

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

**Condensed consolidated  
interim financial statements**

for the three month period  
ended 31 March 2013

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

## **Condensed consolidated interim financial statements**

for the three month period ended 31 March 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 March 31, 2013 condensed consolidated interim financial information of Emirates Integrated Telecommunications Company PJSC ("the Company") and its Subsidiary ("the Group"), which comprises the condensed consolidated statement of financial position as at March 31, 2013, the condensed consolidated statement of comprehensive income for the three-month period ended March 31, 2013, the condensed consolidated statement of changes in equity for the three-month period ended March 31, 2013, the condensed consolidated statement of cash flows for the three-month period ended March 31, 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 March 31, 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

01 MAY 2013

**Munther Dajani**  
**Registration No. 268**

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated statement of financial position

As at 31 March 2013

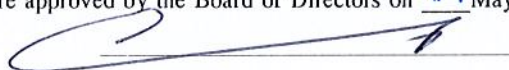
		Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
<b>Non-current assets</b>	<i>Note</i>		
Property, plant and equipment	4	7,659,457	7,590,768
IT software	5.1	330,743	330,734
Telecommunications licence fee	5.2	80,244	81,778
Indefeasible right of use	5.3	200,952	199,658
Goodwill	5.4	549,050	549,050
<b>Total non-current assets</b>		<b>8,820,446</b>	<b>8,751,988</b>
<b>Current assets</b>			
Deferred fees	5.5	80,060	2,749
Inventories		99,064	24,547
Accounts receivable	7	1,048,423	1,109,872
Other receivables	8	302,621	334,146
Due from related parties	6.1	200,688	171,021
Prepayments		195,599	209,212
Cash and cash equivalents	9	3,293,569	2,688,644
Short term investments	9	655,000	630,000
<b>Total current assets</b>		<b>5,875,024</b>	<b>5,170,191</b>
<b>Current liabilities</b>			
Accounts payable and accruals	12	5,545,202	3,954,965
Due to related parties	6.1	33,503	48,544
Current portion of long term borrowings	10	342,273	328,613
<b>Total current liabilities</b>		<b>5,920,978</b>	<b>4,332,122</b>
<b>Net current (liabilities) / assets</b>		<b>(45,954)</b>	<b>838,069</b>
<b>Non-current liabilities</b>			
Employee benefits	13	128,131	122,682
Long term borrowings	10	1,921,752	1,844,118
Provisions	11	97,456	95,638
<b>Total non-current liabilities</b>		<b>2,147,339</b>	<b>2,062,438</b>
<b>Net assets</b>		<b>6,627,153</b>	<b>7,527,619</b>
<b>Represented by:</b>			
Share capital	14	4,571,429	4,571,429
Share premium	15	393,504	393,504
Share based payment reserve	16	89,837	86,780
Statutory reserve	17	512,372	465,581
Proposed dividend		-	1,371,429
Retained earnings		1,060,011	638,896
<b>Shareholders' equity</b>		<b>6,627,153</b>	<b>7,527,619</b>

The condensed consolidated interim financial statements were approved by the Board of Directors on 01 May 2013 and signed on its behalf by:

Younis Al Khoori  
Vice Chairman



Osman Sultan  
Chief Executive Officer



The notes set out on pages 6 - 21 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 2013

		Reviewed three month period ended 31 March 2013 AED 000	Reviewed three month period ended 31 March 2012 AED 000
	<i>Note</i>		
Revenue	25	2,626,412	2,447,095
Cost of sales		(874,727)	(753,455)
<b>Gross profit</b>		<b>1,751,685</b>	<b>1,693,640</b>
General and administrative expenses	18	(997,045)	(1,038,786)
Finance income	19	12,056	15,387
Finance expense	19	(17,543)	(18,940)
Other income	20	2,783	14,955
<b>Profit before Royalty</b>		<b>751,936</b>	<b>666,256</b>
Royalty	21	(284,030)	(333,128)
<b>Profit for the Period</b>		<b>467,906</b>	<b>333,128</b>
Profit and comprehensive income attributable to shareholders of the Company		467,906	333,128
Earnings per share (AED)	22	0.10	0.07

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

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# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated statement of cash flows

