

**Emirates Integrated
Telecommunications
Company PJSC and its
Subsidiary**

**Condensed consolidated
interim financial statements**

for the three month period
ended 31 March 2012

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated interim financial statements

for the three month period ended 31 March 2012

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P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
Emirates Integrated Telecommunications Company PJSC
Dubai, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC and its Subsidiary ("the Group") as at 31 March 2012, and the related condensed consolidated statements of comprehensive income, changes in equity and the cash flows for the three month period then ended ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.


Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the three month period ended 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG


Vijendra Nath Malhotra
Registration No. 48B

09 MAY 2012

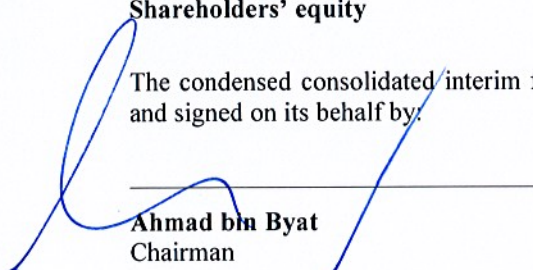
Emirates Integrated Telecommunications Company PJSC and its Subsidiary


Condensed consolidated statement of financial position

As at 31 March 2012

		Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	4	6,990,987	6,903,496
IT software	5.1	357,499	371,667
Telecommunications licence fee	5.2	86,456	88,003
Indefeasible right of use	5.3	159,635	164,282
Goodwill	5.4	549,050	549,050
Total non-current assets		8,143,627	8,076,498
Current assets			
Deferred fees	5.5	80,455	604
Inventories		92,866	52,262
Accounts receivable	7	958,107	881,600
Other receivables	8	278,018	303,701
Due from related parties	6.1	140,350	152,585
Prepayments		207,439	211,551
Cash and cash equivalents	9	2,445,936	2,376,371
Total current assets		4,203,171	3,978,674
Current liabilities			
Accounts payable and accruals	11	4,282,075	3,426,184
Due to related parties	6.1	46,759	34,598
Current portion of long term bank borrowings	10	484,375	192,952
Total current liabilities		4,813,209	3,653,734
Net current (liabilities) / assets		(610,038)	324,940
Non-current liabilities			
Employee benefits	12	110,410	103,326
Long term bank borrowings	10	1,551,386	2,079,176
Total non-current liabilities		1,661,796	2,182,502
Net assets		5,871,793	6,218,936
Represented by:			
Share capital	13	4,571,429	4,571,429
Share premium	14	393,504	393,504
Share based payment reserve	15	77,367	71,924
Statutory reserve	16	300,939	267,627
Proposed cash dividend		-	685,714
Accumulated profit		528,554	228,738
Shareholders' equity		5,871,793	6,218,936

The condensed consolidated interim financial statements were approved by the Board of Directors on 09 May 2012 and signed on its behalf by:


Ahmad bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes set out on pages 6 -19 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of comprehensive income

For the three month period ended 31 March 2012

		Reviewed three month period ended 31 March 2012 AED 000	Reviewed three month period ended 31 March 2011 AED 000
	<i>Note</i>		
Revenue	24	2,447,095	2,038,179
Cost of sales		(753,455)	(721,508)
Gross profit		1,693,640	1,316,671
General and administrative expenses	17	(1,038,786)	(900,947)
Finance income	18	15,387	26,021
Finance expense	18	(18,940)	(42,629)
Other income	19	14,955	12,552
Profit before Royalty		666,256	411,668
Royalty	20	(333,128)	(205,834)
Profit for the period		333,128	205,834
Profit and comprehensive income attributable to shareholders of the Company		333,128	205,834
Earnings per share (AED)	21	0.07	0.05

The notes set out on pages 6 -19 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page1.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of cash flows

