

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

**Condensed consolidated
interim financial statements**

for the nine month period
ended 30 September 2013

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated interim financial statements

for the nine month period ended 30 September 2013

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Independent auditors' report on review of Interim Financial Information

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

Introduction

We have reviewed the accompanying September 30, 2013 condensed consolidated interim financial information of Emirates Integrated Telecommunications Company PJSC and its subsidiary ("the Company"), which comprises:

- the condensed consolidated statement of financial position as at September 30, 2013;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2013;
- the condensed consolidated statement of changes in equity for the nine-month period ended September 30, 2013;
- the condensed consolidated statement of cash flows for the nine-month period ended September 30, 2013; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 September 30, 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendra Nath Malhotra
Registration No. 48B

30 OCT 2013

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of financial position

As at 30 September 2013

		Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Non-current assets	<i>Note</i>		
Property, plant and equipment	4	7,554,386	7,590,768
IT software	6.1	340,862	330,734
Telecommunications licence fee	6.2	77,122	81,778
Indefeasible right of use	6.3	206,764	199,658
Goodwill	6.4	549,050	549,050
Total non-current assets		8,728,184	8,751,988
Current assets			
Deferred fees	6.5	39,981	2,749
Inventories		33,482	24,547
Accounts receivable	8	1,267,018	1,109,872
Other receivables	9	304,268	334,146
Due from related parties	7.1	279,756	171,021
Prepayments		227,769	209,212
Advance towards investment	5	21,543	-
Cash and cash equivalents	10	120,776	2,688,644
Short term investments	10	2,965,000	630,000
Total current assets		5,259,593	5,170,191
Current liabilities			
Accounts payable and accruals	13	3,883,171	3,954,965
Due to related parties	7.1	23,341	48,544
Current portion of long term borrowings	11	1,034,378	328,613
Total current liabilities		4,940,890	4,332,122
Net current assets		318,703	838,069
Non-current liabilities			
Employee benefits	14	139,319	122,682
Long term borrowings	11	2,232,976	1,844,118
Provisions	12	102,786	95,638
Total non-current liabilities		2,475,081	2,062,438
Net assets		6,571,806	7,527,619
Represented by:			
Share capital	15	4,571,429	4,571,429
Share premium	16	393,504	393,504
Share based payment reserve	17	91,986	86,780
Statutory reserve	18	607,193	465,581
Proposed dividend		-	1,371,429
Retained earnings		907,694	638,896
Shareholders' equity		6,571,806	7,527,619

The condensed consolidated interim financial statements were approved by the Board of Directors on 30 October 2013 and signed on its behalf by:

Ahmad bin Byat
Chairman

Osman Sultan
Chief Executive Officer

The notes set out on pages 6 - 21 are an integral part of these condensed consolidated interim financial statements.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of comprehensive income

For the nine month period ended 30 September 2013

		Reviewed nine month period ended 30 September 2013 AED 000	Reviewed nine month period ended 30 September 2012 AED 000	Reviewed three month period ended 30 September 2013 AED 000	Reviewed three month period ended 30 September 2012 AED 000
	<i>Note</i>				
Revenue	26	7,929,898	7,419,251	2,643,344	2,520,596
Cost of sales		(2,602,578)	(2,342,406)	(861,063)	(811,591)
Gross profit		<u>5,327,320</u>	<u>5,076,845</u>	<u>1,782,281</u>	<u>1,709,005</u>
General and administrative expenses	19	(3,015,643)	(3,111,352)	(1,017,202)	(1,050,356)
Finance income	20	35,785	37,112	13,542	10,340
Finance expense	20	(66,006)	(53,064)	(18,834)	(16,179)
Other income	21	15,721	21,539	7,776	988
Profit before Royalty		<u>2,297,177</u>	<u>1,971,080</u>	<u>767,563</u>	<u>653,798</u>
Royalty	22	(881,053)	(985,540)	(293,249)	(326,899)
Profit for the period		<u>1,416,124</u>	<u>985,540</u>	<u>474,314</u>	<u>326,899</u>
Profit and comprehensive income attributable to shareholders of the Company		<u>1,416,124</u>	<u>985,540</u>	<u>474,314</u>	<u>326,899</u>
Earnings per share (AED)	23	<u>0.31</u>	<u>0.21</u>	<u>0.10</u>	<u>0.07</u>