For the three month period ended 31 March 2013

		Reviewed three month period ended 31 March 2013 AED 000	Reviewed three month period ended 31 March 2012 AED 000
	<i>Note</i>		
<b>Cash flows from operating activities</b>			
Profit for the period		467,906	333,128
Adjustment for:			
Depreciation of property, plant and equipment		258,119	223,534
Amortisation of IT software		28,382	36,843
Amortisation of intangible assets		7,724	6,194
Provision for end of service benefits		8,392	8,285
Impairment of property, plant and equipment		4,598	3,280
Net finance income and expense		5,487	3,553
Equity-settled share based payment transactions		3,057	5,443
Other income		(2,783)	(14,955)
Changes in working capital	23	220,116	(1,823)
Net cash generated from operating activities		1,000,998	603,482
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	4	(412,616)	(287,145)
Purchase of IT software	5.1	(47,047)	(21,807)
Short term investments	9	(25,000)	-
Other income		2,783	14,955
Net cash used in investing activities		(481,880)	(293,997)
<b>Cash flows from financing activities</b>			
Long term borrowings		256,327	79,287
Repayment of borrowings		(165,033)	(315,654)
Finance income		12,056	15,387
Finance expense		(17,543)	(18,940)
Net cash from / (used in) financing activities		85,807	(239,920)
<b>Net increase in cash and cash equivalents</b>		604,925	69,565
Cash and cash equivalents at 1 January		2,688,644	2,376,371
<b>Cash and cash equivalents at 31 March</b>	9	3,293,569	2,445,936

The notes set out on pages 6 -21 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 changes in equity

for the three month period ended 31 March 2013

	Share capital (Note 14)	Share premium (Note 15)	Share based payment reserve (Note 16)	Statutory reserve (Note 17)	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	-	-	-	-	-	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	4,571,429	393,504	77,367	300,939	-	528,554	5,871,793
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	-	-	-	-	-	467,906	467,906
Transfer to share based payment reserve	-	-	3,057	-	-	-	3,057
Transfer to statutory reserve	-	-	-	46,791	-	(46,791)	-
Transfer to cash dividend payable*	-	-	-	-	(1,371,429)	-	(1,371,429)
At 31 March 2013	4,571,429	393,504	89,837	512,372	-	1,060,011	6,627,153

\*A cash dividend of AED 0.30 per share (2011: AED 0.15) amounting to AED 1,371,429 thousand (2011: AED 685,714 thousand) was approved by the shareholders in the annual general meeting held on 25 March 2013. Refer note 12.

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

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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## Notes to the condensed consolidated interim financial statements

### 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 three month period ended 31 March 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. At 31 March 2013 there had been no commercial activities within the Subsidiary.

## 1 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 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

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## 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.

### **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.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 4 Property, plant and equipment

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Capital work in progress</b>	<b>Total</b>
	<b>AED 000</b>	<b>AED 000</b>	<b>AED 000</b>	<b>AED 000</b>	<b>AED 000</b>	<b>AED 000</b>
<b>Cost</b>						
At 1 January 2013	47,208	9,770,529	237,354	1,482	951,830	11,008,403
Additions	-	174,869	4,332	-	130,755	309,956
Transfers	-	88,340	427	-	(88,767)	-
Disposal/write off	-	(43,686)	-	-	-	(43,686)
<b>At 31 March 2013</b>	<b>47,208</b>	<b>9,990,052</b>	<b>242,113</b>	<b>1,482</b>	<b>993,818</b>	<b>11,274,673</b>
<b>Depreciation / impairment / provision for obsolescence*</b>						
At 1 January 2013	15,273	3,188,332	176,243	1,481	36,306	3,417,635
Charge for the period	551	248,142	9,425	1	-	258,119
Write off	-	(43,765)	-	-	(21,254)	(65,019)
Impairment / provision for obsolescence	-	-	-	-	4,481	4,481
<b>At 31 March 2013</b>	<b>15,824</b>	<b>3,392,709</b>	<b>185,668</b>	<b>1,482</b>	<b>19,533</b>	<b>3,615,216</b>
<b>Net book value</b>						
At 1 January 2013	31,935	6,582,197	61,111	1	915,524	7,590,768
<b>Net book value</b>						
<b>At 31 March 2013</b>	<b>31,384</b>	<b>6,597,343</b>	<b>56,445</b>	<b>-</b>	<b>974,285</b>	<b>7,659,457</b>

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 Intangible assets and deferred fees