For the three month period ended 31 March 2012

		Reviewed three month period ended 31 March 2012 AED 000	Reviewed three month period ended 31 March 2011 AED 000
	<i>Note</i>		
Cash flows from operating activities			
Net cash flows before changes in working capital	22	605,305	430,966
Change in inventories		(40,604)	(18,917)
Change in accounts receivable		(76,507)	117,873
Change in prepayments		4,112	42,726
Change in other receivables		25,683	109,985
Change in accounts payable and accruals		142,149	(48,721)
Change in amounts due from related parties		12,235	(80,549)
Change in amounts due to related parties		12,161	9,901
Change in deferred fees		(79,851)	(40,398)
Payment of employee benefits		(1,201)	(2,753)
Net cash generated from operating activities		603,482	520,113
Cash flows used in investing activities			
Purchase of property, plant and equipment		(287,145)	(460,182)
Purchase of IT software		(21,807)	(21,593)
Finance income		15,387	26,021
Finance expense		(18,940)	(44,775)
Other income		14,955	12,552
Net cash used in investing activities		(297,550)	(487,977)
Cash flows from financing activities			
Long term borrowings		79,287	163,371
Repayment of borrowings		(315,654)	(76,790)
Net cash (used in) / generated from financing activities		(236,367)	86,581
Net increase in cash and cash equivalents		69,565	118,717
Cash and cash equivalents at beginning of the period		2,376,371	2,785,478
Cash and cash equivalents at end of the period	9	2,445,936	2,904,195

The notes set out on pages 6 -19 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page1.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of changes in equity

for the three month period ended 31 March 2012

	Share capital (Note 13)	Share premium (Note 14)	Share based payment reserve (Note 15)	Statutory reserve (Note 16)	Proposed cash dividend	Accumulated profit	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2011	4,571,429	393,504	46,345	157,868	-	(73,379)	5,095,767
Profit for the period	-	-	-	-	-	205,834	205,834
Transfer to share based payment reserve	-	-	3,916	-	-	-	3,916
Transfer to statutory reserve	-	-	-	20,583	-	(20,583)	-
At 31 March 2011	<u>4,571,429</u>	<u>393,504</u>	<u>50,261</u>	<u>178,451</u>	<u>-</u>	<u>111,872</u>	<u>5,305,517</u>
At 1 January 2012	4,571,429	393,504	71,924	267,627	685,714	228,738	6,218,936
Profit for the period	-	-	-	-	-	333,128	333,128
Transfer to share based payment reserve	-	-	5,443	-	-	-	5,443
Transfer to statutory reserve	-	-	-	33,312	-	(33,312)	-
Transfer to cash dividend payable*	-	-	-	-	(685,714)	-	(685,714)
At 31 March 2012	<u>4,571,429</u>	<u>393,504</u>	<u>77,367</u>	<u>300,939</u>	<u>-</u>	<u>528,554</u>	<u>5,871,793</u>

*A cash dividend of AED 0.15 per share (2010: Nil) amounting to AED 685,714 thousand (2010: Nil) was approved by the shareholders in the annual general meeting held on 28 March 2012. Refer note 11.

The notes set out on pages 6 -19 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page1.

Notes to the condensed consolidated interim 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 condensed consolidated interim financial statements of the Company as at 31 March 2012 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 March 2012 there had been no commercial activities within the Subsidiary.

2 Basis of preparation

i Statement of compliance

These condensed consolidated interim 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 2012, and have not been applied in preparing these condensed consolidated interim financial statements. The Company does not plan to early adopt any of these standards

iii Basis of consolidation

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

iv Basis of measurement

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

v Functional and presentation currency

These condensed consolidated interim 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.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

2 Basis of preparation (*continued*)

vii Use of estimates and judgments

The preparation of the condensed consolidated interim 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 condensed consolidated interim 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 same accounting policies and methods of computation have been followed in these condensed consolidated interim financial statements as compared with the Company's recent 2011 annual audited financial statements.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

