

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

**Condensed consolidated  
interim financial statements**

for the six month period  
ended 30 June 2012

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated interim financial statements

for the six month period ended 30 June 2012

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P O Box 346038  
Level 17, SABA Tower 1  
Jumeirah Lakes Towers  
Sheikh Zayed Road  
Dubai  
United Arab Emirates

Telephone +971 (4) 424 8900  
Fax +971 (4) 437 0274  
Website [www.ae-kpmg.com](http://www.ae-kpmg.com)

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

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

### **Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Emirates Integrated Telecommunications Company PJSC and its Subsidiary ("the Group") as at 30 June 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six 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 and for the six month period ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendra Nath Malhotra  
Registration No. 48B

29 JUL 2012

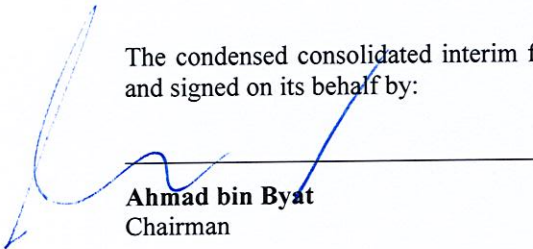
# Emirates Integrated Telecommunications Company PJSC and its Subsidiary


## Condensed consolidated statement of financial position

As at 30 June 2012

		Reviewed 30 June 2012 AED 000	Audited 31 December 2011 AED 000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	4	7,146,650	6,903,496
IT software	5.1	356,201	371,667
Telecommunications licence fee	5.2	84,908	88,003
Indefeasible right of use	5.3	169,879	164,282
Goodwill	5.4	549,050	549,050
<b>Total non-current assets</b>		<b>8,306,688</b>	<b>8,076,498</b>
<b>Current assets</b>			
Deferred fees	5.5	72,458	604
Inventories		59,075	52,262
Accounts receivable	7	985,906	881,600
Other receivables	8	324,270	303,701
Due from related parties	6.1	122,597	152,585
Prepayments		206,903	211,551
Cash and cash equivalents	9	2,020,550	2,376,371
<b>Total current assets</b>		<b>3,791,759</b>	<b>3,978,674</b>
<b>Current liabilities</b>			
Accounts payable and accruals	11	3,855,843	3,426,184
Due to related parties	6.1	42,005	34,598
Current portion of long term bank borrowings	10	290,565	192,952
<b>Total current liabilities</b>		<b>4,188,413</b>	<b>3,653,734</b>
<b>Net current (liabilities) / assets</b>		<b>(396,654)</b>	<b>324,940</b>
<b>Non-current liabilities</b>			
Employee benefits	12	116,617	103,326
Long term bank borrowings	10	1,591,506	2,079,176
<b>Total non-current liabilities</b>		<b>1,708,123</b>	<b>2,182,502</b>
<b>Net assets</b>		<b>6,201,911</b>	<b>6,218,936</b>
<b>Represented by:</b>			
Share capital	13	4,571,429	4,571,429
Share premium	14	393,504	393,504
Share based payment reserve	15	81,972	71,924
Statutory reserve	16	333,491	267,627
Proposed cash dividend		-	685,714
Accumulated profit		821,515	228,738
<b>Shareholders' equity</b>		<b>6,201,911</b>	<b>6,218,936</b>

The condensed consolidated interim financial statements were approved by the Board of Directors on 29 July 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 six month period ended 30 June 2012

		Reviewed six month period ended 30 June 2012 AED 000	Reviewed six month period ended 30 June 2011 AED 000	Reviewed three month period ended 30 June 2012 AED 000	Reviewed three month period ended 30 June 2011 AED 000
	Note				
Revenue	24	4,898,655	4,209,711	2,451,560	2,171,532
Cost of sales		(1,530,815)	(1,440,835)	(777,360)	(719,327)
<b>Gross profit</b>		<b>3,367,840</b>	<b>2,768,876</b>	<b>1,674,200</b>	<b>1,452,205</b>
General and administrative expenses	17	(2,060,996)	(1,930,191)	(1,022,208)	(1,029,244)
Finance income	18	26,772	44,243	11,385	18,222
Finance expense	18	(36,885)	(76,225)	(17,945)	(33,596)
Other income	19	20,551	19,405	5,596	6,853
<b>Profit before Royalty</b>		<b>1,317,282</b>	<b>826,108</b>	<b>651,028</b>	<b>414,440</b>
Royalty	20	(658,641)	(413,054)	(325,514)	(207,220)
<b>Profit for the period</b>		<b>658,641</b>	<b>413,054</b>	<b>325,514</b>	<b>207,220</b>
Profit and comprehensive income attributable to shareholders of the Company		658,641	413,054	325,514	207,220
Earnings per share (AED)	21	0.14	0.09	0.07	0.05

