008 AED 000
Short term employee benefits	33,250	24,826
Termination benefits	608	4,288
Post employment benefits	372	360
Share based benefits*	(4,342)	14,391
Directors' remuneration**	9,000	-
	38,888	43,865

* During the year the Company modified its Executive Share Option Plan from a cash settled scheme to an equity settled scheme. The difference in fair values of the options re-measured on the modification date resulted in an adjustment to the expense recognised in the profit and loss (Refer note 16).

** In the 2009 Annual General Meeting the shareholders approved a Directors' remuneration of AED 4.5 million for the year 2008. The Company has accrued the same amount of Directors' fees for the current year.

9 Accounts receivable

	2009 AED 000	2008 AED 000
Trade receivables	983,664	653,046
Less: Provision for doubtful debts	(82,799)	(53,601)
	900,865	599,445

The Company's exposure to credit and currency risks and impairment losses related to accounts receivables are disclosed in note 26.

Notes to the financial statements *(continued)*

10 Other receivables

	2009 **AED 000**	2008 AED 000
Advances to suppliers	70,746	66,901
Interest receivable	1,980	5,241
Staff loans	6,191	12,181
Deposits	25,044	19,110
Other receivable	-	1,600
Derivatives	-	1,242
	103,961	106,275

The Company's exposure to credit and currency risks and impairment losses related to other receivables are disclosed in note 26.

11 Cash and cash equivalents

	2009 **AED 000**	2008 AED 000
At bank (on deposit and call accounts)	868,920	1,275,414
On hand	344	197
	869,264	1,275,611
Bank overdraft	-	4,901
Net cash and cash equivalents	869,264	1,270,710

Bank overdraft is unsecured and carries interest at normal commercial rates.

During the year, the balances in deposit accounts earned interest ranging from 1.2 % to 7.5 % per annum. All bank deposits are held in the UAE.

12 Loans and borrowings

12.1 Notes payable

During the year, the Company issued promissory notes to a supplier amounting to AED 142.87 million (USD 38.89 million). The notes are repayable over a period of one year and carry a fixed interest rate of 4.5% p.a which is accumulated annually. The promissory notes do not have covenants attached to them.

	2009 **AED 000**	2008 AED 000
Notes payable	142,868	-

Notes to the financial statements *(continued)*

12 Loans and borrowings *(continued)*

12.2 Long term bank borrowings

During the year, the Company drew down the remaining balance of its available AED 3 billion long term loan facility. The facility is to be repaid in full three years from the date of first draw down - not to extend beyond 30 June 2011. As at 31 December 2009, the Company satisfies all applicable financial covenants imposed by the loan agreement.

Details of the loan are as follows:

	2009 AED 000	2008 AED 000
Long term bank borrowings	3,000,000	2,775,000

Terms and debt repayment schedule

Terms and conditions of the outstanding loan are as follows:

	Currency	**Nominal interest rate**	**Year of maturity**	**31 December 2009** Face Value AED 000	**31 December 2009** Carrying amount AED 000	31 December 2008 Face Value AED 000	31 December 2008 Carrying amount AED 000
Secured bank loan	AED	EIBOR+ 1.25%	2011	2,524,735	2,524,735	2,299,735	2,299,735
Secured bank loan	USD	LIBOR+ 1.25%	2011	475,265	475,265	475,265	475,265
				3,000,000	3,000,000	2,775,000	2,775,000

13 Accounts payable and accruals

	2009 AED 000	2008 AED 000
Trade payables & accruals	2,716,498	2,028,564
Payroll accruals	142,018	124,336
Customer deposits	36,368	22,972
Retention payable	21,599	16,621
Deferred revenue	270,173	208,332
Accrued royalties	268,248	4,124
Other	24,783	20,105
	3,479,687	2,425,054

Other payables and accruals include an accrued loss of AED 450 thousand (*2008*: gain of AED 1,242 thousand) due to change in the fair value of three forward contracts with a commercial bank with aggregate notional value of Euros 2.9 million (AED 15,254 thousand), (*2008: Euros 2.6 million (AED 13,354 thousand)*). In 2008, the gain was disclosed under Other receivables (Refer note 10)

The Company's exposure to currency and liquidity risk related to accounts payable and accruals is disclosed in note 26.

14 Employee benefits

	2009	2008
	AED 000	AED 000
End of service benefits		
Opening balance	40,018	16,246
Provision made during the year	25,846	27,796
Payments made during the year	(2,341)	(4,024)
Closing balance	63,523	40,018
Cash settled share based benefits		
Total cash settled share based benefits (Refer note 16)	-	23,110
Less: Current portion classified under Payroll accruals	-	(13,156)
Non current portion	-	9,954
Total employee benefits	63,523	49,972

During the year the Company modified its Executive Share Option Plan from cash settled scheme to an equity settled scheme (Refer note 16).

15 Share capital

	2009	2008
	AED 000	AED 000
Authorised, issued and fully paid		
4,000,000,000 shares of AED 1 each	4,000,000	4,000,000

16 Share based payment reserve

	2009	2008
	AED 000	AED 000
Share based payment reserve	17,482	-

During the year, the Company modified its Executive Share Option Plan ("ESOP") which is in place for selected senior managers, from a cash settled scheme to an equity settled scheme. All other terms and conditions of the scheme remain the same. The date of modification was 6 July 2009.