The notes set out on pages 6 -21 are an integral part of these condensed consolidated interim financial statements.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of cash flows

For the nine month period ended 30 September 2013

		Reviewed nine month period ended 30 September 2013 AED 000	Reviewed nine month period ended 30 September 2012 AED 000
	<i>Note</i>		
Cash flows from operating activities			
Profit for the period		1,416,124	985,540
Adjustment for:			
Depreciation of property, plant and equipment		793,898	719,850
Amortisation of IT software		83,083	114,654
Amortisation of intangible assets		22,586	20,676
Provision for end of service benefits		34,835	25,806
Impairment of property, plant and equipment and inventory		(505)	(1,244)
Net finance income and expense		30,221	15,952
Equity-settled share based payment transactions		5,206	12,967
Other income		(15,721)	(21,539)
Changes in working capital	24	(95,446)	277,118
Net cash generated from operating activities		2,274,281	2,149,780
Cash flows used in investing activities			
Purchase of property, plant and equipment		(919,147)	(828,773)
Purchase of IT software		(118,448)	(64,948)
Addition to indefeasible right of use		-	(28,434)
Advance towards investment	5	(21,543)	-
Short term investments	10	(2,335,000)	(400,000)
Other income		15,721	21,539
Net cash used in investing activities		(3,378,417)	(1,300,616)
Cash flows from financing activities			
Long term borrowings		1,695,454	236,248
Repayment of borrowings		(600,831)	(670,455)
Payment on behalf of founding shareholders		(150,991)	(6,739)
Finance income		35,785	37,112
Finance expense		(66,006)	(53,064)
Dividends paid		(2,377,143)	(685,714)
Net cash used in financing activities		(1,463,732)	(1,142,612)
Net decrease in cash and cash equivalents		(2,567,868)	(293,448)
Cash and cash equivalents at 1 January		2,688,644	2,376,371
Cash and cash equivalents at 30 September	10	120,776	2,082,923

The notes set out on pages 6-21 are an integral part of these condensed consolidated interim financial statements.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated statement of changes in equity

for the nine month period ended 30 September 2013

	Share capital (Note 15)	Share premium (Note 16)	Share based payment reserve (Note 17)	Statutory reserve (Note 18)	Proposed dividend	Retained earnings	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2012	4,571,429	393,504	71,924	267,627	685,714	228,738	6,218,936
Profit for the period	-	-	-	-	-	985,540	985,540
Transfer to share based payment reserve	-	-	12,967	-	-	-	12,967
Transfer to statutory reserve	-	-	-	98,554	-	(98,554)	-
Transfer to cash dividend payable	-	-	-	-	(685,714)	-	(685,714)
At 30 September 2012	4,571,429	393,504	84,891	366,181	-	1,115,724	6,531,729
At 1 January 2013	4,571,429	393,504	86,780	465,581	1,371,429	638,896	7,527,619
Profit for the period	-	-	-	-	-	1,416,124	1,416,124
Transfer to share based payment reserve	-	-	5,206	-	-	-	5,206
Transfer to statutory reserve	-	-	-	141,612	-	(141,612)	-
Interim cash dividend ⁽¹⁾	-	-	-	-	548,571	(548,571)	-
Special cash dividend ⁽²⁾	-	-	-	-	457,143	(457,143)	-
Cash dividend paid	-	-	-	-	(2,377,143)	-	(2,377,143)
At 30 September 2013	4,571,429	393,504	91,986	607,193	-	907,694	6,571,806

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

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

The notes set out on pages 6 -21 are an integral part of these condensed consolidated interim financial statements.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

Emirates Integrated Telecommunications Company PJSC is a public joint stock company with limited liability. The Company was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates. The condensed consolidated interim financial statements of the Company for the nine month period ended 30 September 2013 comprises the Company and its Subsidiary (“the Company”).

