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Chairman's message

Contributing to the development of our nation through sustainable growth and solid returns.



Ahmad Bin Byat
Chairman

Our company has continued to flourish, enjoying one of the highest growth rates in revenues in the region for the last three years.

Our human capital has always been at the heart of all our value creation initiatives.

Dear Shareholders,

As we celebrate our fifth year of operation, I am pleased to report unprecedented performance, and the continuation of our company's strong growth trajectory.

Despite continued global economic uncertainty over the last three years, we have benefited from the stability and economic momentum of the UAE which, combined with the capabilities we've built in offering innovative and attractive customer propositions, has resulted in an even greater number of customers placing their trust in us. This has led to increased traffic on our world-class infrastructure, which has in turn led to a very strong financial performance, aided by increased operational efficiency.

Our 2011 financial performance has led to the recommendation by the Board of Directors to propose our first cash dividend of 15 fils per share for 2011. This dividend is subject to shareholder approval at the Annual General Meeting in March 2012.

The decision to pay dividends celebrates the position that we have built in the market. Our company has continued to flourish, enjoying one of the highest growth rates in revenues in the region for the last three years. By the end of 2011 we served more than 46% of the UAE mobile market according to the Telecommunications Regulatory Authority, an enviable achievement in just five years. Today, more than five million people across the Emirates actively use our services.

Our net profit before royalty has grown significantly, increasing to AED 1.8 billion in 2011, an impressive 48% increase year on year. Following an announcement by The Federal Government, setting the Royalty charge for 2011 at a rate of 15% of net profit and 5% of revenue, our net profit after royalty reached AED 1.1 billion.

None of this could have been achieved without our continuous investment in developing our people. Our human capital has always been at the heart of all our value creation initiatives, and we have maintained a focus throughout on our responsibility for Emiratisation. Our efforts in this area led to a dramatic increase in the number of Emiratis working in our company: in 2011, Emiratis represented 28%

Our efforts were recognised in 2011, when the company was ranked number one in the recently rebalanced S&P Hawkamah ESG Pan Arab Index.

Our strength in sustainability will benefit our shareholders.

of our workforce, up significantly from 23% in 2010, with 39% in higher management positions. We also sought to further extend job opportunities to UAE nationals across the country and the opening of our new, purpose-built customer care centre in Fujairah, managed and staffed entirely by Emiratis, is a prime example of these initiatives.

Corporate governance is another area that we believe is fundamental to the success of our business. Our efforts were recognised in 2011, when the company was ranked number one in the recently rebalanced S&P Hawkamah ESG (Environmental, Social & Corporate Governance) Pan Arab Index. The index of the top 50 MENA companies is based on their performance on nearly 200 ESG metrics compared to regional peers. I know I speak on behalf of everyone on the Board of Directors in saying that we are very proud of this achievement, especially, as we are such a young company.

We also continue to deliver on our commitment to the community and are extremely proud of the progress we have made in enhancing the sustainability of our business across a variety of different areas. In particular, we have reduced our environmental impact through initiatives such as solar-powered base stations to reduce our fuel consumption, and improved our governance, where we have made great progress as detailed in our first Sustainability Report. We have been a signatory to the United Nations Global Compact since 2008, and consciously address the ten guiding principles relating to human rights, labour, the environment and anti-corruption in our daily business.

Sustainability is becoming an increasingly important consideration among the global investment community, and we believe our strength in this area will benefit our existing shareholders.

As a rapidly growing company, we continue to benefit from and support the UAE government's 2030 vision and strategy. We are proud to be playing an important role in an industry that is currently at the heart of economic and social transformation, helping to make the UAE a regional hub for business and people. I would like to express my heartfelt appreciation and gratitude to our country's leadership for their vision and unwavering commitment to the development of our nation and its people.

Finally, I would like to thank all our employees for their commitment and energy, and especially the management team, for their leadership in delivering another year of outstanding performance and positioning us to fully benefit from the growth opportunities ahead. Of course I would also particularly like to thank you, our shareholders, for your continued trust and support.

As always, we will strive to build on the success of this year to deliver even greater value to you in 2012.

Ahmad Bin Byat
Chairman

Exceeding expectations through growth, operational efficiency and financial performance.



Osman Sultan
Chief Executive Officer

Dear Shareholders,

I am once again proud to report we have delivered another strong year of growth and very solid financial performance.

At the beginning of 2011 we were confident that we were entering the year stronger than ever before due to our unwavering focus on our mission: to delight our customers, be the employer of choice for the best talent, create optimal value for our shareholders through business excellence and innovation, and proudly contribute to the development of the telecommunications sector and of our community.

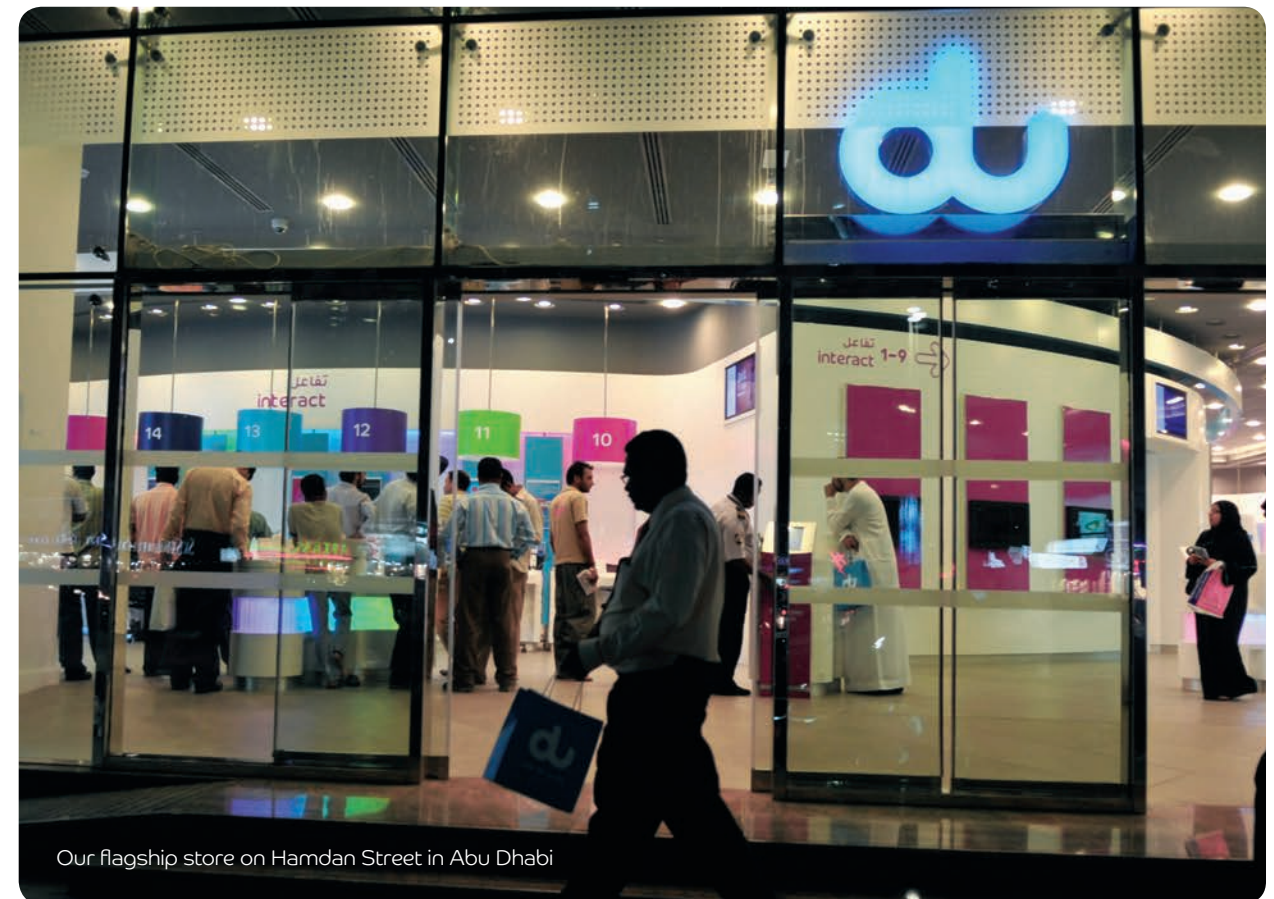
As we celebrate five years of outstanding performance, I am extremely pleased to be able to report we have delivered in all of these areas.

In 2011, we maintained one of the highest growth rates in the MENA region, reporting consistent record revenues of AED 8.9 billion.

Five years of solid operational results and consistent financial performance

In 2011, we maintained one of the highest growth rates in the MENA region, reporting consistent record revenues of AED 8.9 billion, representing an increase of 25% compared to the previous year. We have continued to gain market share, ending the year at 46%, with 5.2 million mobile customers.

With more than five million subscribers, we are now focusing on improving the average minutes of use and average revenue per user (ARPU), which was AED 119 for 2011, up from AED 113 in 2010. We believe this change can be partially attributed to the successes we have had in improving the customer experience, which has been a significant focus in 2011 and will continue to remain so.



Our flagship store on Hamdan Street in Abu Dhabi

Growth in data revenue has also become a significant contributor, representing more than 10% of mobile revenues in 2011.

Growth in data revenue has also become a significant contributor, representing more than 10% of mobile revenues in 2011. We expect this to become even more prominent, based on projections forecasting very rapid growth in the penetration rate of smartphones in the coming years.

Our home services business, including fixed telephony, high-speed broadband and IPTV is today limited to the geographical areas where we have deployed our own world-class fibre infrastructure. This business continues to grow alongside the on-going development of the UAE economy and is well-positioned to benefit from the infrastructure sharing agreement announced by the TRA. We look forward with optimism and determination to expanding and offering our state-of-the-art value proposition nationally as a result of this development.

Throughout the year we worked hard to continue streamlining processes and reinforcing operational and financial controls. This enabled us to better manage our overheads and capital expenditure, leading to healthy levels of profitability in 2011. EBITDA growth remained strong at 45%, and reached AED 2.9 billion, representing an EBITDA margin of 32.94% for 2011. Net profit before royalty also grew significantly by 48% to reach AED 1.8 billion for 2011. The Federal Government has set the royalty charge for 2011 at 15% of net profit and 5% of revenue, which resulted in net profit after royalty of AED 1.1 billion.

We continued to invest in our capabilities in 2011, investing more than AED 1.3 billion in our network and IT. We added more than 1,275 new base station sites –

(approximately 100 new sites every month) - further improving our network coverage. We also greatly improved our data network, particularly in our 3G coverage, as we see this as a major stream of future revenue growth. We have significantly upgraded our IT systems both from a capacity and functionality point of view, enabling us to launch the latest innovative products in the shortest possible time. This also contributed to a large extent in increasing the level of automation in our service provisioning, leading to increased revenue and customer satisfaction.

Delighting our customers

Our continuous investments in our network, IT systems and processes, coupled with the introduction of market-leading products and services, resulted in a significant increase in customer satisfaction in 2011. We are very pleased with this progress, and the on-going customer satisfaction audit we commission (from Nielsen, an independent research company) demonstrates further improvements in this area.

More importantly, the increased levels of customer satisfaction are a consequence of a comprehensive and proactive programme put in place at the end of 2010 to identify and address opportunities to further enhance our customer experience across network performance, our products and services, and our customer service. This programme has been highly successful through 2011 and we will seek to maintain and better these improvements in 2012. Over the year, we also put in place mechanisms to assist us in continuing to drive efficiency improvements throughout the company in 2012.

We are particularly proud of the significant improvement in the company employee engagement result for 2011.

Solidifying our reputation as employer of choice for the best talent in the UAE

We made great progress during the year in developing one of our greatest assets, our people, as evidenced by continually increasing levels of employee engagement (measured and monitored by Gallup, an independent research company). We are particularly proud of the significant improvement in the company employee engagement result for 2011, the investments we have made in developing future leaders by partnering with INSEAD on a management training programme, and establishing talent pools to enable succession planning. We delivered more than 5,000 training days through the year and we also exceeded our target level of Emiratisation, with Emirati nationals now representing 28% of our workforce. Over the past five years, we have evidenced a solid track record of deploying sustainable management principles to foster outstanding employee performance.

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Delivering optimal value to our shareholders through business excellence and innovation

Our financial optimisation strategy progressed well in 2011, including the full repayment of a AED 3 billion loan with a bullet payment consisting of an efficient mix of cash and refinancing.



We enter 2012 with optimism and an unflinching focus on the customer experience and on driving operational efficiencies.

With four consecutive quarters of positive cash flow, we ended 2011 with a very healthy balance sheet. This has enabled us, subject to shareholder approval, to distribute dividends to investors for the first time. While the recommendation has been made to pay dividends, we will ensure we continue to invest in our network, systems, products and services and our people to ensure we maximise overall shareholder value.

Bright outlook for 2012

As we celebrate five years of outstanding performance, we enter 2012 with optimism and an unflinching focus on the customer experience and on driving operational efficiencies. Through these efforts we believe we can create further value for our shareholders by making our company a best-in-class telecommunications operator.

I would like to express my gratitude to our staff and management, our partners and customers, for their loyalty. I would also like to thank our Board of Directors, who continue to provide sound guidance and support, and our shareholders for your continued trust in our company.

We enter 2012 proud and confident.