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 cash flows

For the six month period ended 30 June 2012

		Reviewed six month period ended 30 June 2012 AED 000	Reviewed six month period ended 30 June 2011 AED 000
	<i>Note</i>		
<b>Cash flows from operating activities</b>			
Net cash flows before changes in working capital	22	1,233,947	930,094
Change in inventories		(6,813)	(35,720)
Change in accounts receivable		(104,306)	265,802
Change in prepayments		4,648	3,363
Change in other receivables		(20,569)	126,065
Change in accounts payable and accruals		255,065	(32,197)
Change in amounts due from related parties		29,988	(86,605)
Change in amounts due to related parties		7,407	(20,075)
Change in deferred fees		(71,854)	(28,467)
Payment of employee benefits		(3,381)	(5,202)
Net cash generated from operating activities		1,324,132	1,117,058
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(555,114)	(775,899)
Purchase of IT software		(43,866)	(76,906)
Addition to indefeasible right of use		(15,640)	-
Finance income		26,772	44,243
Finance expense		(36,885)	(76,225)
Other income		20,551	19,405
Net cash used in investing activities		(604,182)	(865,382)
<b>Cash flows from financing activities</b>			
Long term borrowings		129,436	1,132,913
Repayment of borrowings		(519,493)	(3,129,347)
Dividends paid		(685,714)	-
Net cash used in financing activities		(1,075,771)	(1,996,434)
<b>Net decrease in cash and cash equivalents</b>		(355,821)	(1,744,758)
Cash and cash equivalents at beginning of the period		2,376,371	2,785,478
<b>Cash and cash equivalents at end of the period</b>	9	2,020,550	1,040,720

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 six month period ended 30 June 2012

	Share capital (Note 13)	Share premium (Note 14)	Share based payment reserve (Note 15)	Statutory reserve (Note 16)	Proposed cash dividend	Accumulated profit	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2011	4,571,429	393,504	46,345	157,868	-	(73,379)	5,095,767
Profit for the period	-	-	-	-	-	413,054	413,054
Transfer to share based payment reserve	-	-	14,742	-	-	-	14,742
Transfer to statutory reserve	-	-	-	41,305	-	(41,305)	-
<b>At 30 June 2011</b>	<u>4,571,429</u>	<u>393,504</u>	<u>61,087</u>	<u>199,173</u>	<u>-</u>	<u>298,370</u>	<u>5,523,563</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	-	-	-	-	-	658,641	658,641
Transfer to share based payment reserve	-	-	10,048	-	-	-	10,048
Transfer to statutory reserve	-	-	-	65,864	-	(65,864)	-
Cash dividend paid*	-	-	-	-	(685,714)	-	(685,714)
<b>At 30 June 2012</b>	<u>4,571,429</u>	<u>393,504</u>	<u>81,972</u>	<u>333,491</u>	<u>-</u>	<u>821,515</u>	<u>6,201,911</u>

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

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.



## Notes to the condensed consolidated interim financial statements

### 1 Legal status and principal activities

Emirates Integrated Telecommunications Company PJSC (“the Company”) is a public joint stock company with limited liability. The Company was incorporated according to Ministerial resolution No. 479 of 2005 issued on 28 December 2005. The Company was registered in the commercial register under No. 77967. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates. The condensed consolidated interim financial statements of the Company as at 30 June 2012 comprises the Company and its Subsidiary.

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

During the year 2010, the Company established a wholly owned subsidiary; EITC Investment Holdings Limited (“the Subsidiary”) incorporated as an offshore company in accordance with the offshore companies regulations of Jebel Ali Free Zone of 2003. The principal objective of the Subsidiary is to hold investments for new non-core business activities in which the Company wishes to invest in the future, such as content, media, data and value added services for telecommunications. At 30 June 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.