#### 5.1 IT software

	Software in use AED 000	Capital work in progress AED 000	Total AED 000
<b>Cost</b>			
At 1 January 2013	947,136	122,684	1,069,820
Additions	24,963	3,136	28,099
Transfers	22,923	(22,923)	-
Write off	(26,076)	-	(26,076)
<b>At 31 March 2013</b>	<b>968,946</b>	<b>102,897</b>	<b>1,071,843</b>
<b>Amortisation</b>			
At 1 January 2013	739,086	-	739,086
Charge for the period	28,382	-	28,382
Write off	(26,368)	-	(26,368)
<b>At 31 March 2013</b>	<b>741,100</b>	<b>-</b>	<b>741,100</b>
Net book value At 1 January 2013	208,050	122,684	330,734
<b>Net book value At 31 March 2013</b>	<b>227,846</b>	<b>102,897</b>	<b>330,743</b>

#### 5.2 Telecommunications licence fee

	Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
Opening balance	81,778	88,003
Amortisation for the period / year	(1,534)	(6,225)
Closing balance	80,244	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.

#### 5.3 Indefeasible right of use

	Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
Opening balance	199,658	164,282
Additions / transfers during the period / year	7,484	58,190
Amortisation for the period / year	(6,190)	(22,814)
Closing balance	200,952	199,658

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

	<b>Reviewed 31 March 2013 AED 000</b>	<b>Audited 31 December 2012 AED 000</b>
Goodwill	549,050	549,050

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

Goodwill is allocated to two CGUs, being the broadcasting operations 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%.

#### 5.5 Deferred fees

	<b>Reviewed 31 March 2013 AED 000</b>	<b>Audited 31 December 2012 AED 000</b>
Deferred annual licence fee, numbering fees and spectrum fees	80,060	2,749

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

### 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

	<b>Reviewed 31 March 2013 AED 000</b>	<b>Audited 31 December 2012 AED 000</b>
<b>Due from related parties</b>		
Axiom Telecom LLC	136,080	108,825
Eros Electronics	18,531	16,432
Due from shareholders*	46,077	45,764
	<u>200,688</u>	<u>171,021</u>
<b>Due to related parties</b>		
Tecom Investments FZ LLC	27,518	28,058
Emaar Properties PJSC	5,985	20,486
	<u>33,503</u>	<u>48,544</u>

\*Due from shareholders represent receivable from founding shareholders.

# 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*)

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.

	<b>Reviewed three month period ended 31 March 2013 AED 000</b>	<b>Reviewed three month period ended 31 March 2012 AED 000</b>
Tecom Investments FZ LLC:		
Office rent and services	19,703	51,892
Infrastructure cost	14,418	35,055
Axiom Telecom LLC– Authorised distributor – Net Sales	610,481	453,572
Eros Electronics – Authorised distributor –Net Sales	131,717	76,131
Injazat Data Systems LLC –Data centre rent and services	2,477	1,891
Emaar Properties PJSC	16,807	-
	<u>          </u>	<u>          </u>

#### 6.2 Compensation to key management personnel

	<b>Reviewed three month period ended 31 March 2013 AED 000</b>	<b>Reviewed three month period ended 31 March 2012 AED 000</b>
Short term employee benefits	6,448	7,080
End of service benefits	228	260
Post-employment benefits	134	212
Share based benefits	1,002	1,975
Directors' remuneration	2,268	2,010
	<u>          </u>	<u>          </u>
	<u>10,080</u>	<u>11,537</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*)

### 7 Accounts receivable

	<b>Reviewed 31 March 2013 AED 000 Reviewed</b>	<b>Audited 31 December 2012 AED 000 Audited</b>
Receivables for services and products	730,386	717,271
Less: Provision for doubtful debts (Refer note 7.1)	(360,346)	(352,913)
Net receivable for services and products	370,040	364,358
Due from other telecommunications operators	379,767	436,867
Less: Provision for doubtful debts (Refer note 7.1)	(2,164)	(2,092)
Net due from other telecommunications operators	377,603	434,775
Unbilled revenue	300,780	310,739
Accounts receivable	1,048,423	1,109,872