Osman Sultan
Chief Executive Officer

Board of directors



Ahmad Bin Byat
Chairman



Younis Al Khoori
Vice Chairman



Fadhel Al Ali
Board Member



Ziad Galadari
Board Member



Waleed Al Muhairi
Board Member



Abdulhamid Saeed
Board Member



Abdulla Al Shamsi
Board Member



**Eissa Mohamed Ghanem
Al Suwaidi**
Board Member



**Jassem Mohamed
Al Zaabi**
Board Member

Senior management team



Osman Sultan
Chief Executive Officer



Farid Faraidooni
Chief Commercial Officer



Ananda Bose
Chief Corporate Affairs
Officer



Fahad Al Hassawi
Chief Human Resources &
Corporate Services Officer



Yatinder Mahajan
Chief Technology Officer



Mark Shuttleworth
Chief Financial Officer



Raghu Venkataraman
Chief Strategy & Investments
Officer

Highlights

- **8.9 billion** in total revenue
- **Free cash flow positive** for four consecutive quarters
- **5.2 million** mobile customers
- **10% data component** of mobile revenue
- **39% of mobile revenue growth** from postpaid segment
- **No. 1 ranked company** in S&P Hawkamah ESG Pan Arab Index
- **280 basis point decrease** in overheads as a percentage of revenue
- **45% growth** in EBITDA
- **48% growth** in net profit before royalty
- **13% increase** in average MOU
- **26% growth** in fixed line revenues
- **28% increase** in gross margin
- **AED 1.3 billion** invested
- **AED 3 billion** loan repaid in full
- **1st sustainability report** published
- **4G (HSPA+)** launched
- **Fujairah call centre** launched

Statistical summary

	2010	2011	Change	Change %
Total number of outgoing mobile minutes (millions)	6,262	8,633	2,371	38%
Total number of outgoing mobile local minutes used (millions)	4,617	6,217	1,600	35%
Total number of outgoing mobile international minutes used (millions)	1,645	2,416	771	47%
Average minutes of use (mobile, in minutes)*				
Prepaid	232	255	23	10%
Postpaid	512	587	75	15%
Total	246	277	31	13%
Active customers				
Mobile (thousands)	4,333	5,216	883	20%
Fixed (thousands)	477	531	54	11%
Broadband (thousands)	96	124	28	29%
TV (thousands)	93	114	21	23%

*Outgoing plus incoming

Milestones

2010

- Consolidated position in mobile market, expanded market share (40.2%)
- Expanded capacity in fixed business
- Established and launched du Investments
- 4.3 million customers
- EBITDA – AED 2.0 billion
- Net Profit (before royalty) – AED 1.2 billion

2008

- Increased market share
- 2.5 million customers
- EBITDA – AED 369 million
- Net Profit (before royalty) – AED 8 million

2011

- First dividend payment proposed
- Improved customer experience
- Fully repaid AED 3 billion loan
- Four consecutive quarters of being free cash flow positive
- Began optimising operations
- 5.2 million customers (46% market share)
- EBITDA – AED 2.9 billion
- Net Profit (before royalty) – AED 1.8 billion

2009

- Seeded investment vehicle
- 3.5 million customers
- EBITDA – AED 1.1 billion
- Net Profit – (before royalty) – AED 528 million

2007

- Established operations
- Book Your Number campaign

Financial summary

	2007	2008	2009	2010	2011
Total revenue (AED m)	1,537	3,951	5,339	7,074	8,854
Gross margin (AED m)	858	2,511	3,507	4,601	5,901
Overheads (AED m)	1,564	2,143	2,443	2,583	2,984
EBITDA (AED m)	(706)	369	1,064	2,018	2,916
EBITDA %	N/A	9.34%	19.94%	28.52%	32.94%
Net profit before royalty (AED m)	(885)	8	528	1,226	1,812
Net profit/ (loss) after royalty (AED m)	(885)	4	264 (based on royalty rate of 15%)	1,310 (based on royalty rate of 15%)	1,097 (based on royalty rate of 15% on net profit and 5% of revenue)
Free cash flow (AED m)	(1,557)	(1,594)	(769)	36	1,377
EPS (AED)	(0.22)	0	0.06	0.31	0.24

The financial year ending 31 December 2011 proved to be another strong year in terms of financial performance, which is further testament to the fundamental underlying quality and strength of our business. This year represents our fifth consecutive year of growth.

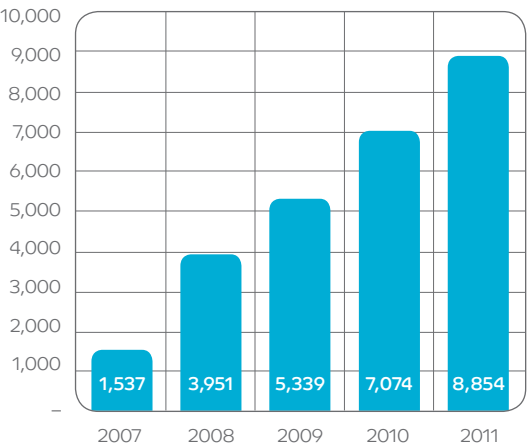
We continued delivering against our targets and our total revenues grew 25% from AED 7.1 billion in the year 2010 to AED 8.9 billion in 2011. More importantly, we have maintained consistency in our delivery with growth in every quarter.

We also achieved significant growth in profitability, partially as a result of optimisation initiatives that were introduced throughout the year. Net profit (before royalty) in 2011 grew 48% to reach AED 1.8 billion compared to AED 1.2 billion in 2010.

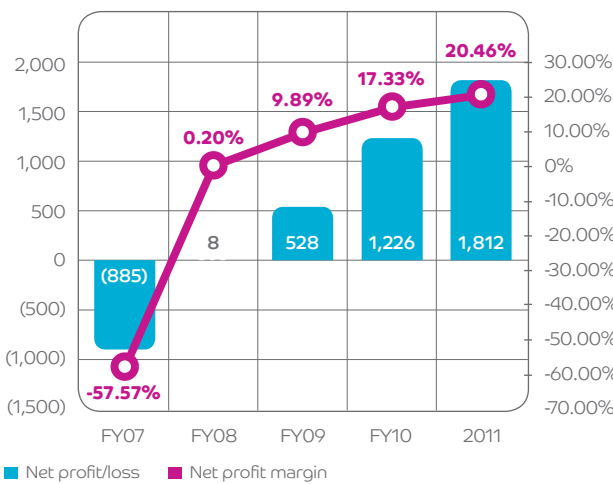
2011 was also the first year in our history in which we achieved four consecutive quarters of growth in free cash flow, a significant milestone in our development, and one that positions the company well for further growth. We ended the year with more than AED 1.37 billion in free cash flow.

We remain committed to providing our customers with the best possible service. We have further invested in our network capabilities, expanding our 2G and 3G infrastructure, and our fixed broadband network as well as the IT systems upgrades for capacity and functionality enhancements. To this end, we have invested in excess of AED 1.2 billion through our capital expenditure programme.

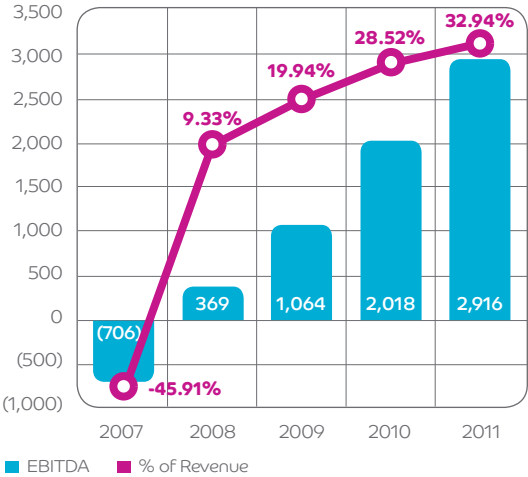
Total revenue (AED millions)



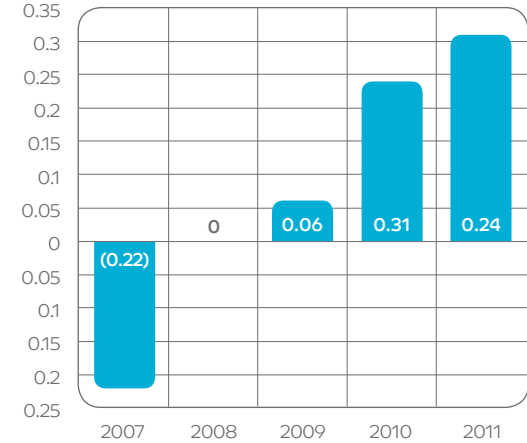
Net profit before royalty (AED millions)



Earnings before income tax, depreciation and amortisation (EBITDA) (AED millions)



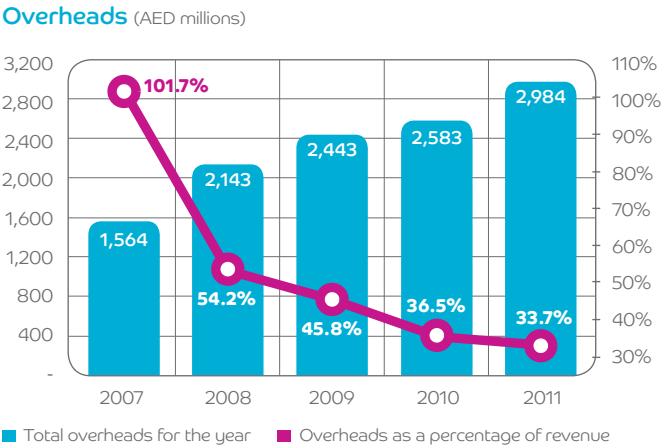
Earnings per share (EPS) (AED)



Overheads

	Overheads as a percentage of revenue				
	2007 %	2008 %	2009 %	2010 %	2011 %
Manpower	47	23	19	17	16
Telecommunications license and related fees	6	4	2	2	2
Sales & marketing expenses	17	6	6	5	4
Bad debts	1	1	1	2	1
Network operation & maintenance	17	14	14	8	8
Rent & utilities	9	5	3	2	2
Miscellaneous	4	2	1	1	1
Total overheads as a percentage of revenue	102	54	46	37	34

As a result of numerous internal initiatives, under the banner of our strategic themes and objectives and the Balanced Scorecard that was introduced, we have continued to identify areas that could have been improved in terms of efficiency. As a result, our overheads have decreased as a percentage of revenue by 280 basis points compared to 2010, standing at 33.7% in 2011, compared to 36.5% in 2010. 2012 will see a continued focus on efficiency.



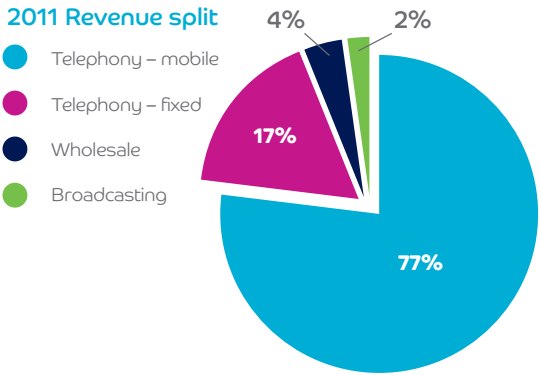
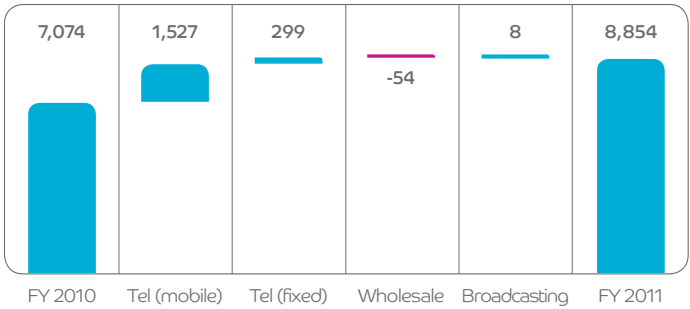
Profitability

We have continued to achieve strong growth both in EBITDA and net profit before royalty. This can be attributed to a combination of factors including gaining increasing control of our overheads and growth in ARPU as a result of strong performance from product development, marketing and customer service. EBITDA grew 45% year on year to AED 2.9 billion, from AED 2.0 billion in 2010, and we ended 2011 with net profit before royalty of AED 1.8 billion compared to AED 1.2 billion in 2010, representing an increase of 48%.

Performance by line of business

	2010 (AED m)	2011 (AED m)	Change (AED m)	Change %
Mobile				
Revenue	5,312	6,839	1,527	29%
Gross margin % of revenue	3,421 64.40%	4,600 67.26%	1,179	34% +286 basis points
Fixed				
Revenue	1,177	1,476	299	25%
Gross margin % of revenue	898 76.30%	1,092 73.98%	194	21% -231 basis points
Wholesale				
Revenue	427	373	-54	-13%
Gross margin % of revenue	221 51.76%	144 38.61%	-77	-35% -1,315 basis points
Broadcasting				
Revenue	158	166	8	5%
Gross margin % of revenue	61 38.61%	65 39.16%	4	7% +55 basis points
Total revenue	7,074	8,854	1,780	25%

Revenue growth by line of business



Our mobile business remains the primary driver of revenues, representing 77% of total revenue in 2011. In addition our fixed line business also performed well, with revenues increasing 25% year on year.