4 Property, plant and equipment

	Buildings	Plant and equipment	Furniture and fixtures	Motor vehicles	Capital work in progress	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Cost						
At 1 January 2012	47,208	8,079,374	233,666	2,227	977,255	9,339,730
Additions	-	1,049	2,719	-	308,757	312,525
Transfers	-	197,504	-	-	(197,504)	-
At 31 March 2012	47,208	8,277,927	236,385	2,227	1,088,508	9,652,255
Depreciation / impairment / provision for obsolescence*						
At 1 January 2012	13,040	2,240,146	151,449	2,204	29,395	2,436,234
Charge for the period	555	213,577	9,401	1	1,500	225,034
At 31 March 2012	13,595	2,453,723	160,850	2,205	30,895	2,661,268
Net book value						
At 1 January 2012	34,168	5,839,228	82,217	23	947,860	6,903,496
Net book value						
At 31 March 2012	33,613	5,824,204	75,535	22	1,057,613	6,990,987

The carrying amount of the Company's buildings includes a nominal amount of AED 1 (2011: 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.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

5 Intangible assets and deferred fees

5.1 IT software

	Software in use	Capital work in progress	Total
	AED 000	AED 000	AED 000
Cost			
At 1 January 2012	858,565	92,990	951,555
Additions	19,763	2,912	22,675
Transfers	616	(616)	-
At 31 March 2012	878,944	95,286	974,230
Amortisation			
At 1 January 2012	579,888	-	579,888
Charge for the period	36,843	-	36,843
At 31 March 2012	616,731	-	616,731
Net book value			
At 1 January 2012	278,677	92,990	371,667
Net book value			
At 31 March 2012	262,213	95,286	357,499

5.2 Telecommunications licence fee

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	88,003	94,226
Amortisation for the period / year	(1,547)	(6,223)
Closing balance	86,456	88,003

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.

5.3 Indefeasible right of use

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	164,282	91,510
Additions/transfers during the period / year	-	90,371
Amortisation for the period / year	(4,647)	(17,599)
Closing balance	159,635	164,282

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

5 Intangible assets and deferred fees (*continued*)

5.4 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.

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 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%.

5.5 Deferred fees

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Deferred annual licence fee, numbering fees and spectrum fees	80,455	604

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.

6 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.

6.1 Due from/to related parties

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Due from related parties		
Axiom Telecom LLC	130,206	141,396
Eros Electronics	10,144	11,189
	<u>140,350</u>	<u>152,585</u>
Due to related parties		
Tecom Investments FZ LLC	<u>46,759</u>	<u>34,598</u>

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.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

6 Related party transactions (*continued*)

6.1 Due from/to related parties (*continued*)

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Tecom Investments FZ LLC:		
Office rent and services	51,892	78,239
Infrastructure cost	35,055	34,021
Axiom Telecom LLC– Authorised distributor – Net Sales	453,572	1,746,992
Eros Electronics – Authorised distributor –Net Sales	76,131	275,011
Injazat Data Systems LLC –Data centre rent and services	1,891	11,166
	<u> </u>	<u> </u>

6.2 Compensation to key management personnel

	Reviewed Three month period ended 31 March 2012 AED 000	Reviewed Three month period ended 31 March 2011 AED 000
Short term employee benefits	7,080	6,676
Termination benefits	260	427
Post employment benefits	212	150
Share based benefits	1,975	1,874
Directors' remuneration	2,010	2,010
	<u> </u>	<u> </u>
	11,537	11,137
	<u> </u>	<u> </u>

7 Accounts receivable

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Receivables for services and products	709,130	635,532
Less: Provision for doubtful debts (Refer note 7.1)	(328,009)	(305,741)
	<u> </u>	<u> </u>
Net receivable for services and products	381,121	329,791
	<u> </u>	<u> </u>
Due from other telecommunications operators	366,726	388,513
Less: Provision for doubtful debts (Refer note 7.1)	(2,459)	(2,459)
	<u> </u>	<u> </u>
Net due from other telecommunications operators	364,267	386,054
	<u> </u>	<u> </u>
Unbilled revenue	212,719	165,755
	<u> </u>	<u> </u>
Accounts receivable	958,107	881,600
	<u> </u>	<u> </u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