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

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

2 Basis of preparation

i Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of IAS 34 ‘Interim Financial Reporting’ and UAE Federal Law No. 8 of 1984 (as amended). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended 31 December 2012. The condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

ii New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these 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 Company. The financial statements of a subsidiary are included in the condensed consolidated interim 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 except when otherwise stated. This is the Company’s functional currency.

vi Earnings per share

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

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

Judgements made by management in the application of IFRS that have significant effect on these 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, key assumptions used in discounted cash flow projections for goodwill impairment test, provision for bad and doubtful debts and provision for slow moving inventories and provision for asset retirement obligation.

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed consolidated interim financial statements as compared with the Company's recent 2012 annual audited financial statements.

Change in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have been applied in preparing these condensed consolidated financial statements. Those which are relevant to the Company are set out below.

- a) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests In Other Entities (2011)
- b) IFRS 13 Fair Value Measurement (2011)
- c) IAS 19 Employee Benefits (2011)

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

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 2013	47,208	9,770,529	237,354	1,482	951,830	11,008,403
Additions	-	317,425	4,614	-	416,173	738,212
Transfers	-	236,843	4,517	-	(241,360)	-
Disposal/write off	-	(60,500)	-	-	-	(60,500)
At 30 September 2013	47,208	10,264,297	246,485	1,482	1,126,643	11,686,115
Depreciation / impairment / provision for obsolescence*						
At 1 January 2013	15,273	3,188,332	176,243	1,481	36,306	3,417,635
Charge for the period	1,671	770,113	22,113	1	-	793,898
Write off	-	(60,561)	-	-	(21,254)	(81,815)
Impairment / provision for obsolescence	-	-	-	-	2,011	2,011
At 30 September 2013	16,944	3,897,884	198,356	1,482	17,063	4,131,729
Net book value						
At 1 January 2013	31,935	6,582,197	61,111	1	915,524	7,590,768
Net book value						
At 30 September 2013	30,264	6,366,413	48,129	-	1,109,580	7,554,386

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

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

5 Advance towards investment

During the period the Company advanced AED 21.5 million towards acquisition of 10% of the shares in Khazna Data Center Limited, a limited liability company established in the Masdar City Free Zone, in the Emirate of Abu Dhabi. The business of the Company is providing whole sale data centre services.

The value of the investment will be finalised based on the audited financial statements of Khazna Data Center Limited as at 31 December 2013.

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Advance towards investment	21,543	-

6 Intangible assets and deferred fees

6.1 IT software

	Software in use AED 000	Capital work in progress AED 000	Total AED 000
Cost			
At 1 January 2013	947,136	122,684	1,069,820
Additions	62,691	30,228	92,919
Transfers	38,086	(38,086)	-
Write off	(26,076)	-	(26,076)
At 30 September 2013	1,021,837	114,826	1,136,663
Amortisation			
At 1 January 2013	739,086	-	739,086
Charge for the period	83,083	-	83,083
Write off	(26,368)	-	(26,368)
At 30 September 2013	795,801	-	795,801
Net book value At 1 January 2013	208,050	122,684	330,734
Net book value At 30 September 2013	226,036	114,826	340,862

6.2 Telecommunications licence fee

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Opening balance	81,778	88,003
Amortisation for the period / year	(4,656)	(6,225)
Closing balance	77,122	81,778

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

6 Intangible assets and deferred fees (continued)

6.3 Indefeasible right of use

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Opening balance	199,658	164,282
Additions / transfers during the period / year	25,036	58,190
Amortisation for the period / year	(17,930)	(22,814)
Closing balance	<u>206,764</u>	<u>199,658</u>

The additions to indefeasible right of use represent the fees paid to a telecom operator to obtain rights to use Indoor Building Solutions relating to certain sites in the UAE 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.

6.4 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 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Goodwill	<u>549,050</u>	<u>549,050</u>

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

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

The key assumptions for the value-in-use calculations at 31 December 2012 include a discount rate of 8.09% and a terminal growth rate of 3%.

6.5 Deferred fees

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Deferred annual licence fee, numbering fees and spectrum fees	<u>39,981</u>	<u>2,749</u>

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.

7 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.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

7 Related party transactions (Continued)

7.1 Due from / to related parties

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Due from related parties		
Axiom Telecom LLC	71,552	108,825
Eros Electronics	11,449	16,432
Founding shareholders	196,755	45,764
	<u>279,756</u>	<u>171,021</u>
Due to related parties		
Tecom Investments FZ LLC	19,893	28,058
Emaar Properties PJSC	3,448	20,486
	<u>23,341</u>	<u>48,544</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.