Gross margins remained healthy across all businesses. In particular, we have maintained strong margins in both our mobile and fixed line businesses. Mobile gross margin for the year stood at AED 4.6 billion, or 67.26% of mobile revenue, and the gross margin for our fixed line business for the year stood at AED 1.1 billion, or 73.98% of fixed revenue.

Mobile

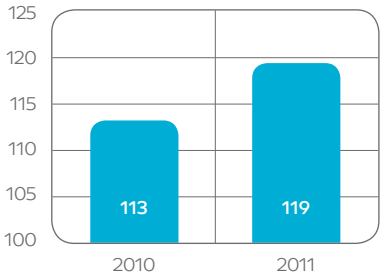
Our mobile business continued to be the largest contributor to revenues in 2011. Mobile revenues grew 29% to reach AED 6.8 billion in 2011, up from AED 5.3 billion in 2010. This growth was driven by a mix of strong ARPU, a growing number of high value postpaid customers, new products and services and growing data usage.

Mobile ARPU

We calculate ARPU as a measure of total mobile revenues (including outgoing and incoming voice and data revenues, value added services and roaming revenues and activation fees) for a given period, divided by the number of months in that period and divided again by that period’s average total customers¹ per month.

ARPU for mobile users increased by 5%, to AED 119 in 2011 compared to AED 113 in 2010. We believe this is driven by a combination of the growth in data usage, the increase in the proportion of mobile growth coming from high-value postpaid customers, increase in mobile data usage and as a result of our on-going efforts to bring targeted and innovative products and services to market.

Mobile ARPU (AED)



Mobile data

	2010	2011	Change %
Data revenue (AED millions)	405	697	72%
Data as a percentage of mobile revenue (%)	7.6%	10.2%	260 basis points

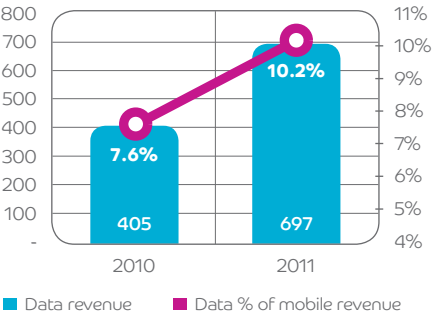
During 2011 we launched the UAE’s first LTE (HSPA+) network delivering the fastest mobile data speeds across the country. This investment supports the large uptake of smartphones like the iPhone, BlackBerry® and Android phones along with the burgeoning development of applications for mobile devices. This has led to an ever increasing consumption of mobile data attracting a growing stream of revenue. In 2011, data grew to more than 10% of mobile revenues.

This represents an increase of 72% in mobile data revenue, contributing AED 697 million in 2011, compared to AED 405 million in 2010. We believe, that based on smartphone

penetration growth projections from independent research houses, this trend will continue to become more prominent in 2012 and beyond.

In 2011 we launched a highly innovative product to deliver mobile data for our prepaid customers – More Data. This allows customers to recharge their prepaid balance for data in the same usual, convenient and flexible way, with recharges starting from just AED 20. After just two months of launch we had achieved AED 6 million of data revenue and this now grows on a weekly basis.

Mobile data revenue (AED millions)



High value postpaid customers

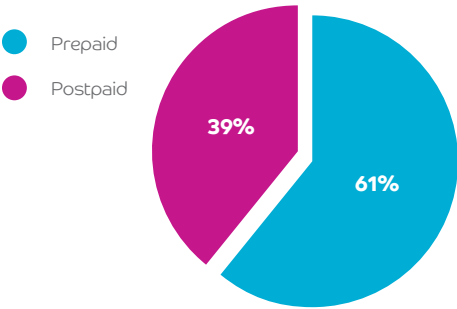
	2010 (AED m)	2011 (AED m)	Change %
Average minutes of use	246	277	13%
Postpaid	512	587	15%
Prepaid	232	255	10%

Once again in 2011 we maintained our commitment to bringing value for money and innovative services into the UAE market. We have ensured that we launched segmented products and services aimed at satisfying targeted customer groups and hence we are now seeing stronger performance in the high value postpaid segment. Of particular note was the launch of our Elite Super 250, 500 and 750 postpaid plans, giving customers great value for money with an inclusive bundle of national and international minutes, text and mobile data. We have already gained many customers on these new plans.

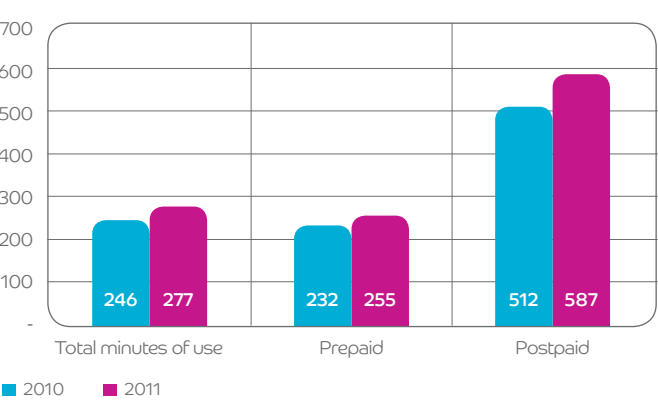
While our postpaid customer base grew from 260 million in 2010 to 363 million in 2011, the proportion of growth coming from postpaid increased considerably. Aside from the increase in loyalty and tenure, the fact that our postpaid customers consume more than double the number of minutes than our prepaid users is a very positive trend. Minutes of use continue to grow across all segments as well, due to increased usage.

¹ Defined by the Telecommunications Regulatory Authority as a customer that has sent or received a call, or sent an SMS or MMS within the last 90 days.

Breakdown of growth in mobile revenues



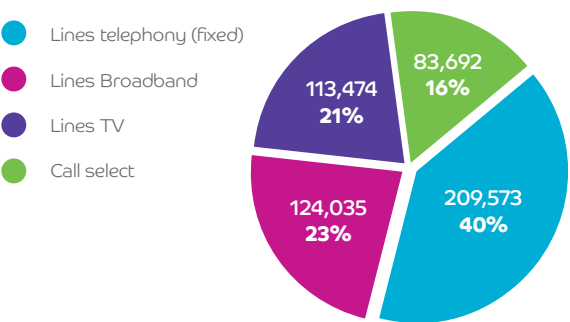
Mobile minutes of use (by customer segment)



Fixed

Our fixed line business generated AED 1.5 billion in revenues in 2011, increasing 25% compared to AED 1.2 billion in 2010. This growth can be primarily attributed to the expansion witnessed in the number of customers joining us from increased occupancy levels in developments and units in Dubai. This has increased the company's total fixed lines by 53,400, an increase of 11% over 2010, and resulted in revenue growth from broadband, paid TV and other bundled packages.

Breakdown of fixed line customers (AED thousands)



Wholesale

Our wholesale revenues are generated by our international voice, transit, international data and roaming services. Wholesale revenues decreased by AED 54 million, or 13%, to AED 373 million for 2011 compared to AED 427 million in 2010.

Broadcasting

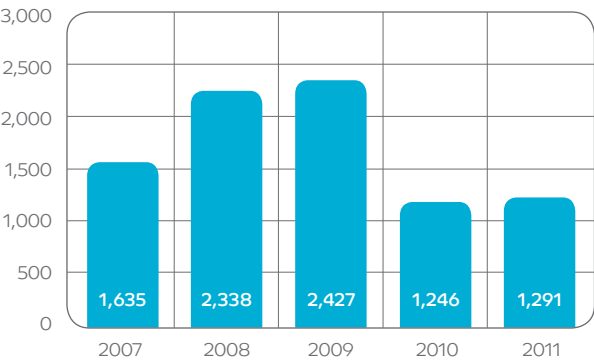
Our broadcasting revenues are generated primarily by our uplink/downlink and other value added service capabilities (including play-out, fly-out, turnaround and occasional services). Broadcasting revenue increased by AED 8 million, or 5%, to AED 166 million in 2011 compared to AED 158 million in 2010.

Capital expenditure

Our capital expenditure for 2011 was broadly in line with the previous year we continue to become more mature and more efficient with our deployments. A significant portion of the capital expenditure remained focused on the Company's 2G and 3G mobile networks. The table below provides a breakdown of the Company's capital expenditure programmes for the years 2011 and 2010.

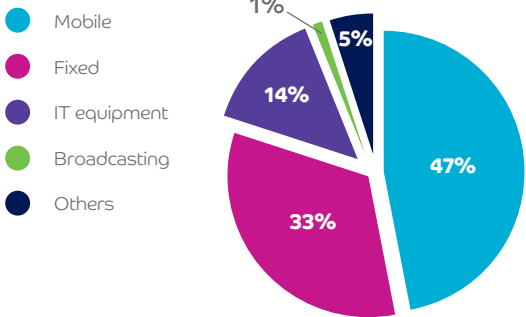
	2010 (AED m)	2011 (AED m)
Mobile	511	602
Fixed	536	424
IT equipment	148	186
Broadcasting	11	10
Others	40	69
Total	1,246	1,291

Capital expenditure (AED millions)



Capital expenditure breakdown (2011)

(Spend by segment)

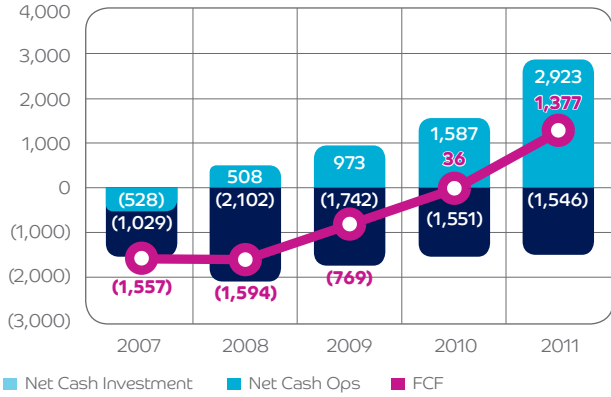


Cash and debt overview

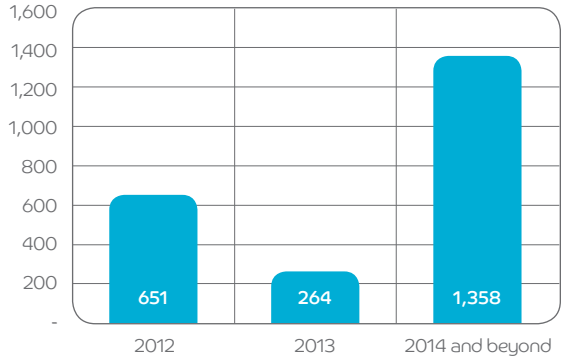
We were free cash flow positive for all four consecutive quarters in 2011. This achievement is very encouraging in just five years of operation. We have also been working hard to optimise our financial position through a number of initiatives including a number of vendor financing agreements that have been put in place and can be drawn upon as needed to manage deployment costs around infrastructure build-out.

2011 also saw the maturation of a AED 3 billion loan facility that was in place. We were able to repay this loan in full using an optimal mixture of cash and debt facilities. We ended the year with more than AED 2.3 billion in cash and cash equivalents.

Free cash flow (AED millions)
(Cash flow from operating less Investing activities)



Debt maturity (AED millions)



Bank facilities

Loan sources (AED millions)

	Available	Drawn
ECA - NSN Nordea	988	808
ECA - NSN KFW	761	162
Vendor - Huawei Bridge	625	418
Vendor - CISCO Capital	76	76
Club facility - long term loan	809	808
Total debt facilities	3,259	2,272
Total cash in hand	-	2,376



Driven by increasing demand and usage, our data revenues are growing well

Strategic guidelines

By the end of 2010 we had acquired significant market share, and so going into 2011, the management team decided to begin a series of optimisation initiatives. The major focus for 2011 was improving the customer experience and beginning to identify opportunities for driving efficiencies. These overarching goals were embraced across the business through cross-organisational task forces. The results have translated into solid improvements in performance.