7 Accounts receivable (*continued*)

7.1 Movement in provision for doubtful debts

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

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Provision for receivables for services and products		
Opening balance	305,741	218,435
Impairment loss recognised	22,375	90,792
Write off during the period / year	(107)	(3,486)
Closing balance	<u>328,009</u>	<u>305,741</u>
Provision for dues from other telecommunications operators		
Opening balance	2,459	1,243
Impairment loss / (reversal) recognised	-	1,216
Closing balance	<u>2,459</u>	<u>2,459</u>
Total provision for doubtful debts	<u><u>330,468</u></u>	<u><u>308,200</u></u>

8 Other receivables

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Advances to suppliers	224,029	246,728
Interest receivable	5,571	8,407
Staff loans	4,576	4,781
Deposits and others	43,842	43,785
	<u>278,018</u>	<u>303,701</u>

9 Cash and cash equivalents

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
At bank (on deposit and call accounts)	2,445,502	2,375,946
On hand	434	425
Net cash and cash equivalents	<u><u>2,445,936</u></u>	<u><u>2,376,371</u></u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

10 Long term bank borrowings

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Long term bank borrowings (i)	808,170	808,170
Buyer credit arrangements (ii)	1,227,591	1,463,958
	<hr/>	<hr/>
	2,035,761	2,272,128
Less: Current portion of buyer credit arrangement	(484,375)	(192,952)
	<hr/>	<hr/>
	1,551,386	2,079,176
	<hr/>	<hr/>

(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.

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

- (a) AED 203.8 million (USD 55.5 million) of an available AED 624.4 million (USD 170 million). (2011: AED 418.5 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. AED 214.6 million (USD 58.4 million) has been repaid during the period
- (b) AED 707.2 million (USD 192.5 million) in full and final draw down of an available AED 987.1 million (USD 268.7 million) (2011: AED 808.2 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 101.0 million (USD 27.5 million) has been repaid during the period.
- (c) AED 240.7 million (USD 65.5 million) of an available AED 760.4 million (USD 207.0 million) (2011: AED 161.5 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) (2011: AED 75.9 million). The facility is to be repaid in five bi-annual installments commencing September 2012. The facility carries no interest.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

11 Accounts payable and accruals

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Trade payables & accruals	1,523,077	1,579,674
Due to other telecommunications operators	522,177	465,002
Payroll accruals	62,356	166,003
Customer deposits	81,746	75,639
Retention payable	25,254	23,761
Deferred revenue	311,958	380,605
Accrued royalties	1,047,684	714,556
Cash dividend payable	685,714	-
Other	22,109	20,944
	<u>4,282,075</u>	<u>3,426,184</u>

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

12 Employee benefits

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
End of service benefits		
Opening balance	103,326	77,714
Charge for the period / year	8,285	34,802
Payments during the period / year	(1,201)	(9,190)
	<u>110,410</u>	<u>103,326</u>

13 Share capital

	Reviewed 31 March 2012	Audited 31 December 2011
Authorised share capital (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

14 Share premium

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Premium on issue of common share capital	393,504	393,504

15 Share based payment reserve

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Share based payment reserve	77,367	71,924

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 March 2012 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) ⁽¹⁾	Options exercised (000)	Options outstanding (000)	Commencement date	Vesting Date	Expiry Date
Launch grant scheme	16,269	250	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
Annual grant scheme 2011 ⁽²⁾	1,482	-	-	1,482	16 Jan 2012	16 Jan 2015	15 Jan 2018

(1) forfeited due to executives leaving the Company

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

15 Share based payment reserve (continued)

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%
Annual grant scheme 2011(1)	0.60	2.85	28%	1.00%	90-95%

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

16 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.