	Reviewed nine month period ended 30 Sep 2013 AED 000	Reviewed nine month period ended 30 Sep 2012 AED 000
Tecom Investments FZ LLC:		
Office rent and services	53,836	70,989
Infrastructure cost	14,418	35,146
Axiom Telecom LLC– Authorised distributor – Net Sales	1,737,688	1,518,630
Eros Electronics – Authorised distributor –Net Sales	325,294	298,606
Injazat Data Systems LLC –Data centre rent and services	8,850	7,300
Emaar Properties PJSC	14,032	-

7.2 Compensation to key management personnel

	Reviewed nine month period ended 30 September 2013 AED 000	Reviewed nine month period ended 30 September 2012 AED 000
Short term employee benefits	22,728	22,792
End of service benefits	992	1,031
Post-employment benefits	416	463
Share based benefits	1,459	1,025
Directors' remuneration	6,804	6,030
	<u>32,399</u>	<u>31,341</u>

Certain employee benefits previously excluded from disclosure have been included in the current period figures. Accordingly prior period has been adjusted to reflect the current period format.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

8 Accounts receivable

	Reviewed 30 September 2013 AED 000 Reviewed	Audited 31 December 2012 AED 000 Audited
Receivables for services and products	781,878	717,271
Less: Provision for doubtful debts (Refer note 8.1)	(388,115)	(352,913)
Net receivable for services and products	393,763	364,358
Due from other telecommunications operators	506,768	436,867
Less: Provision for doubtful debts (Refer note 8.1)	(2,482)	(2,092)
Net due from other telecommunications operators	504,286	434,775
Unbilled revenue	368,969	310,739
Accounts receivable	1,267,018	1,109,872

8.1 Movement in provision for doubtful debts

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

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Provision for receivables for services and products		
Opening balance	352,913	305,741
Impairment loss recognised	44,303	52,561
Write off during the period / year	(9,101)	(5,389)
Closing balance	388,115	352,913
Provision for dues from other telecommunications operators		
Opening balance	2,092	2,459
Impairment loss recognised / (reversal)	390	(367)
Closing balance	2,482	2,092
Total provision for doubtful debts	390,597	355,005

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

9 Other receivables

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Advances to suppliers	274,478	310,014
Interest receivable	12,327	8,429
Staff loans	635	2,504
Deposits and others	16,828	13,199
	<u>304,268</u>	<u>334,146</u>

10 Cash and cash equivalents and short term investments

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Cash at bank (on deposit and call accounts)	120,362	2,688,232
Cash in hand	414	412
Short term investments *	2,965,000	630,000
	<u>3,085,776</u>	<u>3,318,644</u>

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

11 Long term borrowings

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Long term bank borrowings (i),(ii),(iii) and (iv)	2,668,632	1,092,021
Buyer credit arrangements (v)	598,722	1,080,710
	<u>3,267,354</u>	<u>2,172,731</u>
Less: Current portion of long term bank borrowings	(808,170)	-
Current portion of buyer credit arrangement	(226,208)	(328,613)
	<u>2,232,976</u>	<u>1,844,118</u>

(i) Facility for AED 808.2 million (USD 220 million). This 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) During the year 2012, the Company secured a bank facility amounting to AED 367.3 million (USD 100.0 million). This facility is to be repaid in full on the final maturity date (12 December 2015) and carries an interest rate of LIBOR+ 1.60% per annum. The facility is unsecured. AED 367.3 million (USD 100.0 million) was utilised during the period.

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

11 Long term borrowings (continued)

(iv) A facility of AED 1,836.7 million (USD 500 million) which was not utilised as at 31 December 2012. This facility is to be repaid in full on the final maturity date (20 December 2017) and carries an interest rate of LIBOR+ 1.75% per annum. AED 1,125.9 million (USD 306.5 million) was utilised during the period.

