

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

**Condensed consolidated
interim financial statements**

for the nine month period
ended 30 September 2012

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Condensed consolidated interim financial statements

for the nine month period ended 30 September 2012

Contents	Page
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated statement of financial position	2
Condensed consolidated statement of comprehensive income	3
Condensed consolidated statement of cash flows	4
Condensed consolidated statement of changes in equity	5
Notes to the condensed consolidated interim financial statements	6 -20



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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 30 September 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period then ended, and notes to the interim financial information ("the condensed consolidated 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 condensed consolidated interim financial information as at 30 September 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendra Nath Malhotra
Registration No. 48B

21 OCT 2012

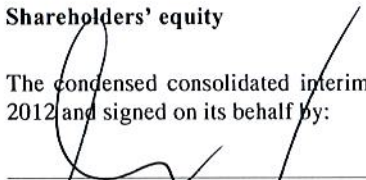
Emirates Integrated Telecommunications Company PJSC and its Subsidiary


Condensed consolidated statement of financial position

As at 30 September 2012

		Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	4	7,201,107	6,903,496
IT software	5.1	327,697	371,667
Telecommunications licence fee	5.2	83,342	88,003
Indefeasible right of use	5.3	176,701	164,282
Goodwill	5.4	549,050	549,050
Total non-current assets		8,337,897	8,076,498
Current assets			
Deferred fees	5.5	37,222	604
Inventories		36,235	52,262
Accounts receivable	7	951,481	881,600
Other receivables	8	377,617	303,701
Due from related parties	6.1	186,217	152,585
Prepayments		218,679	211,551
Cash and cash equivalents	9	2,082,923	2,376,371
Short term investments	9	400,000	-
Total current assets		4,290,374	3,978,674
Current liabilities			
Accounts payable and accruals	11	4,092,046	3,426,184
Due to related parties	6.1	43,353	34,598
Current portion of long term borrowings	10	315,323	192,952
Total current liabilities		4,450,722	3,653,734
Net current (liabilities) / assets		(160,348)	324,940
Non-current liabilities			
Employee benefits	12	123,222	103,326
Long term borrowings	10	1,522,598	2,079,176
Total non-current liabilities		1,645,820	2,182,502
Net assets		6,531,729	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	84,891	71,924
Statutory reserve	16	366,181	267,627
Proposed dividend		-	685,714
Retained earnings		1,115,724	228,738
Shareholders' equity		6,531,729	6,218,936

The condensed consolidated interim financial statements were approved by the Board of Directors on 21 October 2012 and signed on its behalf by:


Ahmad bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes set out on pages 6 - 20 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 nine month period ended 30 September 2012

		Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000	Reviewed three month period ended 30 September 2012 AED 000	Reviewed three month period ended 30 September 2011 AED 000
	<i>Note</i>				
Revenue	24	7,419,251	6,443,204	2,520,596	2,233,493
Cost of sales		(2,342,406)	(2,204,018)	(811,591)	(763,183)
Gross profit		<u>5,076,845</u>	<u>4,239,186</u>	<u>1,709,005</u>	<u>1,470,310</u>
General and administrative expenses	17	(3,111,352)	(2,899,762)	(1,050,356)	(969,571)
Finance income	18	37,112	48,586	10,340	4,343
Finance expense	18	(53,064)	(96,540)	(16,179)	(20,315)
Other income	19	21,539	23,318	988	3,913
Profit before Royalty		<u>1,971,080</u>	<u>1,314,788</u>	<u>653,798</u>	<u>488,680</u>
Royalty	20	(985,540)	(657,394)	(326,899)	(244,340)
Profit for the period		<u>985,540</u>	<u>657,394</u>	<u>326,899</u>	<u>244,340</u>
Profit and comprehensive income attributable to shareholders of the Company		<u>985,540</u>	<u>657,394</u>	<u>326,899</u>	<u>244,340</u>
Earnings per share (AED)	21	<u>0.21</u>	<u>0.14</u>	<u>0.07</u>	<u>0.05</u>

The notes set out on pages 6 - 20 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 nine month period ended 30 September 2012

		Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000
	<i>Note</i>		
Cash flows from operating activities			
Profit for the period		985,540	657,394
Adjustment for:			
Depreciation of property, plant and equipment		719,850	577,873
Amortisation of IT software		114,654	123,287
Amortisation of intangible assets		20,676	11,067
Provision for end of service benefits		25,806	26,958
Impairment of property, plant and equipment		(1,244)	16,554
Finance income and expense		15,952	47,954
Equity-settled share based payment transactions		12,967	19,933
Other income		(21,539)	(23,318)
Net changes in working capital	22	270,379	483,785
Net cash generated from operating activities		2,143,041	1,941,487
Cash flows used in investing activities			
Purchase of property, plant and equipment		(828,773)	(1,046,764)
Purchase of IT software		(64,948)	(109,744)
Addition to indefeasible right of use		(28,434)	-
Short term investments	9	(400,000)	-
Finance income		37,112	48,586
Finance expense		(53,064)	(96,540)
Other income		21,539	23,318
Net cash used in investing activities		(1,316,568)	(1,181,144)
Cash flows from financing activities			
Long term borrowings		236,248	1,269,175
Repayment of borrowings		(670,455)	(3,177,812)
Dividends paid		(685,714)	-
Net cash used in financing activities		(1,119,921)	(1,908,637)
Net decrease in cash and cash equivalents		(293,448)	(1,148,294)
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	2,082,923	1,637,184

The notes set out on pages 6 - 20 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 nine month period ended 30 September 2012

	Share capital (Note 13)	Share premium (Note 14)	Share based payment reserve (Note 15)	Statutory reserve (Note 16)	Proposed dividend	Retained earnings	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	-	-	-	-	-	657,394	657,394
Transfer to share based payment reserve	-	-	19,933	-	-	-	19,933
Transfer to statutory reserve	-	-	-	65,739	-	(65,739)	-
At 30 September 2011	<u>4,571,429</u>	<u>393,504</u>	<u>66,278</u>	<u>223,607</u>	<u>-</u>	<u>518,276</u>	<u>5,773,094</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	-	-	-	-	-	985,540	985,540
Transfer to share based payment reserve	-	-	12,967	-	-	-	12,967
Transfer to statutory reserve	-	-	-	98,554	-	(98,554)	-
Cash dividend paid*	-	-	-	-	(685,714)	-	(685,714)
At 30 September 2012	<u>4,571,429</u>	<u>393,504</u>	<u>84,891</u>	<u>366,181</u>	<u>-</u>	<u>1,115,724</u>	<u>6,531,729</u>

*A cash dividend of AED 0.15 per share (2011: Nil) amounting to AED 685,714 thousand (2011: Nil) was approved by the shareholders in the annual general meeting held on 28 March 2012.

The notes set out on pages 6 - 20 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

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 as at 30 September 2012 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 30 September 2012 there had been no commercial activities within the Subsidiary.

2 Basis of preparation

i Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the requirements of 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 2011. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

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 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.

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	-	412,616	14,036	136	594,216	1,021,004
Transfers	-	590,278	725	-	(591,003)	-
Disposal	-	-	(13,860)	(881)	-	(14,741)
At 30 September 2012	47,208	9,082,268	234,567	1,482	980,468	10,345,993
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	1,672	690,375	27,674	129	2,259	722,109
Disposal	-	-	(12,604)	(853)	-	(13,457)
At 30 September 2012	14,712	2,930,521	166,519	1,480	31,654	3,144,886
Net book value						
At 1 January 2012	34,168	5,839,228	82,217	23	947,860	6,903,496
Net book value						
At 30 September 2012	32,496	6,151,747	68,048	2	948,814	7,201,107

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 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	Capital work in progress	Total
	AED 000	AED 000	AED 000
Cost			
At 1 January 2012	858,565	92,990	951,555
Additions	59,787	10,897	70,684
Transfers	9,610	(9,610)	-
At 30 September 2012	927,962	94,277	1,022,239
Amortisation			
At 1 January 2012	579,888	-	579,888
Charge for the period	114,654	-	114,654
At 30 September 2012	694,542	-	694,542
Net book value			
At 1 January 2012	278,677	92,990	371,667
Net book value			
At 30 September 2012	233,420	94,277	327,697

5.2 Telecommunications licence fee

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	88,003	94,226
Amortisation for the period / year	(4,661)	(6,223)
Closing balance	83,342	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 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	164,282	91,510
Additions / transfers during the period / year	28,434	90,371
Amortisation for the period / year	(16,015)	(17,599)
Closing balance	176,701	164,282

The additions to indefeasible right of use during 2011 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.