	Reviewed 31 March 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	267,627	157,868
Transfer to statutory reserve during the period / year	33,312	109,759
Closing balance	300,939	267,627

17 General and administrative expenses

	Reviewed three month period ended 31 March 2012 AED 000	Reviewed three month period ended 31 March 2011 AED 000
Payroll and employee related expenses	241,159	211,776
Outsourcing and contracting	108,814	101,291
Consulting	7,908	12,404
Telecommunications licence and related fees	63,155	52,975
Sales and marketing expenses	82,964	55,987
Depreciation and amortisation expenses	266,571	206,261
Network operation and maintenance	187,406	175,689
Rent and utilities	33,831	38,759
Provision for receivables	22,362	26,243
Impairment \ (reversal) of property, plant and equipment	3,280	(1,993)
Miscellaneous	21,336	21,555
	1,038,786	900,947

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

18 Finance income and expense

	Reviewed three month period ended 31 March 2012 AED 000	Reviewed three month period ended 31 March 2011 AED 000
Finance income		
Interest income	15,387	26,021
Finance expense		
Gross finance expense	18,961	44,775
Less: Capitalised finance expense	-	-
Net finance expense	18,961	44,775
Exchange gain	(21)	(2,146)
	<u>18,940</u>	<u>42,629</u>

19 Other income and expenses

Other income during the current period includes AED 12.3 million (2011: Nil) liquidated damages received from a supplier. In addition it also includes AED 1 million (2011: Nil) relating to sublease of capacity and facilities to certain operators as well as income from site sharing with other operators.

20 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. No determination of the structure of the royalty fee for 2012 has been advised to the Company as at 31 March 2012 and the Company has provided at an estimated charge of 50% of the profit for the current period. This estimate is based on the current practice followed by the other UAE telecom operator. The royalty charge for the three month period ended 31 March 2011 was provided at 50% of net profit.

	Reviewed three month period ended 31 March 2012 AED 000	Reviewed three month period ended 31 March 2011 AED 000
Consolidated profit before royalty	666,256	411,668
Royalty at 50%	<u>333,128</u>	<u>205,834</u>

20.1 Movement in provision for royalty

	2012 AED 000	2011 AED 000
Opening balance	714,556	183,915
Paid during the period / year	-	(183,915)
Charge for the period / year	<u>333,128</u>	<u>714,556</u>
Closing balance	<u>1,047,684</u>	<u>714,556</u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

21 Earnings per share

	Reviewed three month period ended 31 March 2012	Reviewed three month period ended 31 March 2011
Profit for the period (AED 000)	333,128	205,834
Weighted average number of shares (number in 000)	4,571,429	4,571,429
Earnings per share AED	0.07	0.05

22 Cash flows from operating activities

	Reviewed three month period ended 31 March 2012 AED 000	Reviewed three month period ended 31 March 2011 AED 000
Profit for the period	333,128	205,834
Adjustment for:		
Depreciation of property, plant and equipment	223,534	168,513
Amortisation of IT software	36,843	34,101
Amortisation of intangible assets	6,194	3,647
Provision for end of service benefits	8,285	10,746
Impairment of property, plant and equipment	3,280	(1,993)
Finance income and expense	3,553	18,754
Equity-settled share based payment transactions	5,443	3,916
Other (income) / expense	(14,955)	(12,552)
Net cash flows before changes in working capital	605,305	430,966

23 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,353,713 thousand and AED 32,548 thousand, respectively (*2011: AED 1,485,585 thousand and AED 31,618 thousand respectively*).

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

24 Segment analysis

31 March 2012

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	1,920,633	408,952	78,451	39,059	2,447,095
Segment contribution	1,355,131	302,148	23,122	13,239	1,693,640
Unallocated costs					(1,038,786)
Finance income and expense & other income					11,402
Profit before royalty					666,256
Royalty					(333,128)
Profit for the period					333,128

31 March 2011

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	1,576,324	337,299	84,635	39,921	2,038,179
Segment contribution	1,012,751	250,423	38,870	14,627	1,316,671
Unallocated costs					(900,947)
Finance income and expense & other income					(4,056)
Profit before royalty					411,668
Royalty					(205,834)
Profit for the period					205,834

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.