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

- (a) AED 147.1 million (USD 40.0 million) in full and final draw down of an available AED 987.1 million (USD 268.7 million) (2012: AED 606.2 million). The facility is to be repaid in ten equal bi-annual instalments commencing January 2011. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 459.1 million (USD 125.0 million) has been repaid during the period.
- (b) AED 418.6 million (USD 113.9 million) of an available AED 760.4 million (USD 207.0 million) (2012: AED 408.3 million). The facility is to be repaid in ten equal bi-annual instalments commencing September 2012. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 108.6 million (USD 29.6 million) has been repaid during the period.
- (c) AED 33.1 million (USD 9.0 million) in full and final drawdown of an available AED 84.0 million (USD 22.9 million) (2012: AED 66.1 million). The facility is to be repaid in five bi-annual instalments commencing September 2012. The facility carries no interest. AED 33.1 million (USD 9.0 million) has been repaid during the period.

12 Provisions

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

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Asset retirement obligations		
Opening balance	95,638	-
Additions during the period / year	2,707	95,638
Unwind of discount	4,441	-
	<hr/>	<hr/>
Closing balance	102,786	95,638
	<hr/>	<hr/>

13 Accounts payable and accruals

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Trade payables and accruals	1,404,987	1,691,955
Due to other telecommunications operators	930,264	801,539
Payroll accruals	111,934	156,472
Customer deposits	117,522	99,154
Retention payable	13,958	22,507
Deferred revenue	416,993	339,002
Accrued royalty	887,199	843,961
Others	314	375
	<hr/>	<hr/>
	3,883,171	3,954,965
	<hr/>	<hr/>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

14 Employee benefits

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
End of service benefits		
Opening balance	122,682	103,326
Charge for the period / year	34,835	35,059
Payments made during the period / year	(18,198)	(15,703)
Closing balance	<u>139,319</u>	<u>122,682</u>

15 Share capital

	Reviewed 30 September 2013	Audited 31 December 2012
Authorised, issued and fully paid up share capital (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

16 Share premium

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Premium on issue of common share capital	<u>393,504</u>	<u>393,504</u>

17 Share based payment reserve

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Share based payment reserve	<u>91,986</u>	<u>86,780</u>

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

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

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

17 Share based payment reserve (continued)

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 30 September 2013 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) ⁽¹⁾	Options exercised (000)	Options outstanding (000)	Commencement date	Vesting Date	Expiry Date ⁽³⁾
Launch grant scheme	16,269	250	16,019	-	22 Apr 2006	21 Apr 2009	21 Apr 2012
Annual grant scheme 2007	17,066	3,287	13,683	96	01 Jul 2007	30 Jun 2010	30 Jun 2013
Annual grant scheme 2008	25,275	5,385	17,683	2,207	01 Jul 2008	30 Jun 2011	30 Jun 2014
Annual grant scheme 2009	27,587	2,447	24,257	883	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	5,798	19,036	2,720	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	5,480	-	22,006	01 Jul 2011	30 Jun 2014	30 Jun 2017
Annual grant scheme 2011 ⁽²⁾	1,482	680	-	802	16 Jan 2012	16 Jan 2015	15 Jan 2018

(1) forfeited due to executives leaving the Company.

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

(3) For options issued to new executives after the scheme commencement date, the expiry date is 3 years from the date of issue of the options

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

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

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

17 Share based payment reserve (continued)

31 December 2012

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

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

(1) forfeited due to executives leaving the Company.

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

The 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%	100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	90-100%
Annual grant scheme 2011(1)	0.60	2.85	28%	1.00%	90-95%

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim 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.

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Opening balance	465,581	267,627
Transfer to statutory reserve during the period / year	141,612	197,954
Closing balance	<u>607,193</u>	<u>465,581</u>

19 General and administrative expenses

	Reviewed nine month period ended 30 September 2013 AED 000	Reviewed nine month period ended 30 September 2012 AED 000
Payroll and employee related expenses	607,556	714,719
Outsourcing and contracting	343,555	283,938
Consulting	15,436	27,853
Telecommunications licence and related fees	200,455	190,941
Sales and marketing expenses	181,478	236,914
Depreciation and amortisation expenses	899,567	855,180
Network operation and maintenance	579,970	563,830
Rent and utilities	80,461	100,218
Provision for doubtful debts	44,658	71,159
Impairment of property, plant and equipment and inventory	(505)	2,259
Miscellaneous expenses	63,012	64,341
	<u>3,015,643</u>	<u>3,111,352</u>