# 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 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
<b>Cost</b>						
At 1 January 2012	47,208	8,079,374	233,666	2,227	977,255	9,339,730
Additions	-	438,028	10,565	136	266,769	715,498
Transfers	-	361,774	718	-	(362,492)	-
Disposal	-	-	-	(881)	-	(881)
<b>At 30 June 2012</b>	<b>47,208</b>	<b>8,879,176</b>	<b>244,949</b>	<b>1,482</b>	<b>881,532</b>	<b>10,054,347</b>
<b>Depreciation / impairment / provision for obsolescence*</b>						
At 1 January 2012	13,040	2,240,146	151,449	2,204	29,395	2,436,234
Charge for the period	1,110	449,413	19,438	128	2,227	472,316
Disposal	-	-	-	(853)	-	(853)
<b>At 30 June 2012</b>	<b>14,150</b>	<b>2,689,559</b>	<b>170,887</b>	<b>1,479</b>	<b>31,622</b>	<b>2,907,697</b>
Net book value						
At 1 January 2012	34,168	5,839,228	82,217	23	947,860	6,903,496
<b>Net book value</b>						
<b>At 30 June 2012</b>	<b>33,058</b>	<b>6,189,617</b>	<b>74,062</b>	<b>3</b>	<b>849,910</b>	<b>7,146,650</b>

The carrying amount of the Company's buildings includes a nominal amount of AED 1 (2011: AED 1) in relation to land granted to the Company by the Government.

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

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 5 Intangible assets and deferred fees

#### 5.1 IT software

	Software in use	Capital work in progress	Total
	AED 000	AED 000	AED 000
<b>Cost</b>			
At 1 January 2012	858,565	92,990	951,555
Additions	32,905	21,279	54,184
Transfers	11,334	(11,334)	-
<b>At 30 June 2012</b>	<b>902,804</b>	<b>102,935</b>	<b>1,005,739</b>
<b>Amortisation</b>			
At 1 January 2012	579,888	-	579,888
Charge for the period	69,650	-	69,650
<b>At 30 June 2012</b>	<b>649,538</b>	<b>-</b>	<b>649,538</b>
Net book value			
At 1 January 2012	278,677	92,990	371,667
<b>Net book value</b>			
<b>At 30 June 2012</b>	<b>253,266</b>	<b>102,935</b>	<b>356,201</b>

#### 5.2 Telecommunications licence fee

	Reviewed 30 June 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	88,003	94,226
Amortisation for the period / year	(3,095)	(6,223)
Closing balance	84,908	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 June 2012 AED 000	Audited 31 December 2011 AED 000
Opening balance	164,282	91,510
Additions/transfers during the period / year	15,640	90,371
Amortisation for the period / year	(10,043)	(17,599)
Closing balance	169,879	164,282

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

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

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 5 Intangible assets and deferred fees (*continued*)

#### 5.4 Goodwill

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

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 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.

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

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

#### 5.5 Deferred fees

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Deferred annual licence fee, numbering fees and spectrum fees	72,458	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

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
<b>Due from related parties</b>		
Axiom Telecom LLC	106,856	141,396
Eros Electronics	15,741	11,189
	<u>122,597</u>	<u>152,585</u>
<b>Due to related parties</b>		
Tecom Investments FZ LLC	42,005	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*)

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Tecom Investments FZ LLC:		
Office rent and services	60,304	78,239
Infrastructure cost	35,146	34,021
Axiom Telecom LLC– Authorised distributor – Net Sales	1,015,975	1,746,992
Eros Electronics – Authorised distributor –Net Sales	195,088	275,011
Injazat Data Systems LLC –Data centre rent and services	4,616	11,166
	<u><u>          </u></u>	<u><u>          </u></u>

#### 6.2 Compensation to key management personnel

	<b>Reviewed six month period ended 30 June 2012 AED 000</b>	<b>Reviewed six month period ended 30 June 2011 AED 000</b>
Short term employee benefits	13,852	13,955
Termination benefits	520	687
Post employment benefits	424	341
Share based benefits	1,975	3,772
Directors' remuneration	4,020	4,020
	<u><u>20,791</u></u>	<u><u>22,775</u></u>

### 7 Accounts receivable

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Receivables for services and products	729,872	635,532
Less: Provision for doubtful debts (Refer note 7.1)	(353,814)	(305,741)
Net receivable for services and products	<u>376,058</u>	<u>329,791</u>
Due from other telecommunications operators	400,073	388,513
Less: Provision for doubtful debts (Refer note 7.1)	<u>(1,020)</u>	<u>(2,459)</u>
Net due from other telecommunications operators	<u>399,053</u>	<u>386,054</u>
Unbilled revenue	<u>210,795</u>	<u>165,755</u>
Accounts receivable	<u><u>985,906</u></u>	<u><u>881,600</u></u>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 7 Accounts receivable (*continued*)