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.

Notes to the financial statements *(continued)*

16 Share based payment reserve *(continued)*

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options are shown in the table below:

Share scheme	Options granted (000)	Commencement date	Vesting date	Expiry date	Exercise price (AED)	Expected volatility	Risk-free interest rate	Fair value per option (AED)
Launch grant scheme	15,550	22 Apr 2006	21 Apr 2009	21 Apr 2012	3.03	53%	0.60%	0.45
Annual grant scheme 2007	17,980	01 Jul 2007	30 Jun 2010	30 Jun 2013	5.27	47%	1.20%	0.24
Annual grant scheme 2008	23,599	01 Jul 2008	30 Jun 2011	30 Jun 2014	5.86	45%	1.70%	0.29
Annual grant scheme 2009	25,641	01 Jul 2009	30 Jun 2012	30 Jun 2015	2.79	45%	2.20%	0.94

The share price at modification date was AED 2.55, expected life of the options 1-5 years and employee retention rate of 85% -100%.

17 Statutory reserve

In accordance with the UAE Federal Law No 8 of 1984 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.

	2009 AED 000	2008 AED 000
Opening balance	412	-
Transfer to statutory reserve (10% of net profit)	26,413	412
Closing balance	26,825	412

18 General and administrative expenses

	2009 AED 000	2008 AED 000
Payroll and employee related expenses	745,937	698,176
Consulting, contracting and outsourcing cost	254,852	211,357
Telecommunications license and related fees	133,090	138,782
Sales and marketing expenses	309,596	253,617
Depreciation and amortisation expenses	598,888	460,128
Network operation and maintenance	626,314	562,375
Rent and utilities	264,442	179,994
Provision for receivables	43,933	31,314
Impairment of property, plant and equipment	2,622	12,542
Miscellaneous	64,816	67,385
	3,044,490	2,615,670

19 Operating leases

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

	2009 AED 000	2008 AED 000
Less than one year	235,081	145,040
Between one and five years	758,462	326,742
More than five years	-	-
	993,543	471,782

The Company leases a number of warehouses, premises and sites to operate its network. The leases typically run for a period of 5 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 2009, AED 247,929 thousand was recognised as an expense in the income statement in respect of operating leases (*2008*: AED 172,060 thousand).

20 Finance income and expense

	2009 AED 000	2008 AED 000
Interest income	6,281	1,097
Exchange (loss) /gain	(224)	11,256
Gain on disposal of assets	-	46
Finance income	6,057	12,399
Gross finance expense	135,603	44,496
Less: Capitalised finance expense (refer note 3 (xii))	(122,829)	(35,432)
Finance expense	12,774	9,064

21 Other income

During 2007, the Company entered into an agreement to vacate one of its operational sites. The Company has accounted for income of AED 48.91 million during the year ended 31 December 2009 related to this agreement (*2008*: AED 91.09 million). Furthermore, an amount of AED 6.65 million has been charged to the income statement in respect of accelerated depreciation on the assets relating to this site (*2008*: AED 42.31 million).

22 Royalty

The Company has provided for a potential royalty charge in the current and prior year estimated at 50% of the annual net profit. No determination of the structure of the royalty fee has been advised to the company as at 31 December 2009. This estimate is based on the current practice followed by the other UAE telecom operator.

	2009 **AED 000**	2008 AED 000
Annual profit before royalty	528,248	8,248
Estimated royalty 50% of annual profit	264,124	4,124

23 Earning per share

	2009	2008
Net profit for the year (AED 000)	264,124	4,124
Number of shares (number in 000)	4,000,000	4,000,000
Profit per share AED	0.066	0.001

24 Cash flows from operating activities

	2009 **AED 000**	2008 AED 000
Profit for the year	264,124	4,124
Adjustment for:		
Depreciation of property, plant and equipment	464,375	352,371
Amortisation of IT software	119,717	92,960
Amortisation of intangible assets	14,796	14,796
Provision for end of service benefits	25,846	27,796
Amortisation of telecommunication fee	133,090	138,782
Impairment of property, plant and equipment	2,622	12,542
Finance income and expense	6,717	7,921
Equity-settled share based payment transactions	17,482	-
Other income	(72,103)	(109,186)
Net cash flows before changes in working capital	976,666	542,106

25 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 2,131,003 thousand and AED 21,046 thousand, respectively (*2008:* AED 1,911,137 thousand and AED 3,960 thousand respectively).