20 Finance income and expense

	Reviewed nine month period ended 30 September 2013 AED 000	Reviewed nine month period ended 30 September 2012 AED 000
Finance income		
Interest income	<u>35,785</u>	<u>37,112</u>
Finance expense		
Interest expense*	66,030	50,841
Exchange (gain) / loss	(24)	2,223
	<u>66,006</u>	<u>53,064</u>

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

21 Other income and expenses

Other income in the current period includes AED 8.4 million (2012: 7.7 million) relating to sublease of capacity and facilities to certain operators as well as income from site sharing with other operators.

22 Royalty

The Company received confirmation via a letter dated 10 December 2012 from the UAE Ministry of Finance for the Royalty payable for the years ended 31 December 2012 through to 31 December 2016.

The applicable rates are as follows:-

Royalty	2012	2013	2014	2015	2016
On licensed revenue	5%	7.5%	10%	12.5%	15%
On profit after deducting royalty on licensed revenue	17.5%	20%	25%	30%	30%

The classification of licensed revenue is still under discussion with the authorities and the Company has provided for applicable royalty on total revenue for the period excluding Broadcasting revenue (refer note 25) and certain other allowable deductions. Broadcasting revenue has been excluded from royalty calculations as the Company believes that this is a non-licensed activity.

	Reviewed nine month period ended 30 September 2013	Reviewed nine month period ended 30 September 2012
Total revenue for the period	7,929,898	-
Broadcasting revenue for the period (refer note 25)	(137,238)	-
Other allowable deductions	(830,072)	-
Total adjusted revenue	6,962,588	-
Profit before royalty	2,297,177	1,971,080
Provision for royalty: 7.5% of the total adjusted revenue plus 20% of the net profit for the period before distribution after deducting 7.5% of the total licensed revenue. (Royalty for the nine month period ending 30 September 2012 was provided at 50% of the profit before royalty)	877,190	985,540
Additional provision for the year 2012	3,863	-
	881,053	985,540

22.1 Movement in accrual for royalty

	Reviewed 30 September 2013 AED 000	Audited 31 December 2012 AED 000
Opening balance	843,961	714,556
Transfer to accounts payable	(837,815)	(714,556)
Provision for the period / year	881,053	843,961
Closing balance	887,199	843,961

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

23 Earnings per share

	Reviewed nine month period ended 30 September 2013	Reviewed nine month period ended 30 September 2012
Profit for the period (AED 000)	1,416,124	985,540
Weighted average number of shares	4,571,428,571	4,571,428,571
Earnings per share (AED)	0.31	0.21

24 Changes in working capital

	Reviewed nine month period ended 30 September 2013 AED 000	Reviewed nine month period ended 30 September 2012 AED 000
Change in inventories	(8,935)	16,027
Change in accounts receivable	(157,146)	(69,881)
Change in prepayments	(18,557)	(7,128)
Change in other receivables	29,878	(67,177)
Change in accounts payable and accruals	97,691	472,682
Change in amounts due from related parties	42,256	(33,632)
Change in amounts due to related parties	(25,203)	8,755
Change in deferred fees	(37,232)	(36,618)
Payment of employee benefits	(18,198)	(5,910)
Net changes in working capital	(95,446)	277,118

25 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 947,709 thousand and AED 13,940 thousand, respectively (2012: AED 1,338,585 thousand and AED 32,135 thousand respectively).

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

26 Segment analysis

30 Sep 2013

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	6,170,514	1,252,481	369,665	137,238	7,929,898
Segment contribution	4,176,448	1,009,113	83,127	58,632	5,327,320
Unallocated costs					(3,015,643)
Finance income and expense & other income					(14,500)
Profit before royalty					2,297,177
Royalty					(881,053)
Profit for the Period					1,416,124

30 September 2012

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	5,752,174	1,226,369	314,005	126,703	7,419,251
Segment contribution	3,992,275	949,850	86,741	47,979	5,076,845
Unallocated costs					(3,111,352)
Finance income and expense & other income					5,587
Profit before royalty					1,971,080
Royalty					(985,540)
Profit for the period					985,540

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.