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
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.

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 2011 include a discount rate of 6.52% and a terminal growth rate of 3%.

5.5 Deferred fees

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Deferred annual licence fee, numbering fees and spectrum fees	37,222	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 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Due from related parties		
Axiom Telecom LLC	174,963	141,396
Eros Electronics	11,254	11,189
	<u>186,217</u>	<u>152,585</u>
Due to related parties		
Tecom Investments FZ LLC	43,353	34,598

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 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Tecom Investments FZ LLC:		
Office rent and services	70,989	78,239
Infrastructure cost	35,146	34,021
Axiom Telecom LLC– Authorised distributor – Net Sales	1,518,630	1,746,992
Eros Electronics – Authorised distributor –Net Sales	298,606	275,011
Injazat Data Systems LLC –Data centre rent and services	7,300	11,166
	<u> </u>	<u> </u>

6.2 Compensation to key management personnel

	Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000
Short term employee benefits	22,403	22,327
End of service benefits	1,031	950
Post employment benefits	463	553
Share based benefits	1,025	5,763
Directors' remuneration	6,030	6,030
	<u> </u>	<u> </u>
	<u>30,952</u>	<u>35,623</u>

7 Accounts receivable

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Receivables for services and products	730,732	635,532
Less: Provision for doubtful debts (Refer note 7.1)	(373,537)	(305,741)
	<u> </u>	<u> </u>
Net receivable for services and products	357,195	329,791
	<u> </u>	<u> </u>
Due from other telecommunications operators	285,861	388,513
Less: Provision for doubtful debts (Refer note 7.1)	(316)	(2,459)
	<u> </u>	<u> </u>
Net due from other telecommunications operators	285,545	386,054
	<u> </u>	<u> </u>
Unbilled revenue	308,741	165,755
	<u> </u>	<u> </u>
Accounts receivable	<u>951,481</u>	<u>881,600</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 30 September 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	73,268	90,792
Write off during the period / year	(5,472)	(3,486)
Closing balance	373,537	305,741
Provision for dues from other telecommunications operators		
Opening balance	2,459	1,243
Impairment (reversal) / loss recognised	(2,143)	1,216
Closing balance	316	2,459
Total provision for doubtful debts	373,853	308,200

8 Other receivables

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Advances to suppliers	321,328	246,728
Interest receivable	5,381	8,407
Staff loans	3,249	4,781
Deposits and others	47,659	43,785
	377,617	303,701

9 Cash and cash equivalents and short term investments

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
At bank (on deposit and call accounts)	2,082,492	2,375,946
On hand	431	425
Short term investments *	400,000	-
	2,482,923	2,376,371

* Short term investments represent bank deposits with maturity periods exceeding 3 months

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

10 Long term borrowings

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Long term bank borrowings (i)	808,170	808,170
Buyer credit arrangements (ii) and (iii)	1,029,751	1,463,958
	<hr/>	<hr/>
	1,837,921	2,272,128
Less: Current portion of buyer credit arrangement	(315,323)	(192,952)
	<hr/>	<hr/>
	1,522,598	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) During the period, the Company settled in full AED 418.5 million (USD 113.9 million) relating to one buyer credit arrangement obtained from a supplier. The facility was to be repaid in full, three years from the date of the agreement (29 September 2009). The facility carried an interest rate of LIBOR + 2.6% per annum.

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

- (a) AED 606.2 million (USD 165.0 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 202.0 million (USD 55.0 million) has been repaid during the period.
- (b) AED 354.7 million (USD 96.6 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. AED 34.8 million (USD 9.5 million) has been repaid during the period.
- (c) AED 68.9 million (USD 18.8 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. AED 15.2 million (USD 4.1 million) has been repaid during the period.