Our strategic priorities for 2011 were grouped into three themes:

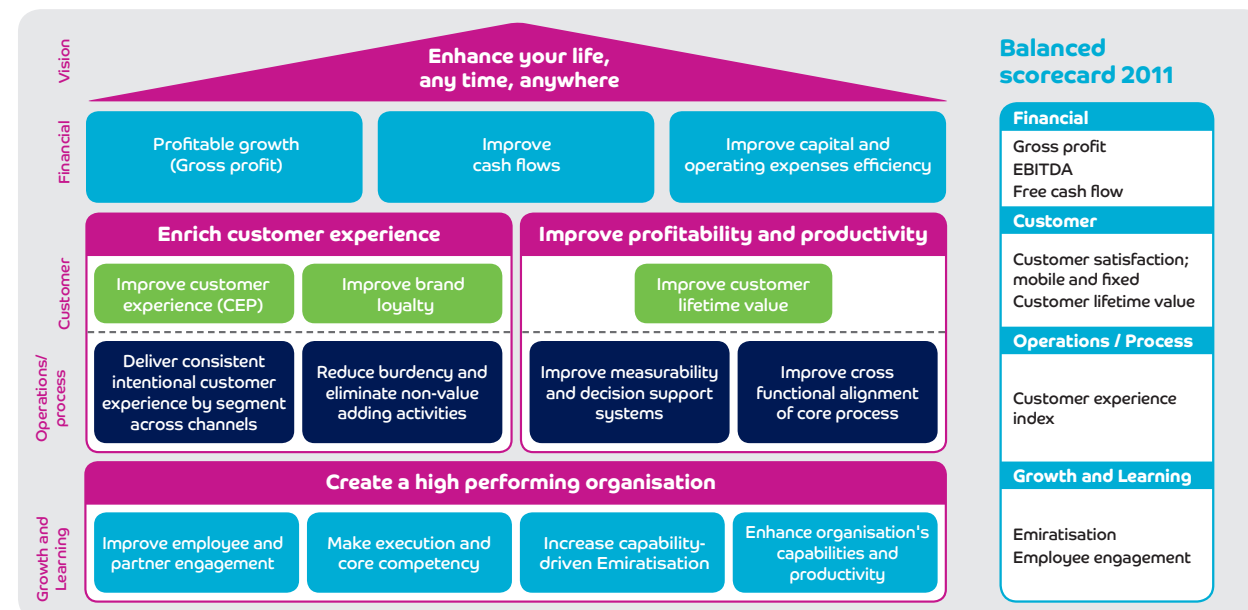
1. Enrich the customer experience
2. Improve profitability and productivity
3. Create a high performance organisation

The strategic objectives are defined across four layers within the Balanced Scorecard:

1. Financial
2. Customer
3. Operations
4. Growth and learning

Based on set targets, key performance indicators are used to track performance against these objectives. The Balanced Score-card has been cascaded down three layers within the organisation and reviews take place on a quarterly basis.

2011 strategic themes and objectives



Corporate development

"As a young company, we have been in a relatively constant period of rapid transformation since our inception as a brand in 2006. However I believe we are now in our most exciting period to date. We are currently in the optimisation phase, working hard to find opportunities to generate additional value for shareholders, through increased customer loyalty driven by superior products and services and by streamlining our operations to become more efficient."

Osman Sultan
Chief Executive Officer



Financial management

"Our financial position has never been stronger. We are generating strong cash flows and we're benefitting from a healthy balance sheet. As the business focuses on finding opportunities to become more efficient, we will continue to strive to identify and secure the best capital structure to support and facilitate further investment and growth whilst optimising shareholder returns."

Mark Shuttleworth
Chief Financial Officer

People resources

"We have continued to make great progress in 2011, from employee engagement and performance through to significant new training and leadership development. In support of the company's goals of enhancing the customer experience and efficiency, we have also launched an employee ideas programme to encourage employee contribution from all levels of the organisation. As a leading UAE-based company, we are deeply committed to Emiratization and we have made significant progress in 2011, exceeding our targets. We will be working hard to further these efforts in 2012."

Fahad Al Hassawi
Chief Human Resources and Shared Services Officer



Regulatory affairs

"We continue our journey to achieve excellence. Our collective efforts have placed us at the top of the list of companies in the S&P Hawkamah Environmental, Social and Corporate Governance Index. We continue to build a culture of regulatory and legal compliance and optimal cross functional programme execution aimed at achieving measurable improvements in our services to customers. Exciting challenges and opportunities await us in 2012 as we continue to extend our fixed line services portfolio across the UAE, delivering to our customers a suite of innovative solutions."

Ananda Bose
Chief Corporate Affairs Officer

Commercial operations

"During 2011, we continued our drive for UAE leadership in mobile; with the launch of the UAE's fastest, nationwide 4G (HSPA+) network, allowing us to service the new mobile 'data wave'. We also focused our attention on launching new segmented propositions within the consumer and business markets; through this we increased our market share to 46% with over 5 million mobile customers. We re-launched our brand, with a key emphasis on increasing our communications and interaction with the mid and higher value segments in the UAE, supported by 'duLive!' which is fast becoming one of the nation's most anticipated series of events in the calendar. Key improvements were also made in the customer experience at all touch points, including our retail stores, call centres and on our website. These not only drive improved satisfaction but also pave the way for increased efficiency and speed in serving our ever growing customer base. In 2012 we will continue building on this success and driving further our ambition of market leadership, expanding our product offerings and focusing on increasing our enterprise customer base with managed services and solutions and innovative consumer offerings."

Farid Faraidooni
Chief Commercial Officer

Technology

"Technology is a key enabler of our business, promoting a variety of innovative and diverse products and services. In order to maintain this position, it is our continuing endeavour to invest to fulfil our customers' needs by introducing the latest in network and IT technologies. We are in the process of rolling out the LTE infrastructure as well as the converged charging platform, enabling our customers to enjoy the latest telecommunication services. Beyond these investments, we are constantly looking for opportunities to refine our operations wherever possible through the use of new technologies and partnerships with leading telecom service providers."

Yatinder Mahajan
Chief Technology Officer



Corporate strategy

"We have remained focused on our domestic market, and as such our goal is to make this organisation world-class; in terms of quality, innovation, products and services, customer service, operations and employment opportunities. One of the key focus areas is a stringent focus on delivering a quality experience for our customers, be it on the phone, in our shops or through our automated services. We have made significant progress in 2011 and intend to accelerate this in 2012."

Raghu Venkataraman
Chief Strategy & Investment Officer

Adding life to life

Our achievements

In 2011, our customers, employees, partners and shareholders have seen the improvements we've driven across the business. This can be attributed to the regular introduction of innovative products and services to the market, taking the lead on mobile data coverage and the launch of the UAE's first nationwide LTE (HSPA+) network. We continued our relentless focus on improving our customers' experience in line with our brand commitment to "add life to life", not just by bringing our brand closer to the consumer through our entertainment platform duLive!, and the launch of our new flagship stores but also through internal efficiencies in our in-house activities which include establishing new training partnerships and improving procurement processes.

We have matured and have become increasingly driven by data, systems and processes, and as a result, have further strengthened our foundations, positioning us well for another year of growth in 2012.

Enhancing the customer experience

A dedicated customer-centric organisation was created to improve performance and efficiency in service fulfilment,

service assurance and billing. This has contributed in significantly reducing the service time for our customers both in our retail stores and our call centres. In particular, we were able to respond promptly to our customer complaints and with speedy resolutions.

In addition to addressing the actual service issues, we also launched a new channel of communication in the form of bulletin updates that inform our customers of the work being accomplished to improve services.

These advances have not gone unnoticed. In 2011 we attracted another 883,200 new mobile customers, with the total surpassing 5.2 million by the year end. More notably, 39% of the growth in mobile revenues came from the high value postpaid segment, with more than 11% of that additional revenue coming from ARPU growth. We ended the year with ARPU standing at AED 119. In addition, more than 102,800 new postpaid customers joined us, representing a 20% increase year on year.

We believe that these solid growth numbers in the postpaid segment are a result of the strength of our

We continued our relentless focus on improving our customers experience.

39% of the growth in mobile revenues came from the high value postpaid segment.



We launched Emirati Plan, the new mobile package exclusively for UAE nationals at GITEX, in the presence of HH Sheikh Mohammed Bin Rashid Al Maktoum, Ruler of Dubai, Vice President and Prime Minister of the UAE

product and service offerings, and of the improvements we've made in customer service in the last year.

Continued differentiation with our brand

Our brand remains one of our strongest assets, and through 2011 we continued investing in it. Much of our brand development work from 2010 was rolled out to the market in 2011 and has resulted in greater resonance with people, helping build greater affinity towards us among our key stakeholder groups.

Internally, we continued running our brand initiation programme for new joiners, and running 'we are du,' our brand culture programme. Over the course of the year we installed our main brand expression elements in all our office facilities, turning our workspaces into brand environments that help drive our Gallup employee engagement scores.

Externally, we implemented our refreshed identity system to make our communications simpler, more identifiable, and more consistent and coherent. We also, refreshed our gallery of brand imagery and continued rolling out our new retail design across

We implemented our refreshed identity system to make our communications simpler, more identifiable, and more consistent and coherent.

our stores. In addition, we implemented our brand aesthetic in other contexts, such as our stands at career fairs, industry trade shows and sponsored events offering people an opportunity to learn about our suite of offerings first hand. At the GEMAS Effie Awards our brand advertising campaign won the only effectiveness award in the telecommunications category across the MENA region.

All of these initiatives have yielded real results as measured by independent assessments; our brand health scores (measured by AMRB/Millward Brown, an independent research company) are the healthiest they have ever been, as is the financial value of our brand (measured by Brand Finance, an independent research company), and we continue to be chosen as a UAE Superbrand.

Bringing innovation to the customer

Since our launch we have pioneered the development and deployment of innovative products and services in the UAE and we have now adopted a segmented approach to proposition design and development as we look to grow our market share further among higher-spending people and businesses.



People enjoying themselves at one of our duLive! concerts

During this year we have successfully launched a number of products in the market aimed at serving the specific needs of our customers. Recent examples include the Emirati Plan, Her Business Super Plan, and the Elite Super Plan range of postpaid propositions and a parallel Business Super Plan for SMEs and larger business customers. The Emirati Plan has been designed specifically for UAE nationals, with a tailored set of additional benefits and special privileges such as exclusive invites to top events, on-going contributions to social causes on behalf of customers, as well as special numbers and an exclusive call centre staffed by Emirati nationals. In its first month after launch, the plan attracted more than 2,000 new customers.

Her Business Super Plan was designed to meet the differentiated communications requirements of female entrepreneurs within our enterprise portfolio. The plan was launched to coincide with the 100th anniversary of International Women's Day, with the support of brand ambassadors including Nayla Al Khaja, the first female film producer and director in the UAE, Shabana Karim and Claire Fenner and Georgie Hearson, all founders of successful businesses in the UAE. Her Business Super Plan exceeded targets by more than 140%, adding nearly 10,000 new customers and several thousand migrations.

Her Business Super Plan exceeded targets by more than 140%, adding nearly 10,000 new customers and several thousand migrations.

We also saw growth in our fixed line business, where our fixed line customer base grew from 477,400 to 530,800, an 11% increase over 2010. We added more than 25,000 brand new units (homes and offices) in 2011.

Our broadband business also grew by 29% from 95,900 customers to 124,000. This is partially a result of the new fixed line units, further success as a result of the new bandwidth products, and successful marketing initiatives.

A growing number of enterprises are also choosing us as their service provider. More than 40,000 new customers chose us in 2011. This can be attributed to new propositions that were launched and targeted at specific segments including SMEs, large businesses and industry verticals like healthcare and hospitality. In addition, our managed services business grew significantly through the introduction of services such as managed video conferencing, bandwidth on demand and a monitoring and tracking service for the logistics industry.

Home customers were very interested in our Video On Demand service. Our VOD library now receives more than 200,000 views every month and our On Demand Club service is subscribed to by more

A growing number of businesses are also choosing us as their service provider.



We are present at every recruitment fair for young UAE nationals

than 20% of our set top box users. Content is an important element in this segment, and as such we have secured partnerships with a number of major content producers and distributors, providing our customers with access to major sporting events like the Formula One, Cricket World Cup, the English Premier League and other high profile occasions such as the British Royal Wedding.

We developed our entertainment platform duLive! further in a concerted effort to take our brand out to new market segments through events and sponsorships that resonate with our customers. Sponsorship agreements with Red Bull, F1, Manchester United and other targeted opportunities have significantly contributed to our success this year and will continue to drive our on-going ambitions.

In 2011, Human Resources partnered with Marketing, Sales and Technology to deliver 5,243 training days.

Investing in our people

In our on-going operational reviews, we identified an opportunity to address two key issues: national talent development and targeting more Emirati customers while recognising the need to create more job opportunities across the country. Therefore, in 2011 we opened a new customer care centre in Fujairah managed and staffed entirely by UAE nationals to provide local voices for local support. As a result we have created more jobs in the Northern Emirates. This is one of the few, if not the only customer care centre in the region managed and staffed fully by nationals. Our Emiratisation programme continues to deliver success with more than 28% of our workforce now UAE nationals. This exceeds our internal target by 2%, a significant achievement.

In 2011, we also invested heavily in developing future leaders by partnering with INSEAD, one of the world's leading business schools, to develop an executive leadership development programme incorporating strategy development, logistics, customer centricity and financial management. This is an innovative and unique approach in contrast to the common practice of either delivering training in-house or sending employees out to external courses.

Our Emiratisation programme continues to deliver success with more than 28% of our workforce now UAE nationals.

The first batch of our people started the programme in 2011. This is open to participation from other companies and eleven firms have joined. The initiative has drawn recognition from several global operators who are now considering a similar approach.

Succession planning was also a focus for 2011 and we initiated talent pools at different levels, identifying outstanding individuals with potential who we believe can grow with the organisation.

In line with the company-wide drive for efficiency and our customer-centric approach, we launched a human resources portal for employees and recruits to streamline processes and interaction. We also launched an innovative ideas programme, which encourages and incentivises employees to make suggestions that contribute to improvements in the business, such as enhancing productivity, and finding opportunities to reduce costs. Further to improving productivity and general performance, the Balanced Scorecard has been cascaded through three levels to help employees know what to focus on to help the company achieve its broader objectives.

Looking beyond our organisation, we implemented a new procurement system designed to further improve the transparency and efficiency of the bidding process. As a dynamic and fast growing business, we depend on suppliers for consumable goods, hardware and services. As part of our procurement process, suppliers bid on tenders we issue. In line with Sheikh Mohammed Bin Rashid's Establishment for Young Leaders, we decided to work closely with UAE-based entrepreneurs to identify opportunities for them in our procurement system. We conducted several workshops to inform them of the services and opportunities we offer, and we encouraged these entrepreneurs to bid for tenders issued by us. Approximately AED 4 million in contracts have been signed with UAE-based entrepreneurs as a result of this programme.