### 7.1 Movement in provision for doubtful debts

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

	<b>Reviewed 31 March 2013 AED 000</b>	<b>Audited 31 December 2012 AED 000</b>
Provision for receivables for services and products		
Opening balance	352,913	305,741
Impairment loss recognised	16,802	52,561
Write off during the period / year	(9,369)	(5,389)
Closing balance	360,346	352,913
Provision for dues from other telecommunications operators		
Opening balance	2,092	2,459
Impairment loss recognised / (reversal)	72	(367)
Closing balance	2,164	2,092
Total provision for doubtful debts	362,510	355,005

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 8 Other receivables

	Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
Advances to suppliers	277,290	310,014
Interest receivable	6,959	8,429
Staff loans	2,041	2,504
Deposits and others	16,331	13,199
	<u>302,621</u>	<u>334,146</u>

### 9 Cash and cash equivalents and short term investments

	Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
Cash at bank (on deposit and call accounts)	3,293,160	2,688,232
Cash in hand	409	412
Short term investments *	655,000	630,000
	<u>3,948,569</u>	<u>3,318,644</u>

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

### 10 Long term borrowings

	Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
Long term bank borrowings (i),(ii) and (iii)	1,290,262	1,092,021
Buyer credit arrangements (iv)	973,763	1,080,710
	<u>2,264,025</u>	<u>2,172,731</u>
Less: Current portion of long term bank borrowings	-	-
Current portion of buyer credit arrangement	(342,273)	(328,613)
	<u>1,921,752</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 367.4 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 new 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 114.7 million (USD 31.2 million) was utilised during the period.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 10 Long term borrowings (*continued*)

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

- (a) AED 505.2 million (USD 137.0 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 installments commencing January 2011. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 101.0 million (USD 27.5 million) has been repaid during the period.
- (b) AED 417.6 million (USD 113.7 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 installments commencing September 2012. The facility carries an average interest rate of LIBOR + 1.2% per annum. AED 48.8 million (USD 13.3 million) has been repaid during the period.
- (c) AED 51.0 million (USD 13.9 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 installments commencing September 2012. The facility carries no interest. AED 15.2 million (USD 4.1 million) has been repaid during the period.

(v) The Company secured an additional bank facility during the year 2012 which was not utilised as at 31 March 2013.

- (a) AED 1,836.7 million (USD 500 million). 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.

### 11 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 31 March 2013 AED 000	Audited 31 December 2012 AED 000
<b>Asset retirement obligations</b>		
Opening balance	95,638	-
Additions during the period / year	-	95,638
Unwinding of discount	1,818	-
Closing balance	97,456	95,638

### 12 Accounts payable and accruals

	Reviewed 31 March 2013 AED 000	Audited 31 December 2012 AED 000
Trade payables and accruals	1,712,183	1,691,955
Due to other telecommunications operators	759,794	801,539
Payroll accruals	65,433	156,472
Customer deposits	106,495	99,154
Retention payable	22,175	22,507
Deferred revenue	375,252	339,002
Accrued royalty	1,127,991	843,961
Cash dividend payable	1,371,429	-
Other	4,450	375
	5,545,202	3,954,965



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 13 Employee benefits

	<b>Reviewed 31 March 2013 AED 000</b>	Audited 31 December 2012 AED 000
<b>End of service benefits</b>		
Opening balance	122,682	103,326
Charge for the year	8,392	35,059
Payments made during the period / year	(2,943)	(15,703)
Closing balance	<u>128,131</u>	<u>122,682</u>

### 14 Share capital

	<b>Reviewed 31 March 2013</b>	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>

### 15 Share premium

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

### 16 Share based payment reserve

	<b>Reviewed 31 March 2013 AED 000</b>	Audited 31 December 2012 AED 000
Share based payment reserve	<u>89,837</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*)

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

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 31 March 2013 are shown in the table below:

Share scheme	Options granted (000)	Options forfeited (000) <sup>(1)</sup>	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	15,481	9,658	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 <sup>(2)</sup>	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%	95-100%
Annual grant scheme 2011 <sup>(1)</sup>	0.60	2.85	28%	1.00%	95-100%

(1) 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*)

### 16 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) <sup>(1)</sup>	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 <sup>(2)</sup>	1,482	-	-	1,482	16 Jan 2012	16 Jan 2015	15 Jan 2018

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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*)

### 17 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.

	<b>Reviewed 31 March 2013 AED 000</b>	<b>Audited 31 December 2012 AED 000</b>
Opening balance	465,581	267,627
Transfer to statutory reserve during the period / year	46,791	197,954
Closing balance	<u>512,372</u>	<u>465,581</u>