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

11 Accounts payable and accruals

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Trade payables & accruals	1,831,942	1,579,674
Due to other telecommunications operators	662,249	465,002
Payroll accruals	115,297	166,003
Customer deposits	93,943	75,639
Retention payable	21,394	23,761
Deferred revenue	381,306	380,605
Accrued royalty	985,540	714,556
Other	375	20,944
	<u>4,092,046</u>	<u>3,426,184</u>

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

12 Employee benefits

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
End of service benefits		
Opening balance	103,326	77,714
Charge for the period / year	25,806	34,802
Payments during the period / year	(5,910)	(9,190)
	<u>123,222</u>	<u>103,326</u>

13 Share capital

	Reviewed 30 September 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>

14 Share premium

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Premium on issue of common share capital	<u>393,504</u>	<u>393,504</u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

15 Share based payment reserve

	Reviewed 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Share based payment reserve	84,891	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 30 September 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	2,011	4,831	20,745	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	1,930	-	25,624	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	1,295	-	26,191	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%	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.

31 December 2011

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

Share scheme	Options granted (000)	Options forfeited (000) *	Options exercised (000)	Options outstanding (000)	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

*forfeited due to executives leaving the Company

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

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

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

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 30 September 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	267,627	157,868
Transfer to statutory reserve during the period / year	98,554	109,759
Closing balance	<u>366,181</u>	<u>267,627</u>

17 General and administrative expenses

	Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000
Payroll and employee related expenses	714,719	672,714
Outsourcing and contracting	283,938	286,035
Consulting	27,853	29,669
Telecommunications licence and related fees	190,941	160,517
Sales and marketing expenses	236,914	235,913
Depreciation and amortisation expenses	855,180	712,227
Network operation and maintenance	563,830	538,470
Rent and utilities	100,218	107,487
Provision for receivables	71,159	79,921
Impairment of property, plant and equipment	2,259	16,554
Miscellaneous expenses	64,341	60,255
	<u>3,111,352</u>	<u>2,899,762</u>

18 Finance income and expense

	Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000
Finance income		
Interest income	<u>37,112</u>	<u>48,586</u>
Finance expense		
Finance expense	50,841	99,361
Exchange loss / (gain)	2,223	(2,821)
	<u>53,064</u>	<u>96,540</u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

Notes to the condensed consolidated interim financial statements (continued)

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 7.7 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 30 September 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 in the UAE, being the best available information to the management for the basis of determining this liability. The royalty charge for the nine month period ended 30 September 2011 was provided at 50% of net profit.

	Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000
Consolidated profit before royalty	1,971,080	1,314,788
Royalty at 50%	985,540	657,394
	<u> </u>	<u> </u>

20.1 Movement in accrual for royalty

	2012 AED 000	2011 AED 000
Opening balance	714,556	183,915
Transfer to Accounts Payable	(714,556)	(183,915)
Charge for the period / year	985,540	714,556
	<u> </u>	<u> </u>
Closing balance	985,540	714,556
	<u> </u>	<u> </u>

During the period the Company paid AED 459.5 million (2011: 183.9 million) towards royalty out of the 714.5 million provision for royalty relating to the financial year 2011. (Refer note 11)

21 Earnings per share

	Reviewed nine month period ended 30 September 2012	Reviewed nine month period ended 30 September 2011
Profit for the period (AED 000)	985,540	657,394
Weighted average number of shares	4,571,428,571	4,571,428,571
Earnings per share AED	0.21	0.14
	<u> </u>	<u> </u>

Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

22 Changes in working capital

	Reviewed nine month period ended 30 September 2012 AED 000	Reviewed nine month period ended 30 September 2011 AED 000
Change in inventories	16,027	(14,533)
Change in accounts receivable	(69,881)	271,180
Change in prepayments	(7,128)	25,548
Change in other receivables	(73,916)	71,308
Change in accounts payable and accruals	472,682	204,405
Change in amounts due from related parties	(33,632)	(25,133)
Change in amounts due to related parties	8,755	(15,493)
Change in deferred fees	(36,618)	(26,064)
Payment of employee benefits	(5,910)	(7,433)
Net changes in working capital	<u>270,379</u>	<u>483,785</u>

23 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,136,090 thousand and AED 33,723 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

30 September 2012

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total 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

30 September 2011

	Mobile AED 000	Fixed AED 000	Wholesale AED 000	Broadcasting AED 000	Total AED 000
Segment revenue	4,952,555	1,085,225	284,874	120,550	6,443,204
Segment contribution	3,264,499	817,877	112,137	44,673	4,239,186
Unallocated costs					(2,899,762)
Finance income and expense & other income					(24,636)
Profit before royalty					1,314,788
Royalty					(657,394)
Profit for the period					657,394

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.