In line with Sheikh Mohammed Bin Rashid's Establishment for Young Leaders, we decided to work closely with UAE-based entrepreneurs.

Advancing our technological capabilities

We have continued to invest significantly in our network in 2011 with more than AED1.3 billion invested in our mobile and fixed-line networks and in our IT infrastructure.

Two years ago we foresaw the importance of data and its future growth, so we invested heavily in our network, bringing forward the deployment of our 3G network. Smartphone penetration and associated data usage have now ballooned and we now offer 3G coverage to more than 99% of the population. In 2011 we have been able to extract value from this investment by encouraging data usage, resulting in revenue growth in this area.

We began deployment of an LTE (Long Term Evolution) network in 2011, which will enable us to bring even richer data-focused offerings to market. This will support the data needs of both our consumer and enterprise customers.

In 2011, we also added capacity to our Europe-India Gateway cable. Capacity towards the east has been activated, reducing the cost of international links and improving the profitability on international calls. We migrated a significant amount of traffic onto this cable in 2011 and expect this to increase in 2012.

In a further drive for improved efficiency and increasing profit margins, and to gain access to a deeper knowledge bank, we introduced Managed Services for our mobile network IT operations as well as our IT development. We see ourselves as the early movers in the region and expect to gain significant efficiencies going forward.



Every year, our exhibition stand is the main attraction at GITEX

Corporate governance

Good corporate governance is essential for good corporate performance. Through this, our organisation is able to create sustainable value, ensuring that we achieve our goals through effective and efficient management. This also increases our credibility and ensures efficient risk management across the organisation. As a result, we were placed first in the S&P Hawkamah ESG Pan Arab Index 2011, which is based on an assessment of environment, social and corporate governance performance.

Our mission is to ensure that our corporate governance is aligned with international best practice and with the requirements of the Dubai Financial Market and Emirates Securities and Commodities Authority (ESCA). We strive to ensure our levels of transparency and disclosure to the market are the best in the region. The management team works hard to ensure timely and open disclosure of material information to shareholders, in line with international best practice and ESCA guidelines.

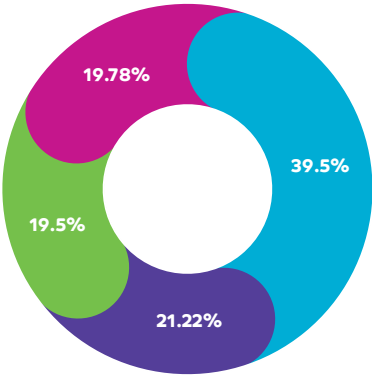
Our commitment to good governance begins with an autonomous, committed and engaged Board of Directors, who enforce a strict code of business ethics and compliance standards. In addition, the roles of Chairman and Chief Executive Officer are separate with a clear division of responsibilities in line with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

Shareholder information

Shareholder structure

(As of December 31, 2011)

- UAE Federal Government
- Mubadala Development Company
- Emirates Communications & Technology Company LLC
- Public Shareholders



- The UAE Government, through its ownership of the EIA, indirectly owns 39.5% of the Existing Shares
- The Abu Dhabi Government, through its ownership of Mubadala, indirectly owns 19.78% of the Existing Shares
- Dubai Holding, through its ownership of ECT, indirectly owns 19.5% of the Existing Shares
- The remainder of the Shares are held by Public Shareholders comprising individuals who are UAE and non-UAE nationals and companies established in the UAE

Our board of directors

Ahmad Bin Byat	Chairman	Ahmad Bin Byat is the CEO of Dubai Holding. He also holds several high-ranking important positions in Dubai including Director General of the Dubai Technology and Media Free Zone Authority, Executive Chairman of TECOM Investments, and is a member of the Board of Trustees for Dubai School of Government.
Younis Al Khoori	Vice Chairman	Younis Al Khoori is the Undersecretary at the Ministry of Finance. He is also on the Board of Directors for UAE Central Bank, and Vice Chairman of Emirates General Petroleum Corporation (EMARAT) and Abu Dhabi Investment Council.
Fadhel Al Ali	Board Member	Fadhel Al Ali is the Executive Chairman of Dubai Holding – Operations, and manages the Dubai Holding Corporate Office as well. In addition to being on the Executive Committee of Dubai Holding and several of its entities including Jumeirah Group. He is also on the boards of Dubai Financial Services Authority, and Marfin Popular Bank.
Ziad Galadari	Board Member	Ziad Abdulla Galadari is the Founder and Principal of Galadari & Associates and has been practicing as Advocate, Legal Advisor and Arbitrator since 1983. He is the Chairman of Galadari Investments LLC. and a member of the Board of Directors of Dubai World Trade Centre and DANA Gas.
Waleed Al Muhairi	Board Member	Waleed Ahmed Al Mokarrab Al Muhairi is the Chief Operating Officer of Mubadala Development Company. He also serves as Chairman of the Board of Directors of Yahsat, Mubadala Infrastructure Partners, the Advanced Technology Investment Company (ATIC), Cleveland Clinic Abu Dhabi and Tabreed. He is Vice Chairman of Piaggio Aero Industries and is a Director of AMD, Al Maabar, GLOBALFOUNDRIES and the Abu Dhabi Future Energy Company (Masdar).
Abdulhamid Saeed	Board Member	Abdulhamid Saeed is the Managing Director and Board Member of First Gulf Bank. He is also the Chairman of Aseel Islamic Finance, Vice Chairman of First Gulf Libyan Bank, Board Member of Trustees at the University of Abu Dhabi, Board Member at Mubadala Development Company, Board Member at Sky News Arabic and Managing Director of Reem Investments. Abdulhamid also plays a major role in Government bodies as a Board Member at the Abu Dhabi Securities Exchange, and Emirates Investment Authority.
Abdulla Al Shamsi	Board Member	Abdulla Hamad Rahma Al Shamsi is currently the General Manager of United Arab Shipping Agencies Co. (Emirates). He is also the Vice President of Dubai Shipping Agents Association and Chairman of Middle East Container Repair Co. (LLC).
Eissa Mohamed Ghanem Al Suwaidi	Board Member	Eissa Al Suwaidi is currently an Executive Director of Abu Dhabi Investment Council and a Director of Abu Dhabi National Oil Company for Distribution, International Petroleum Investment Company, Abu Dhabi Fund for Development and Emirates Investment Authority. In addition to these roles, Eissa also serves as the Chairman of Abu Dhabi Commercial Bank.
Jassem Mohamed Al Zaabi	Board Member	Jassem Mohamed Al Zaabi is the Executive Director of the Information and Communications Technology (ICT) Unit of Mubadala Development Company. Al Zaabi is Chairman of Injazat Data Systems. He serves on the Board of Directors of Al Yah Satellite Communications Company (Yahsat), Emerging Markets Telecommunication Services Limited, Advanced Technology Investment Company (ATIC), Abu Dhabi Ports Company (ADPC) and Emirates Nuclear Energy Corporation.

Our board committees

Our Board of Directors established three committees to assist the oversight of responsibilities; an Audit Committee, an Investment Committee and a Nomination and Remuneration Committee.

The Board may add new committees or remove existing committees as needed to fulfil its responsibilities.

Audit Committee

The principle roles of the Audit Committee are to monitor the Company’s financial statements, to renew and recommend changes to the Company’s financial and control systems and to maintain an appropriate relationship with the Company’s external auditors.

Audit Committee members:

- Ziad Galadari (committee chairman)
- Younis Al Khoori
- Fadhel Al Ali

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to set the policy for remuneration of the executive management, determine targets for performance related pay, and determine the total individual package of each executive director (if any) including salary, bonuses, pensions and incentive schemes.

Nomination and Remuneration Committee members:

- Waleed Al Muhairi (committee chairman)
- Abdulla Al Shamsi
- Abdulhamid Saeed

Investment Committee

The role of the Investment Committee is to review and approve the Company’s investments in relation to core and non-core business.

Investment Committee members:

- Eissa Al Suwaidi (committee chairman)
- Fadhel Al Ali
- Ahmad Bin Byat
- Jassem Al Zaabi



Annual General Meeting

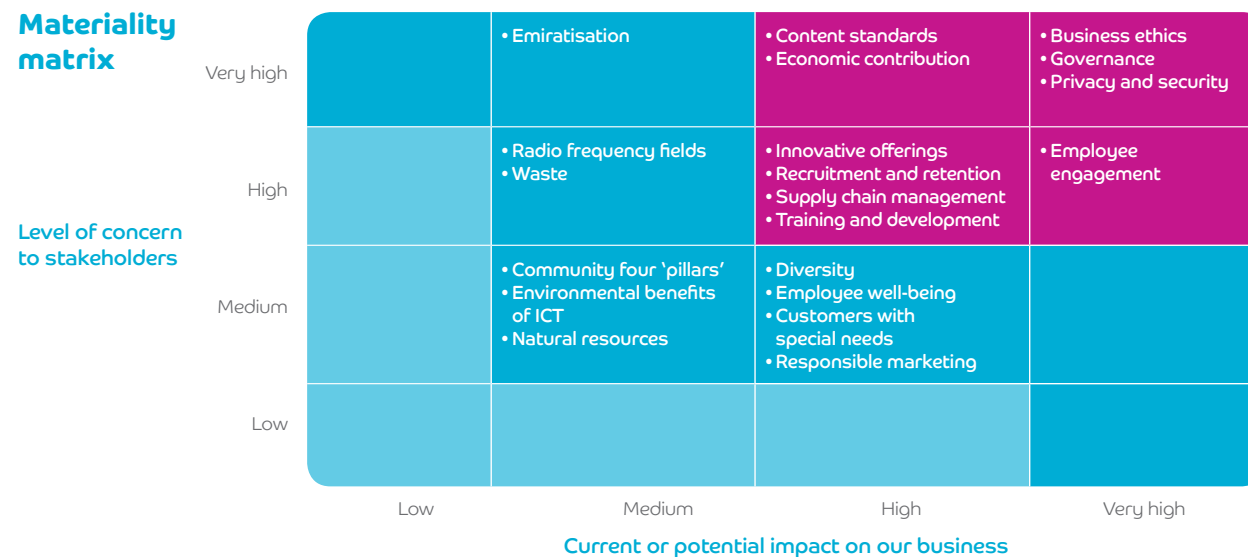
Governance regulations

We have set up policies on share dealing, related party transactions, whistle-blowing, code of ethics, and corporate social responsibility. Our internal control and risk management teams specialise in identifying new risks and managing existing ones. In addition, our executive management team regularly reviews the company’s Risk Register for potential risks and mitigation action plans. Our enterprise risk management framework is also consistent with international best practice. A number of corporate risks relate to sustainable development, such as business continuity, compliance with international standards, anti-corruption, security and operational risk.

Further detailed information can be found in the corporate governance section of the du website and in our Corporate Governance Report 2011.

Sustainability and community engagement

Materiality matrix



We are steadfast supporters of all initiatives that will lead to the betterment of our community, our country and our planet. We believe success is defined as having a positive impact on all of these three levels. We are steadily making progress on all fronts and are constantly incorporating sustainable development priorities into the overall corporate scorecard.

We conducted a materiality session in 2011 with our Board of Directors and senior management to identify the issues important to our stakeholders and mapped these out in terms of level of concern and potential impact on our business.

Our people

Our employees are at the heart of everything we do and as such we are fulfilling a commitment to providing

a positive working environment. We believe in respect, fair treatment and equal opportunities. Health and safety are also taken very seriously, and there have been no serious injuries to any employees or contractors at any operations under our control since 2006.

Our key areas of focus remain:

- Employee engagement
- Emiratisation
- Diversity
- Training and development
- Business integrity
- Safety and well-being
- Recruitment and retention
- Business partners and our supply chain

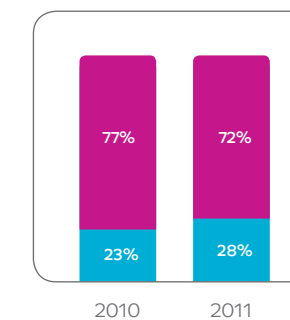
We want to be the employer of choice for UAE talent. Our employee engagement levels have improved significantly since 2009, placing us near the top quartile of companies worldwide. We are a highly diverse workforce, which in 2011 consisted of people from more than 60 countries.

At the same time, our Emiratisation programme has delivered strong results. At the end of 2011, 28% of our total workforce was Emirati nationals (up from 20% in 2009 and 23% in 2010), of which one in three is a manager. We offer numerous training programmes to UAE nationals.