#### 7.1 Movement in provision for doubtful debts

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

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Provision for receivables for services and products		
Opening balance	305,741	218,435
Impairment loss recognised	48,180	90,792
Write off during the period / year	(107)	(3,486)
Closing balance	<u>353,814</u>	<u>305,741</u>
Provision for dues from other telecommunications operators		
Opening balance	2,459	1,243
Impairment (reversal) / loss recognised	(1,439)	1,216
Closing balance	<u>1,020</u>	<u>2,459</u>
Total provision for doubtful debts	<u><u>354,834</u></u>	<u><u>308,200</u></u>

### 8 Other receivables

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Advances to suppliers	268,934	246,728
Interest receivable	4,051	8,407
Staff loans	4,603	4,781
Deposits and others	46,682	43,785
	<u>324,270</u>	<u>303,701</u>

### 9 Cash and cash equivalents

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
At bank (on deposit and call accounts)	2,020,118	2,375,946
On hand	432	425
Net cash and cash equivalents	<u><u>2,020,550</u></u>	<u><u>2,376,371</u></u>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 10 Long term bank borrowings

	Reviewed 30 June 2012 AED 000	Audited 31 December 2011 AED 000
Long term bank borrowings (i)	808,170	808,170
Buyer credit arrangements (ii) and (iii)	1,073,901	1,463,958
	<hr/>	<hr/>
	1,882,071	2,272,128
Less: Current portion of buyer credit arrangement	(290,565)	(192,952)
	<hr/>	<hr/>
	1,591,506	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 (2011: AED 418.5 million). 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 707.2 million (USD 192.5 million) in full and final draw down of an available AED 987.1 million (USD 268.7 million) (2011: AED 808.2 million). The facility is to be repaid in ten equal bi-annual installments commencing January 2011. The facility carries an average interest rate of 2.85% per annum. AED 101.0 million (USD 27.5 million) has been repaid during the period.
- (b) AED 290.9 million (USD 79.2 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.
- (c) AED 75.9 million (USD 20.7 million) in full and final drawdown of an available AED 75.9 million (USD 20.7 million) (2011: AED 75.9 million). The facility is to be repaid in five bi-annual installments commencing September 2012. The facility carries no interest.



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 11 Accounts payable and accruals

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Trade payables & accruals	1,995,929	1,579,674
Due to other telecommunications operators	622,450	465,002
Payroll accruals	85,281	166,003
Customer deposits	87,842	75,639
Retention payable	22,157	23,761
Deferred revenue	360,558	380,605
Accrued royalties	658,641	714,556
Other	22,985	20,944
	<u>3,855,843</u>	<u>3,426,184</u>

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

### 12 Employee benefits

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
<b>End of service benefits</b>		
Opening balance	103,326	77,714
Charge for the period / year	16,672	34,802
Payments during the period / year	(3,381)	(9,190)
	<u>116,617</u>	<u>103,326</u>

### 13 Share capital

	<b>Reviewed 30 June 2012</b>	<b>Audited 31 December 2011</b>
Authorised share capital (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

### 14 Share premium

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
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

	<b>Reviewed 30 June 2012 AED 000</b>	Audited 31 December 2011 AED 000
Share based payment reserve	81,972	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 June 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	2,011	-	25,576	01 Jul 2009	30 Jun 2012	30 Jun 2015
Annual grant scheme 2010	27,554	1,295	-	26,259	01 Jul 2010	30 Jun 2013	30 Jun 2016
Annual grant scheme 2011	27,486	660	-	26,826	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.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 15 Share based payment reserve (continued)

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

Share scheme	Fair value per option (AED)	Stock price at measurement date	Expected volatility	Risk-free interest rate	Employee retention rate
Launch grant scheme	1.55	2.51	50%	1.00%	100%
Annual grant scheme 2007	0.28	2.51	47%	1.75%	100%
Annual grant scheme 2008	0.28	2.51	42%	2.50%	100%
Annual grant scheme 2009	0.93	2.51	42%	2.50%	100%
Annual grant scheme 2010	0.63	1.91	42%	1.25%	95-100%
Annual grant scheme 2011	0.84	3.11	31%	1.00%	90-100%
Annual grant scheme 2011(1)	0.60	2.85	28%	1.00%	90-95%