### 18 General and administrative expenses

	<b>Reviewed three month period ended 31 March 2013 AED 000</b>	<b>Reviewed three month period ended 31 March 2012 AED 000</b>
Payroll and employee related expenses	220,222	241,159
Outsourcing and contracting	94,149	108,814
Consulting	2,485	7,908
Telecommunications licence and related fees	71,041	63,155
Sales and marketing expenses	64,213	82,964
Depreciation and amortisation expenses	294,225	266,571
Network operation and maintenance	181,652	187,406
Rent and utilities	27,504	33,831
Provision for doubtful debts	16,858	22,362
Impairment of property, plant and equipment and inventory	4,598	3,280
Miscellaneous expenses	20,098	21,336
	<u>997,045</u>	<u>1,038,786</u>

### 19 Finance income and expense

	<b>Reviewed three month period ended 31 March 2013 AED 000</b>	<b>Reviewed three month period ended 31 March 2012 AED 000</b>
<b>Finance income</b>		
Interest income	<u>12,056</u>	<u>15,387</u>
<b>Finance expense</b>		
Interest expense	17,625	18,961
Exchange gain	(82)	(21)
	<u>17,543</u>	<u>18,940</u>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 20 Other income and expenses

Other income in the current period includes AED 1.2 million (2011: Nil) relating to sublease of capacity and facilities to certain operators as well as income from site sharing with other operators.

### 21 Royalty

The Company received confirmation via a letter dated 10 December 2012 from the UAE Ministry of Finance for the Royalty payable for the year ended 31 December 2012 at a rate of 5% of the total licensed revenue plus 17.5% of the net profit for the year before distribution after deducting 5% of the total licensed revenue.

Applicable rates for the year 2013 has been confirmed to be 7.5% of the total licensed revenue plus 20.0% of the net profit for the year before distribution after deducting 7.5% of the total licensed revenue.

Since the classification of licensed revenue is still under discussion with the authorities, 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.

	<b>Reviewed three month period ended 31 March 2013</b>	Reviewed three month period ended 31 March 2012
Total revenue for the period	2,626,412	-
Broadcasting revenue for the year (refer note 25)	(45,186)	-
Other allowable deductions	(353,855)	-
Total adjusted revenue	2,227,371	-
Profit before royalty	751,936	666,256
Provision for royalty: 7.5% of the total adjusted revenue plus 20% of the net profit for the year before distribution after deducting 7.5% of the total licensed revenue. (Royalty for the three months period ending 31 March 2012 was provided at 50% of the profit before royalty )	284,030	333,128

#### 21.1 Movement in accrual for royalty

	<b>Reviewed 31 March 2013 AED 000</b>	Audited 31 December 2012 AED 000
Opening balance	843,961	714,556
Transfer to accounts payable	-	(714,556)
Provision for the period / year	284,030	843,961
Closing balance	1,127,991	843,961

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 22 Earnings per share

	<b>Reviewed three month period ended 31 March 2013</b>	Reviewed three month period ended 31 March 2012
Profit for the period (AED 000)	467,906	333,128
Weighted average number of shares	4,571,429	4,571,429
Earnings per share (AED)	0.10	0.07

### 23 Changes in working capital

	<b>Reviewed three month period ended 31 March 2013 AED 000</b>	Reviewed three month period ended 31 March 2012 AED 000
Change in inventories	(74,517)	(40,604)
Change in accounts receivable	61,449	(76,507)
Change in prepayments	13,613	4,112
Change in other receivables	31,525	25,683
Change in accounts payable and accruals	313,008	142,149
Change in amounts due from related parties	(29,667)	12,235
Change in amounts due to related parties	(15,041)	12,161
Change in deferred fees	(77,311)	(79,851)
Payment of employee benefits	(2,943)	(1,201)
Net changes in working capital	220,116	(1,823)

### 24 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,005,118 thousand and AED 24,961 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*)

### 25 Segment analysis

#### 31 March 2013

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	2,060,104	393,143	127,979	45,186	2,626,412
Segment contribution	1,405,413	302,411	23,618	20,243	1,751,685
Unallocated costs					(997,045)
Finance income and expense & other income					(2,704)
Profit before royalty					751,936
Royalty					(284,030)
Profit for the Period					467,906

#### 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

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.