Executive Emiratisation

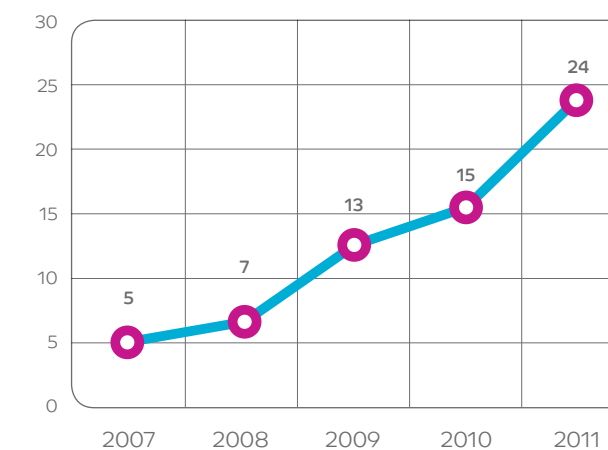


Overall employee Emiratisation



■ Emirati ■ Expatriates

UAE national student interns



We are probably the safest, most health-conscious company in the UAE, and are the first UAE company

in the telecoms sector to provide a free, on-site employee health clinic, which offers health check-ups, recommendations, referrals and therapeutic treatments. We believe this increases employee satisfaction and helps reduce absenteeism.

We ran two "Drop of Life" blood donation campaigns in 2011, which were attended by more than 500 employees. These are just a few of the sustainability initiatives underway for employees.

Our community

Our contribution to the development of our nation and its vibrant cultural heritage is vital for us. Our goal is for our neighbours and nearby communities to be healthy and prosperous. We seek to move beyond charity and address the root causes of community issues. We provide tools, skills and information to members of the community to help make a difference at a grass roots level.

SOS SMS: Touching lives through digital mobile campaigns

- Our "SMS to donate" service lets mobile customers make charitable donations during Ramadan, in cooperation with the UAE Red Crescent
- Somalia SMS campaign – so far we have given AED 2 million to "A'inouhum" and "Suqyahum" to fund emergency aid for Horn of Africa countries, and we facilitated a donation drive amongst staff and mobile customers: a further AED 751,000 was raised
- We supported the nationwide, government driven humanitarian campaign Aid Them, which supported the people of Gaza with an SMS campaign. We managed to raise AED 263,000 through SMS and we doubled the sum collected. The campaign was run in conjunction with the UAE Red Crescent
- Our broadcast services division has facilitated the free uplinking of Dubai's International Holy Qur'an Awards for the past 3 years

We are steadily making progress on all fronts and are constantly incorporating sustainable development priorities into the overall corporate scorecard.

We believe in respect, fair treatment and equal opportunities.

We are the first UAE company in the telecoms sector to provide a free, on-site employee health clinic.

We seek to move beyond charity and address the root causes of community issues.



We have supported the Microsoft Imagine Cup since 2009

CSR, our four pillars:

- Heritage and culture
- Education
- Stars of the future
- Developing our society

As part of the heritage and culture pillar of our CSR strategy, we encourage the correct use of Arabic through various initiatives, such as our work with Kalimat Publishing. In addition, throughout the holy month of Ramadan we run campaigns to encourage the spirit of this profound time in the Islamic calendar.

The education pillar of our CSR strategy includes numerous initiatives to help develop our nation’s youth. As an example, we recently set up a ‘Life Skills’ course which offers final year Emirati students the chance to learn or hone skills needed for life at work in their future careers.

We also strive to encourage creativity and imaginative thinking as part of our Stars of the Future pillar. We partnered with Microsoft on their Imagine Cup competition to encourage students to compete in developing technology. More than 325,000 students took part in 2011. 250 people have also participated in the Shelter initiative, which we support to help

budding entrepreneurs to get their strategies off the ground. We also support many other meaningful initiatives such as the Sheikh Majid Awards (honouring young entrepreneurs) and artistic talent within the UAE.

The final pillar of our CSR strategy is supporting the overall development of our society. Highlighting our commitment to the community during the Holy Month of Ramadan, we invited 20 orphans, aged between 4-15, to our Dubai staff Iftar, where volunteers from our company educated the children. Working with our partner Kalimat we have initiated a range of programmes focused on expanding our CSR efforts with young children through storytelling, distributing free books, and we also established an arts and crafts programme with a particular emphasis on the environment.

Our customers

We are dedicated to our customers. We deliver quality services that are fully compliant with the UAE’s regulatory requirements. We pride ourselves on modern and diverse communications packages to meet the needs of the UAE’s varied populace. Not only do we offer competitive prepaid and postpaid mobile options, but we also developed the Alo SIM card, specifically tailored for expatriate guest workers. We are also working with the Ministry of Social Affairs and Telecommunications Regulatory Authority and

The education pillar of our CSR strategy includes numerous initiatives to help develop our nation’s youth.

We pride ourselves on modern and diverse communications packages to suit the UAE’s varied populace.

British Telecom to extend our services to customers with speech impediments.

Key focus areas included:

- Product innovation
- Privacy
- Content standards

In 2011 we prepared the new UAE national programme “Your Health is in Your Hands” to coincide with Women’s International Health Week. The introduction was launched by his Excellency Dr. Hanif Hassan Ali Al Qassim, UAE Minister of Health, who said, “The Ministry welcomes such important ideas and initiatives that aim to enhance health and awareness among UAE nationals and residents.” The programme takes advantage of new technology to deliver health messages and provide useful information to the residents of the UAE to help improve levels of health in the country.

We continue to work hard to support the growth of UAE-based businesses by the introduction of technologies such as video conferencing.

Over the last two years we have injected a boost into how we help our customers maintain and improve their health. Our new mobile health programme, mHealth, provides access to life-saving information via our network.

Our environment

We are working to operate at the highest levels of environmental performance, starting with the basics such as online billing, to piloting intelligent energy management at our base station sites, installed at 30 sites at the end of 2011 and already achieving fuel savings of more than 50%. Last year, we also participated in programmes such as Dubai Municipality’s Clean-Up the World initiative, Emirates Environment Group’s Clean up the UAE, the World Wide Fund for Earth Hour and the

Over the last two years we have injected a boost into how we help our customers maintain and improve their health.

United Nations Environment Programme’s World Environment Day. We also actively encouraged our colleagues as well as the general public to devote some time for community service. In total 131 volunteers donated 368 hours to community service in 2011.

Key focus areas included:

- Management approach
- Energy
- Waste
- Green offices

We are in the early stages of introducing a systematic programme for improving our environmental performance. Beginning in 2011 and continuing into 2012, we are reviewing how we gather relevant data to ensure we are able to put robust systems in place. In addition to energy and waste, water conservation and responsible sourcing will be increasingly covered.

By the end of 2012, we will have a hybrid power system and smart energy management controllers in place at more than 100 of our base transceiver station sites. This is expected to reduce our fuel consumption by more than 50%, resulting in significant reductions in CO₂ and other emissions.

In addition Nokia Siemens Networks have discovered that we can reduce the level of air conditioning required to keep our mobile phone base stations cool allowing the temperature to rise to 30° Celsius (from 23°) and thus saving 20% of our related energy usage.

In 2011 we brought online four fully functional solar-powered base stations, one on Sir Bu Nair Island and three in Fujairah. We expect to introduce six new sites in 2012 all of which will be located in the Western region.

By the end of 2012, we will have a hybrid power system and smart energy management controllers in place at more than 100 of our base transceiver station sites.

Awards and recognition

In 2011 we were recognised for a number of achievements.

- **HH Sheikh Mohammed Bin Rashid Patrons Of The Arts 2011 Award**
- **Employer Of The Year** for the semi-government organisations category
- Honoured for our support as a sponsor of the **8th Emirates Women Awards 2011**
- **CEO Of The Year** for the Telecommunications category by CEO Middle East
- **Osman Sultan ranked 50th** on the Global Telecoms Business (GTB) Power100 List of 2011, featuring amongst the top 100 most powerful executives in the telecoms industry
- **ISP Of The Year Award** by CommsMEA
- **ISO 9001:2008 certification** for our Network Development programme
- **ISO 9001:2008 certification** by DAS Certification Ltd., (DAS), for international quality standards Service Delivery and Consulting
- **Network Security Project Of The Year Award** by Network World Middle East Awards 2011
- **International Business Green IT Award** by Ontario centre of excellence
- **The Big Project and BGreen Awards 2011**
- **CSR Label** by Dubai Chamber in recognition of CSR efforts
- **MENA's most compliant company** on the S&P/Hawkamah Environmental, Social and Corporate Governance (ESG) Index 2011
- **Excellence In Procurement Practice Award** by Chartered Institute of Purchasing & Supply 2011
- **Best Local Content Provider of 2011** by SAMENA
- **Best Social Media Campaign Award** for Ramadan by Internet show 2011
- **Best Online Digital Campaign' Award** for the Business Super Plan at The Internet Show
- **UAE Superbrand** for the second year in a row by the Superbrands Council
- **Effie Award** in the Telecommunications category for the 'Open your heart' brand advertising campaign at the 2011 MENA Effie awards



Award for excellence in procurement practice by Chartered Institute of Purchasing & Supply 2011



CSR Label Award Dubai Chamber



ISO 9001:2008 certification for our Network Development Programme



Internet Awards Middle East



HH Sheikh Mohammed Bin Rashid Patrons of the Arts Award



Crown Prince of Dubai, Shaikh Hamdan Bin Mohammed Bin Rashid Al Maktoum honoured us with the 2010 Dubai Human Development Appreciation Programme Award



BGreen Award

Independent auditors' report

The Shareholders
Emirates Integrated Telecommunications Company, PJSC

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Emirates Integrated Telecommunications Company PJSC ("the Company") and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2011, 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 2011, and of its consolidated financial performance and its consolidated 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).

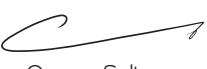
Report on other legal and regulatory requirement
As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, a physical count of inventories 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 2011, which may have had a material adverse effect on the business of the Company or its financial position.


KPMG
Vijay Malhotra
Registration No.48B
05 March 2012

As at 31 December	Note	2011 AED 000	2010 AED 000
Non-current assets			
Property, plant and equipment	6	6,903,496	6,689,267
IT software	7.1	371,667	423,846
Telecommunications licence fee	7.2	88,003	94,226
Indefeasible right of use	7.3	164,282	91,510
Goodwill	7.4	549,050	549,050
Total non-current assets		8,076,498	7,847,899
Current assets			
Deferred fees	7.5	604	4,387
Inventories		52,262	47,300
Accounts receivable	9	881,600	1,122,401
Other receivables	10	303,701	418,369
Due from related parties	8.1	152,585	94,336
Prepayments		211,551	199,508
Cash and cash equivalents	11	2,376,371	2,785,478
Total current assets		3,978,674	4,671,779
Current liabilities			
Accounts payable and accruals	13	3,426,184	3,209,773
Due to related parties	8.1	34,598	78,109
Current portion of long term bank borrowings	12	192,952	3,153,580
Total current liabilities		3,653,734	6,441,462
Net current assets / (liabilities)		324,940	(1,769,683)
Non-current liabilities			
Employee benefits	14	103,326	77,714
Long term bank borrowings	12	2,079,176	904,735
Total non-current liabilities		2,182,502	982,449
Net assets		6,218,936	5,095,767
Represented by:			
Share capital	15	4,571,429	4,571,429
Share premium	16	393,504	393,504
Share based payment reserve	17	71,924	46,345
Statutory reserve	18	267,627	157,868
Proposed cash dividend		685,714	-
Accumulated profit / (losses)		228,738	(73,379)
Shareholders' equity		6,218,936	5,095,767

The financial statements were approved by Board of Directors on 05 March 2012 and signed on its behalf by:


Ahmad Bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes set out on pages 45 to 68 form an integral part of these financial statements.
The Independent auditors' report is set out on page 40.

Consolidated statement of comprehensive income

For the year ended 31 December	Note	2011 AED 000	2010 AED 000
Revenue	28	8,854,683	7,074,097
Cost of sales		(2,953,912)	(2,473,791)
Gross profit		5,900,771	4,600,306
General and administrative expenses	19	(4,061,649)	(3,306,525)
Finance income	21	61,073	50,862
Finance expense	21	(113,627)	(102,199)
Other income / (expense)	22	25,578	(16,346)
Profit before royalty		1,812,146	1,226,098
Change in estimate for prior years' royalty	23.1	-	268,248
Royalty	23	(714,556)	(183,915)
Profit for the year		1,097,590	1,310,431
Profit and comprehensive income attributable to shareholders of the Company		1,097,590	1,310,431
Earnings per share (AED)	24	0.24	0.31

The notes set out on pages 45 to 68 form an integral part of these financial statements.
The Independent auditors' report is set out on page 40.

Consolidated statement of cash flows

For the year ended 31 December	Note	2011 AED 000	2010 AED 000
Cash flows from operating activities			
Net cash flows before changes in working capital	25	2,262,322	2,151,051
Change in inventories		(4,962)	(8,369)
Change in accounts receivable		240,801	(221,536)
Change in prepayments		(12,043)	(57,412)
Change in other receivables		114,668	(314,408)
Change in accounts payable and accruals		429,778	(50,973)
Change in amounts due from related parties		(58,249)	69,511
Change in amounts due to related parties		(43,511)	23,822
Change in deferred fees		3,783	1,536
Payment of employee benefits		(9,190)	(6,198)
Net cash generated from operating activities		2,923,397	1,587,024
Cash flows used in investing activities			
Purchase of property, plant and equipment		(1,355,691)	(1,372,424)
Proceeds from disposal of property, plant and equipment		-	1,193
Purchase of IT software		(152,727)	(128,928)
Addition to indefeasible right of use		(10,923)	-
Finance income		61,073	50,862
Finance expense		(113,627)	(102,199)
Other income		25,578	306
Net cash used in investing activities		(1,546,317)	(1,551,190)
Cash flows from financing activities			
Notes payable		-	(142,868)
Issuance of share capital		-	571,429
Share premium		-	393,504
Long term borrowings		1,439,352	1,058,315
Repayment of borrowings		(3,225,539)	-
Net cash generated from / (used in) financing activities		(1,786,187)	1,880,380
Net increase / (decrease) in cash and cash equivalents		(409,107)	1,916,214
Cash and cash equivalents at beginning of the year		2,785,478	869,264
Cash and cash equivalents at end of the year	11	2,376,371	2,785,478

The notes set out on pages 45 to 68 form an integral part of these financial statements.
The Independent auditors' report is set out on page 40.