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

### 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.

	<b>Reviewed 30 June 2012 AED 000</b>	<b>Audited 31 December 2011 AED 000</b>
Opening balance	267,627	157,868
Transfer to statutory reserve during the period / year	65,864	109,759
Closing balance	<u>333,491</u>	<u>267,627</u>

### 17 General and administrative expenses

	<b>Reviewed six month period ended 30 June 2012 AED 000</b>	<b>Reviewed six month period ended 30 June 2011 AED 000</b>
Payroll and employee related expenses	474,817	438,913
Outsourcing and contracting	190,614	198,051
Consulting	19,696	22,168
Telecommunications licence and related fees	126,957	107,363
Sales and marketing expenses	157,023	150,980
Depreciation and amortisation expenses	552,877	463,435
Network operation and maintenance	373,264	373,142
Rent and utilities	66,479	71,781
Provision for receivables	46,547	54,877
Impairment of property, plant and equipment	6,147	7,382
Miscellaneous expenses	46,575	42,099
	<u>2,060,996</u>	<u>1,930,191</u>

### 18 Finance income and expense

	<b>Reviewed six month period ended 30 June 2012 AED 000</b>	<b>Reviewed six month period ended 30 June 2011 AED 000</b>
<b>Finance income</b>		
Interest income	<u>26,772</u>	<u>44,243</u>
<b>Finance expense</b>		
Finance expense	35,612	80,772
Exchange loss / (gain)	<u>1,273</u>	<u>(4,547)</u>
	<u>36,885</u>	<u>76,225</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 6.4 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 June 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, being the best available information to the management of this liability. The royalty charge for the six month period ended 30 June 2011 was provided at 50% of net profit.

	<b>Reviewed six month period ended 30 June 2012 AED 000</b>	<b>Reviewed six month period ended 30 June 2011 AED 000</b>
Consolidated profit before royalty	1,317,282	826,108
Royalty at 50%	658,641	413,054
	<u>          </u>	<u>          </u>

#### 20.1 Movement in accrual for royalty

	<b>2012 AED 000</b>	<b>2011 AED 000</b>
Opening balance	714,556	183,915
Transfer to Accounts Payable	(714,556)	(183,915)
Charge for the period / year	658,641	714,556
	<u>          </u>	<u>          </u>
Closing balance	658,641	714,556
	<u>          </u>	<u>          </u>

During the period the Company paid AED 259.5 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

	<b>Reviewed six month period ended 30 June 2012</b>	<b>Reviewed six month period ended 30 June 2011</b>
Profit for the period (AED 000)	658,641	413,054
Weighted average number of shares (number in 000)	4,571,429	4,571,429
Earnings per share AED	0.14	0.09
	<u>          </u>	<u>          </u>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 22 Cash flows from operating activities

	<b>Reviewed six month period ended 30 June 2012 AED 000</b>	<b>Reviewed six month period ended 30 June 2011 AED 000</b>
Profit for the period	658,641	413,054
Adjustment for:		
Depreciation of property, plant and equipment	470,089	378,959
Amortisation of IT software	69,650	77,140
Amortisation of intangible assets	13,138	7,336
Provision for end of service benefits	16,672	18,904
Impairment of property, plant and equipment	6,147	7,382
Finance income and expense	10,113	31,982
Equity-settled share based payment transactions	10,048	14,742
Other income	(20,551)	(19,405)
Net cash flows before changes in working capital	<u>1,233,947</u>	<u>930,094</u>

### 23 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,010,064 thousand and AED 33,646 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 June 2012

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	3,816,545	818,689	178,194	85,227	4,898,655
Segment contribution	2,659,805	621,004	55,545	31,486	3,367,840
Unallocated costs					(2,060,996)
Finance income and expense & other income					10,438
Profit before royalty					1,317,282
Royalty					(658,641)
Profit for the period					658,641

#### 30 June 2011

	Mobile	Fixed	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	3,239,851	705,008	186,181	78,671	4,209,711
Segment contribution	2,125,334	532,814	82,662	28,066	2,768,876
Unallocated costs					(1,930,191)
Finance income and expense & other income					(12,577)
Profit before royalty					826,108
Royalty					(413,054)
Profit for the period					413,054

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.