26 Financial instruments

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	
		2009	2008	**2009**	2008
		AED 000	AED 000	**AED 000**	AED 000
Accounts receivable	9	900,865	599,445	900,865	599,445
Other receivables	10	103,961	106,275	103,961	106,275
Due from related party	8.1	163,847	153,844	163,847	153,844
		1,168,673	859,564	1,168,673	859,564

The maximum exposure to credit risk for trade receivables as at 31 December by type of customer was:

	Carrying amount	
	2009	2008
	AED 000	AED 000
Commercial	412,910	444,711
International & Wholesale	487,955	154,734
	900,865	599,445

Impairment losses
The ageing of trade receivables was:

	Gross	**Impairment**	Gross	Impairment
	2009	**2009**	2008	2008
	AED 000	**AED 000**	AED 000	AED 000
Not past due	466,263	-	372,527	-
Past due 0-30 days	160,425	2,862	118,114	-
Past due 31-180 days	151,797	19,814	113,601	9,692
More than 180 days	205,179	60,123	48,804	43,909
	983,664	82,799	653,046	53,601

26 Financial instruments *(continued)*

Credit risk *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying amount	
	2009	2008
	AED 000	AED 000
Opening balance	53,601	41,863
Impairment loss recognised	43,933	31,314
Write off during the year	(14,735)	(19,576)
Closing balance	82,799	53,601

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.

Liquidity risk

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

31 December 2009

			Contractual cash flows				
	Fair values	**Carrying amount AED 000**	Total AED 000	6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Long term bank borrowings	3,000,000	3,000,000	3,000,000	-	-	3,000,000	-
Trade payables & accruals	3,128,689	3,128,689	3,128,689	3,128,689	-	-	-
Customer deposits	36,368	36,368	36,368	36,368	-	-	-
Retention payable	21,599	21,599	21,599	21,599	-	-	-
Accrued royalties	268,248	268,248	268,248	-	268,248	-	-
Other	24,783	24,783	24,783	24,783	-	-	-
Employee benefits	63,523	63,523	63,523		-	63,523	-
	6,543,210	6,543,210	6,543,210	3,211,439	268,248	3,063,523	-

Notes to the financial statements *(continued)*

26 Financial instruments *(continued)*

Credit risk *(continued)*

31 December 2008

	Fair values	**Carrying amount AED 000**	Contractual cash flows Total AED 000	6 months or less AED 000	6-12 months AED 000	1-2 years AED 000	Above 2 years AED 000
Non-derivative financial liabilities							
Long term bank borrowings	2,775,000	2,775,000	2,775,000	-	-	-	2,775,000
Trade payables & accruals	2,361,232	2,361,232	2,361,232	2,361,232	-	-	-
Customer deposits	22,972	22,972	22,972	22,972	-	-	-
Retention payable	16,621	16,621	16,621	16,621			
Accrued royalties	4,124	4,124	4,124	-	-	4,124	-
Other	20,105	20,105	20,105	20,105	-	-	-
Employee benefits	49,972	49,972	49,972	-	-	46,965	3,007
	5,250,026	5,250,026	5,250,026	2,420,930	-	51,089	2,778,007

Currency risk

Exposure to currency risk

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

	31 December 2009 AED 000			December 2008 AED 000		
	USD	**Euro**	**GBP**	**USD**	**Euro**	**GBP**
Trade receivables	124,937	10,310	1,307	66,457	10,208	1,960
Trade payables	(260,799)	(6,396)	(344)	(281,249)	(6,901)	(86)
Gross balance sheet exposure	(135,862)	3,914	963	(214,792)	3,307	1,874

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2009	2008	**2009**	2008
USD 1	3.6735	3.6735	3.6735	3.6735
EURO 1	5.1295	5.4430	5.2601	5.1360
GBP 1	5.7222	6.9508	5.9360	5.3740

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.

26 Financial instruments *(continued)*

Notes to the financial statements *(continued)*

Currency risk *(continued)*
Sensitivity analysis *(continued)*

	Profit/ (Loss)
	AED 000
31 December 2009	
USD	49,909
EURO	(2,007)
GBP	(551)

	AED 000
31 December 2008	
USD	78,904
EURO	(1,800)
GBP	(1,303)

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

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

Interest risk
Exposure to interest risk

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

	Carrying Amount	
	2009	2008
	AED 000	AED 000
Variable rate instruments		
Long term bank borrowings	3,000,000	2,775,000
	3,000,000	2,775,000

Sensitivity analysis

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

	Profit/ (Loss)
	AED 000
31 December 2009	
Variable rate instruments	(9,476)

	Profit/ (Loss)
	AED 000
31 December 2008	
Variable rate instruments	(1,614)

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.

27 Segment analysis

The Company is organised and managed into two major segments, each representing a strategic business unit offering products and services to different markets.

	Commercial 2009 AED 000	International & Wholesale 2009 AED 000	Total 2009 AED 000
Segment revenue	4,467,918	870,781	5,338,699
Segment contribution	2,658,299	477,987	3,136,286
Unallocated costs			(2,937,548)
Finance income and expenses and other income			65,386
Profit for the year			264,124

	Commercial 2008 AED 000	International & Wholesale 2008 AED 000	Total 2008 AED 000
Segment revenue	3,339,185	611,751	3,950,936
Segment contribution	1,851,323	21,296	1,872,619
Unallocated costs			(1,981,016)
Finance income and expenses and other income			112,521
Profit for the year			4,124

The current and the non-current assets used in the Company's business and liabilities contracted 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 practicable to provide segment disclosure relating to total assets and liabilities since a meaningful segregation of available data is not feasible.

28 Comparatives

Comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.