Consolidated statement of changes in equity

For the year ended 31 December							
	Share capital (Note 15)	Share premium (Note 16)	Share based payment reserve (Note 17)	Statutory reserve (Note 18)	Proposed cash dividend	Accumulated (losses)/profit	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2010	4,000,000	-	17,482	26,825	-	(1,252,767)	2,791,540
Issue of common share capital	571,429	-	-	-	-	-	571,429
Share premium	-	393,504	-	-	-	-	393,504
Profit for the year	-	-	-	-	-	1,310,431	1,310,431
Transfer to share based payment reserve	-	-	28,863	-	-	-	28,863
Transfer to statutory reserve	-	-	-	131,043	-	(131,043)	-
At 31 December 2010	4,571,429	393,504	46,345	157,868	-	(73,379)	5,095,767
At 1 January 2011	4,571,429	393,504	46,345	157,868	-	(73,379)	5,095,767
Profit for the year	-	-	-	-	-	1,097,590	1,097,590
Transfer to share based payment reserve	-	-	25,579	-	-	-	25,579
Transfer to statutory reserve	-	-	-	109,759	-	(109,759)	-
Proposed cash dividend*	-	-	-	-	685,714	(685,714)	-
At 31 December 2011	4,571,429	393,504	71,924	267,627	685,714	228,738	6,218,936

*A cash dividend of AED 0.15 per share (2010: Nil) amounting to AED 685,714 thousand (2010: Nil) is proposed.

The notes set out on pages 45 to 68 form an integral part of these financial statements.
The Independent auditors’ report is set out on page 40.

Notes to the consolidated 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 according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates. The consolidated financial statements of the Company as at 31 December 2011 comprises the Company and its Subsidiary.

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

During the year 2010, the Company established a wholly owned subsidiary; EITC Investment Holdings Limited (“the Subsidiary”) incorporated as an offshore company in accordance with the offshore companies regulations of Jebel Ali Free Zone of 2003.

The principal objective of the Subsidiary is to hold investments for new non-core business activities in which the Company wishes to invest in the future, such as content, media, data and value added services for telecommunications. At 31 December 2011 there had been no commercial activities within the Subsidiary.

2 Basis of preparation

i Statement of compliance

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

ii New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company’s 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

iii Basis of consolidation

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

iv Basis of measurement

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

v Functional and presentation currency

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

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 share holders 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 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 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, provision for bad and doubtful debts and provision for slow moving inventories.

3 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company’s consolidated financial statements.

i Property, plant and equipment

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

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

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

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

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

ii Goodwill

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

iii Intangible assets

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

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.

Notes to the consolidated financial statements (continued)

Loans and receivables comprise due from a 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, due to related parties and trade and other payables.

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

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

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

vi (iii) Share capital

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

vi (iv) Dividend on ordinary shares

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

vii Provisions

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

viii End of service benefits

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

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

ix Impairment

ix (i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial

recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

ix (ii) Non-financial assets

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

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

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

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net 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.

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 statement of comprehensive income in the period in which it is incurred. Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the assets.

xiii Share based payment transactions

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

xiv Segmental information

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

xv Government grants

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

4 Determination of fair values

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

i Accounts and other receivables

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

ii Non-derivative financial liabilities

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

iii Share based payment transactions

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

5 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

Notes to the consolidated financial statements (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. 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.

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 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 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.

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 2010	47,208	4,766,165	190,674	2,123	2,139,848	7,146,018
Additions	-	792,308	20,457	-	348,633	1,161,398
Transfers	-	649,318	4,908	-	(654,226)	-
Disposal / write off of assets	-	(6,144)	(20,027)	-	-	(26,171)
At 31 December 2010	47,208	6,201,647	196,012	2,123	1,834,255	8,281,245
At 1 January 2011	47,208	6,201,647	196,012	2,123	1,834,255	8,281,245
Additions	-	944,059	28,054	104	176,350	1,148,567
Transfers	-	1,023,750	9,600	-	(1,033,350)	-
Transfer to intangible assets	-	(90,082)	-	-	-	(90,082)
At 31 December 2011	47,208	8,079,374	233,666	2,227	977,255	9,339,730
Depreciation / impairment / provision for obsolescence*						
At 1 January 2010	8,573	910,503	101,824	1,759	16,143	1,038,802
Charge for the year	2,233	540,159	24,812	256	6,051	573,511
Disposal / write off of assets	-	(3,566)	(16,769)	-	-	(20,335)
At 31 December 2010	10,806	1,447,096	109,867	2,015	22,194	1,591,978
At 1 January 2011	10,806	1,447,096	109,867	2,015	22,194	1,591,978
Charge for the year	2,234	769,784	41,582	189	-	813,789
Transfer to intangible assets	-	(10,634)	-	-	-	(10,634)
Impairment / provision for obsolescence	-	33,900	-	-	7,201	41,101
At 31 December 2011	13,040	2,240,146	151,449	2,204	29,395	2,436,234
Net book value						
At 31 December 2010	36,402	4,754,551	86,145	108	1,812,061	6,689,267
Net book value						
At 31 December 2011	34,168	5,839,228	82,217	23	947,860	6,903,496

The carrying amount of the Company's buildings includes a nominal amount of AED 1 (2010: AED 1) in relation to land granted to the Company by the Government.

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

Notes to the consolidated financial statements (continued)

7 Intangible assets and deferred fees

7.1 IT software

	Software in use	Capital work in progress	Total
	AED 000	AED 000	AED 000
Cost			
At 1 January 2010	611,402	115,729	727,131
Additions	33,572	75,443	109,015
Transfers	45,232	(45,232)	-
Disposal / write off of assets	(19)	-	(19)
At 31 December 2010	690,187	145,940	836,127
At 1 January 2011	690,187	145,940	836,127
Additions	131,024	-	131,024
Transfers	37,354	(37,354)	-
Impairment of assets	-	(15,596)	(15,596)
At 31 December 2011	858,565	92,990	951,555
Amortisation			
At 1 January 2010	276,911	-	276,911
Charge for the year	135,378	-	135,378
Disposal / write off of assets	(8)	-	(8)
At 31 December 2010	412,281	-	412,281
At 1 January 2011	412,281	-	412,281
Charge for the year	167,607	-	167,607
At 31 December 2011	579,888	-	579,888
Net book value At 31 December 2010	277,906	145,940	423,846
Net book value At 31 December 2011	278,677	92,990	371,667

7.2 Telecommunications licence fee

	2011 AED 000	2010 AED 000
Opening balance	94,226	100,452
Amortisation for the year	(6,223)	(6,226)
Closing balance	88,003	94,226

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.

7.3 Indefeasible right of use

	2011 AED 000	2010 AED 000
Opening balance	91,510	100,080
Additions / transfers during the year	90,371	-
Amortisation for the year	(17,599)	(8,570)
Closing balance	164,282	91,510

The additions to indefeasible right of use during 2011 represent the fees paid to an operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE transferred from property plant and equipment. The fees are amortised on a straight line basis over 10 years.

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

7.4 Goodwill

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

	2011 AED 000	2010 AED 000
Goodwill	549,050	549,050

The Company tests for impairment of goodwill annually. The recoverable amount of the Cash Generating Units ("CGU") is determined using the Discounted Cash Flow method based on the three year business plan approved by the Board.

Goodwill is allocated to two CGUs, being the broadcasting operations and the fixed line business.

The key assumptions for the value-in-use calculations include a discount rate of 6.52% and a terminal growth rate of 3%.

7.5 Deferred fees

	2011 AED 000	2010 AED 000
Deferred annual licence fee, numbering fees and spectrum fees	604	4,387

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.

Notes to the consolidated 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 a related parties

	2011 AED 000	2010 AED 000
Due from a related parties		
Axiom Telecom LLC	141,396	94,336
Eros Electronics	11,189	-
	152,585	94,336
Due to a related parties		
Tecom Investments FZ LLC	34,598	78,109

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 for the year.

	2011 AED 000	2010 AED 000
Tecom Investments FZ LLC:		
Office rent and services	78,239	58,567
Infrastructure cost	34,021	923
Axiom Telecom LLC– Authorised distributor – Net Sales	1,746,992	1,142,633
Eros Electronics – Authorised distributor – Net Sales	275,011	409,776
Injazat Data Systems LLC – Data centre rent and services	11,166	12,927

8.2 Compensation to key management personnel

	2011 AED 000	2010 AED 000
Short term employee benefits	28,126	30,929
Termination benefits	1,212	1,128
Post employment benefits	645	411
Share based benefits	7,760	20,753
Directors' remuneration*	8,040	14,504
	45,783	67,725

* Directors' remuneration for 2010 includes an amount of AED 5.6 million relating to the 2009 year as a result of the shareholders approval at the 2010 annual general meeting of the Directors' 2009 fees. An amount of AED 8.7 million has been accrued for the 2011 Directors' fees.

9 Accounts receivable

	2011 AED 000	2010 AED 000
Receivables for services and products	635,532	614,070
Less: Provision for doubtful debts (Refer note 9.1)	(305,741)	(218,435)
Net receivable for services and products	329,791	395,635
Due from other telecommunications operators	388,513	638,480
Less: Provision for doubtful debts (Refer note 9.1)	(2,459)	(1,243)
Net due from other telecommunications operators	386,054	637,237
Unbilled revenue	165,755	89,529
Accounts receivable	881,600	1,122,401

9.1 Movement in provision for doubtful debts

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

	2011 AED 000	2010 AED 000
Provision for receivables for services and products		
Opening balance	218,435	81,090
Impairment loss recognised	90,792	154,536
Write off during the year	(3,486)	(17,191)
Closing balance	305,741	218,435
Provision for dues from other telecommunications operators		
Opening balance	1,243	1,709
Impairment loss / (reversal) recognised	1,216	(466)
Closing balance	2,459	1,243
Total provision for doubtful debts	308,200	219,678

The Company's exposure to credit and currency risks and impairment losses related to accounts receivables are disclosed in note 27.

Notes to the consolidated financial statements (continued)

10 Other receivables

	2011 AED 000	2010 AED 000
Advances to suppliers	246,728	395,592
Interest receivable	8,407	9,856
Staff loans	4,781	3,010
Deposits and others	43,785	9,911
	303,701	418,369

The Company's exposure to credit and currency risks and impairment losses related to other receivables are disclosed in note 27.

11 Cash and cash equivalents

	2011 AED 000	2010 AED 000
At bank (on deposit and call accounts)	2,375,946	2,784,960
On hand	425	518
Net cash and cash equivalents	2,376,371	2,785,478

During the year, the balances in deposit accounts earned interest ranging from 0.85 % to 4.45 % per annum. All bank deposits are held in the UAE.

12 Long term bank borrowings

	2011 AED 000	2010 AED 000
Long term bank borrowings (i)	808,170	3,000,000
Buyer credit arrangements (ii)	1,463,958	1,058,315
	2,272,128	4,058,315
Less: Current portion of long term bank borrowings	-	(3,000,000)
Current portion of buyer credit arrangement	(192,952)	(153,580)
	2,079,176	904,735

(i) The Company repaid in full an existing loan of AED 3 billion in June 2011. A new facility for AED 808.2 million (USD 220 million) for partial financing of the repayment was arranged. The new facility is to be repaid in full on the final maturity date (30 June 2014) and carries an interest rate of LIBOR+ 1.45% per annum. The facility is unsecured and has the following primary financial covenants attached:

- Consolidated total net liabilities not to exceed 3 times the consolidated adjusted net worth of the Company for a period of 12 months ending on the relevant reporting date.
- The ratio of consolidated EBITDA to consolidated net finance costs not to be less than 3 to 1 for a period of 12 months ending on the relevant reporting date.
- The ratio of total bank debts less consolidated eligible cash and cash equivalents not to exceed 3 times the adjusted consolidated EBITDA for a period of 12 months ending on the relevant reporting date.

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

- (a) AED 418.5 million (USD 113.9 million) of an available AED 624.4 million (USD 170 million). (2010: AED 265.8 million). The facility is to be repaid in full, three years from the date of the agreement (29 September 2009). The facility carries an interest rate of LIBOR + 2.6% per annum.
- (b) AED 808.2 million (USD 220.0 million) in full and final draw down of an available AED 987.1 million (USD 268.7 million) (2010: AED 767.9 million). The facility is to be repaid in ten equal bi-annual installments commencing January 2011. The facility carries an average interest rate of 2.85% per annum. AED 177.8 million (USD 48.4 million) has been repaid during the year.
- (c) AED 161.5 million (USD 44.0 million) of an available AED 760.4 million (USD 207.0 million) (2010: AED 24.7 million). The facility is to be repaid in ten equal bi-annual installments commencing September 2012. The facility carries an average interest rate of LIBOR + 1.2% per annum.
- (d) AED 75.9 million (USD 20.7 million) in full and final drawdown of an available AED 75.9 million (USD 20.7 million) (2010: Nil). The facility is to be repaid in five bi-annual installments commencing September 2012. The facility carries no interest.

	Currency	Nominal interest rate	Year of maturity	31 December 2011		31 December 2010	
				Face value	Carrying amount	Face value	Carrying amount
				AED 000	AED 000	AED 000	AED 000
Secured bank loan	AED	EIBOR+ 1.25%	2011	-	-	2,524,735	2,524,735
Secured bank loan	USD	LIBOR+ 1.25%	2011	-	-	475,265	475,265
Secured bank loan	USD	LIBOR+ 1.45%	2014	808,170	808,170	-	-
Buyer credit agreement	USD	LIBOR+ 2.60%	2012	418,471	418,471	265,761	265,761
Buyer credit agreement	USD	FIXED 2.85 %	2015	808,178	808,178	767,901	767,901
Buyer credit agreement	USD	LIBOR+ 1.20%	2017	161,451	161,451	24,653	24,653
Buyer credit agreement	USD	Nil	2012	75,858	75,858	-	-
				2,272,128	2,272,128	4,058,315	4,058,315

13 Accounts payable and accruals

	2011 AED 000	2010 AED 000
Trade payables & accruals	1,579,674	1,562,427
Due to other telecommunications operators	465,002	906,476
Payroll accruals	166,003	130,334
Customer deposits	75,639	52,391
Retention payable	23,761	19,651
Deferred revenue	380,605	330,572
Accrued royalties	714,556	183,915
Other	20,944	24,007
	3,426,184	3,209,773

Federal royalty for the year ended 31 December 2011 is paid on a monthly basis to the Ministry of Finance and Industry, UAE after the first quarter of 2012.

The Company's exposure to currency and liquidity risks related to account payable and accruals is disclosed in note 27.

Notes to the consolidated financial statements (continued)

14 Employee benefits

	2011 AED 000	2010 AED 000
End of service benefits		
Opening balance	77,714	63,523
Charge for the year	34,802	20,389
Payments during the year	(9,190)	(6,198)
Closing balance	103,326	77,714

The provision was recognised based on the following significant assumptions:

	2011	2010
Average period of employment	7 to 10 years	7 to 10 years
Average annual rate of salary increase	5%	5%
Discount rate	3.55%	3.55%

15 Share capital

	2011	2010
Authorised share capital (par value AED 1 each)	4,571,428,571	4,571,428,571
	2011 AED 000	2010 AED 000
Issued and fully paid up – opening balance	4,571,429	4,000,000
Issued during the year	-	571,429
Issued and fully paid up – closing balance	4,571,429	4,571,429

On 11 May 2010, the shareholders in an Extraordinary General Meeting approved an increase in the Company's share capital by issuing 571,428,571 new ordinary shares at 75% premium amounting to AED 1.75 (par value AED 1.00) each to shareholders on a pro rata basis. The shares were issued on 27 June 2010.

16 Share premium

	2011 AED 000	2010 AED 000
Opening balance	393,504	-
Premium on issue of common share capital (Note 15)	-	428,571
Less: Expenses relating to issue of common share capital	-	(35,067)
Closing balance	393,504	393,504

17 Share based payment reserve

Share based payment reserve

	2011 AED 000	2010 AED 000
Share based payment reserve	71,924	46,345

The Company has in place an Executive Share Option Plan ("ESOP") for selected senior managers to receive equity settled share options of the Company. The ESOP consists of a launch grant scheme and an annual grant scheme.

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

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

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 31 December 2011 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) *	Options exercised (000)	Options outstanding (000)	Commence-ment date	Vesting date	Expiry date
Launch grant scheme	16,269	250	14,624	1,395	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	1,581	-	26,006	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	635	-	26,919	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	-	-	27,486	01 Jul 2011	30 Jun 2014	30 Jun 2017

*forfeited due to executives leaving the Company

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

Share scheme	Fair value per option (AED)	Stock Price at Measurement date	Expected volatility	Risk-free interest rate	Employee retention rate
Launch grant scheme	1.55	2.51	50%	1.00%	100%
Annual grant scheme 2007	0.28	2.51	47%	1.75%	100%
Annual grant scheme 2008	0.28	2.51	42%	2.50%	100%
Annual grant scheme 2009	0.93	2.51	42%	2.50%	100%
Annual grant scheme 2010	0.63	1.91	42%	1.25%	95-100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	90-100%

Notes to the consolidated financial statements (continued)

18 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.

	2011 AED 000	2010 AED 000
Opening balance	157,868	26,825
Transfer to statutory reserve during the year	109,759	131,043
Closing balance	267,627	157,868

19 General and administrative expenses

	2011 AED 000	2010 AED 000
Payroll and employee related expenses	932,651	809,142
Outsourcing and contracting	401,996	332,208
Consulting	41,099	41,314
Telecommunications licence and related fees	216,102	174,876
Sales and marketing expenses	326,875	320,389
Depreciation and amortisation expenses	1,005,218	717,634
Network operation and maintenance	726,031	565,797
Rent and utilities	150,426	138,886
Provision for receivables	92,633	130,856
Impairment of property, plant and equipment	72,157	6,051
Miscellaneous	96,461	69,372
	4,061,649	3,306,525

20 Operating leases**Leases**

Non-cancellable operating lease rentals are payable as follows:

	2011 AED 000	2010 AED 000
Less than one year	191,620	205,956
Between one and five years	331,550	349,071
More than five years	57,042	10,139
	580,212	565,166

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 2011, AED 218,645 thousand was recognised as an expense in the statement of comprehensive income in respect of operating leases (2010: AED 200,391 thousand).

21 Finance income and expense

	2011 AED 000	2010 AED 000
Finance income		
Interest income	61,073	50,862
Finance expense		
Gross finance expense	117,687	146,051
Less: Capitalised finance expense (refer note 3 (xii))	-	(53,709)
Net finance expense	117,687	92,342
Exchange (gain) / loss	(4,060)	9,857
	113,627	102,199

22 Other income and expenses

Other income during the current period includes the release of AED 12.0 million (2010: Nil) in provisions against legal disputes provided for during the year ended 31 December 2010 which were resolved or settled during the current year. In addition it also includes AED 10.3 million (2010: Nil) relating to sublease of capacity and facilities to certain operators as well as income from site sharing with other operators.

23 Royalty

The Company received confirmation via a UAE Cabinet Decision dated 5 February 2012 for the Royalty payable for the year ended 31 December 2011 at a rate of 5% of the total revenues plus 15% of the net profit for the year before distribution. The Company had received confirmation via a UAE Cabinet Decision dated 16 January 2011 for the Royalty payable for the year ended 31 December 2010 at a rate of 15% of the net profit for the year.

	2011 AED 000	2010 AED 000
Total revenue for the year	8,854,683	-
Annual profit before royalty	1,812,146	1,226,098
Royalty at 5% of total revenues plus 15% of annual net profit before distribution (2010: 15% of annual net profit before distribution)	714,556	183,915

23.1 Movement in provision for royalty

	2011 AED 000	2010 AED 000
Opening balance	183,915	268,248
Paid during the year	(183,915)	-
Charge for the year	714,556	183,915
Change in estimate written back to profit and loss	-	(268,248)
Closing balance	714,556	183,915

Notes to the consolidated financial statements (continued)

24 Earnings per share

	2011	2010
Profit for the year (AED 000)	1,097,590	1,310,431
Weighted average number of shares (number in 000)	4,571,429	4,292,759
Earning per share AED	0.24	0.31

25 Cash flows from operating activities

	2011 AED 000	2010 AED 000
Profit for the year	1,097,590	1,310,431
Adjustment for:		
Depreciation of property, plant and equipment	813,789	567,460
Amortisation of IT software	167,607	135,378
Amortisation of intangible assets	23,822	14,796
Provision for end of service benefits	34,802	20,389
Impairment of property, plant and equipment	72,157	6,051
Finance income and expense	52,554	51,337
Equity-settled share based payment transactions	25,579	28,863
Other (income)/expense	(25,578)	16,346
Net cash flows before changes in working capital	2,262,322	2,151,051

26 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,485,585 thousand and AED 30,892 thousand, respectively (2010: AED 1,624,246 thousand and AED 19,090 thousand respectively).

27 Financial instruments

27.1 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 value	
		2011 AED 000	2010 AED 000	2011 AED 000	2010 AED 000
Accounts receivable	9	881,600	1,122,401	881,600	1,122,401
Other receivables	10	303,701	418,369	303,701	418,369
Due from a related party	8.1	152,585	94,336	152,585	94,336
		1,337,886	1,635,106	1,337,886	1,635,106

Impairment losses

The ageing of trade receivables is as follows:

	Gross 2011 AED 000	Impairment 2011 AED 000	Gross 2010 AED 000	Impairment 2010 AED 000
Not past due	625,111	-	526,113	-
Past due 0-30 days	119,544	1,204	230,905	407
Past due 31-180 days	147,334	50,850	382,468	73,669
More than 180 days	297,811	256,146	202,593	145,602
	1,189,800	308,200	1,342,079	219,678

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.

27.2 Liquidity risk

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

	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
31 December 2011							
Non-derivative financial liabilities							
Long term bank borrowings	2,272,128	2,272,128	2,371,120	139,340	199,508	1,746,290	285,982
Trade payables & accruals	2,126,282	2,126,282	2,126,282	2,126,282	-	-	-
Due to other telecommunications operators	465,002	465,002	465,002	465,002	-	-	-
Customer deposits	75,639	75,639	75,639	75,639	-	-	-
Retention payable	23,761	23,761	23,761	23,761	-	-	-
Accrued royalties	714,556	714,556	714,556	178,639	357,278	178,639	-
Other	20,944	20,944	20,944	20,944	-	-	-
Due to a related parties	34,598	34,598	34,598	34,598	-	-	-
Employee benefits	103,326	103,326	103,326	-	-	103,326	-
	5,836,236	5,836,236	5,935,228	3,064,205	556,786	2,028,255	285,982

	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
31 December 2010							
Non-derivative financial liabilities							
Long term bank borrowings	4,058,315	4,058,315	4,186,393	3,141,893	90,466	621,723	332,311
Trade payables & accruals	2,023,333	2,023,333	2,023,333	2,023,333	-	-	-
Due to other telecommunications operators	906,476	906,476	906,476	906,476	-	-	-
Customer deposits	52,391	52,391	52,391	52,391	-	-	-
Retention payable	19,651	19,651	19,651	19,651	-	-	-
Accrued royalties	183,915	183,915	183,915	-	183,915	-	-
Other	24,007	24,007	24,007	24,007	-	-	-
Due to a related parties	78,109	78,109	78,109	78,109	-	-	-
Employee benefits	77,714	77,714	77,714	-	-	77,714	-
	7,423,911	7,423,911	7,551,989	6,245,860	274,381	699,437	332,311

Notes to the consolidated financial statements (continued)

27.3 Currency risk

Exposure to currency risk

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

	31 December 2011 AED 000			December 2010 AED 000		
	USD	Euro	GBP	USD	Euro	GBP
Trade receivables	50,457	2,697	324	119,553	7,750	1,326
Trade payables	(158,277)	(5,442)	(176)	(257,196)	(8,935)	(202)
Gross balance sheet exposure	(107,820)	(2,745)	148	(137,643)	(1,185)	1,124

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
USD 1	3.6735	3.6735	3.6735	3.6735
EURO 1	5.1301	4.8875	4.7536	4.9158
GBP 1	5.8869	5.6809	5.7069	5.7321

Sensitivity analysis

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

Profit / (Loss)	2011 AED 000	2010 AED 000
USD	39,608	50,563
EURO	1,408	579
GBP	(87)	(639)

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.

27.4 Interest risk

Exposure to interest risk

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

	Carrying amount	
	2011 AED 000	2010 AED 000
Variable rate instruments	808,170	3,000,000
Long term bank borrowings	1,463,958	1,058,315
Buyer credit arrangements	2,272,128	4,058,315

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)	2011 AED 000	2010 AED 000
Variable rate instruments	(28,215)	(17,285)

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.

27.5 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.

28 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.

Notes to the consolidated financial statements (continued)

	Mobile	Fixed	Wholesale	Broadcasting	Total
31 December 2011	2011 AED 000	2011 AED 000	2011 AED 000	2011 AED 000	2011 AED 000
Segment revenue	6,839,248	1,476,441	373,304	165,690	8,854,683
Segment contribution	4,600,041	1,092,445	143,538	64,747	5,900,771
Unallocated costs					(4,061,649)
Finance income and expense & other income					(26,976)
Profit before royalty					1,812,146
Royalty					(714,556)
Profit for the year					1,097,590

	Mobile	Fixed	Wholesale	Broadcasting	Total
31 December 2010	2010 AED 000	2010 AED 000	2010 AED 000	2010 AED 000	2010 AED 000
Segment revenue	5,311,790	1,177,235	426,999	158,073	7,074,097
Segment contribution	3,420,624	898,115	220,718	60,849	4,600,306
Unallocated costs					(3,306,525)
Finance income and expense & other income					(67,683)
Profit before royalty					1,226,098
Change in estimate for prior years' royalty					268,248
Royalty					(183,915)
Profit for the period					1,310,431

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.

