

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

**Condensed consolidated  
interim financial statements**

for the six month period  
ended 30 June 2011

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

## **Condensed consolidated interim financial statements**

for the six month period ended 30 June 2011

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

The Shareholders  
Emirates Integrated Telecommunications Company PJSC

### **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 2011, and the related condensed consolidated statements of comprehensive income, changes in equity and the cash flows for the six month period then ended ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six month period ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Sharad Bhandari  
Registration No. 267

KPMG

02 AUG 2011

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated statement of financial position as at 30 June 2011

		Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	4	6,927,048	6,689,267
IT software	5.1	429,333	423,846
Telecommunications licence fee	5.2	91,142	94,226
Indefeasible right of use	5.3	87,258	91,510
Goodwill		549,050	549,050
<b>Total non-current assets</b>		<b>8,083,831</b>	<b>7,847,899</b>
<b>Current assets</b>			
Deferred fees	5.4	32,854	4,387
Inventories		83,020	47,300
Accounts receivable	7	856,599	1,122,401
Other receivables	8	292,304	418,369
Due from related parties	6.1	180,941	94,336
Prepayments		196,145	199,508
Cash and cash equivalents	9	1,040,720	2,785,478
<b>Total current assets</b>		<b>2,682,583</b>	<b>4,671,779</b>
<b>Current liabilities</b>			
Accounts payable and accruals	11	3,031,520	3,209,773
Due to a related party	6.1	58,034	78,109
Current portion of long term bank borrowings	10	202,045	3,153,580
<b>Total current liabilities</b>		<b>3,291,599</b>	<b>6,441,462</b>
<b>Net current liabilities</b>		<b>609,016</b>	<b>1,769,683</b>
<b>Non-current liabilities</b>			
Employee benefits	12	91,416	77,714
Long term bank borrowings	10	1,859,836	904,735
<b>Total non-current liabilities</b>		<b>1,951,252</b>	<b>982,449</b>
<b>Net assets</b>		<b>5,523,563</b>	<b>5,095,767</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	61,087	46,345
Statutory reserve	16	199,173	157,868
Accumulated profit / (losses)		298,370	(73,379)
<b>Shareholders' equity</b>		<b>5,523,563</b>	<b>5,095,767</b>

The condensed consolidated interim financial statements were approved on 02 August 2011 by:

Ahmad bin Byat  
Chairman

Osman Sultan  
Chief Executive Officer

The notes set out on pages 6-17 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 2011

		Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000	Reviewed three month period ended 30 June 2011 AED 000	Reviewed three month period ended 30 June 2010 AED 000
	Note				
Revenue	24	4,209,711	3,283,407	2,171,532	1,703,025
Cost of sales		(1,440,835)	(1,114,552)	(719,327)	(576,173)
<b>Gross profit</b>		<b>2,768,876</b>	<b>2,168,855</b>	<b>1,452,205</b>	<b>1,126,852</b>
General and administrative expenses	17	(1,930,191)	(1,677,342)	(1,029,244)	(838,409)
Finance income	18	44,243	2,509	18,222	1,430
Finance expense	18	(76,225)	(25,058)	(33,596)	(14,622)
Other income / (expense)	19	19,405	(22)	6,853	(421)
<b>Profit before Royalty</b>		<b>826,108</b>	<b>468,942</b>	<b>414,440</b>	<b>274,830</b>
Royalty	20	(413,054)	(234,471)	(207,220)	(137,415)
<b>Profit for the period</b>		<b>413,054</b>	<b>234,471</b>	<b>207,220</b>	<b>137,415</b>
Profit and comprehensive income attributable to shareholders of the Company		413,054	234,471	207,220	137,415
Earnings per share (AED)	21	0.09	0.06	0.05	0.03

The notes set out on pages 6-17 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 2011

		Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000
	<i>Note</i>		
<b>Cash flows from operating activities</b>			
Net cash flows before changes in working capital	22	930,094	625,889
Change in inventories		(35,720)	(3,050)
Change in accounts receivable		265,802	(41,070)
Change in prepayments		3,363	(23,008)
Change in other receivables		126,065	27,039
Change in accounts payable and accruals		(32,197)	375,562
Change in amounts due from related parties		(86,605)	33,463
Change in amounts due to a related party		(20,075)	(890)
Change in deferred fees		(28,467)	(50,530)
Payment of employee benefits		(5,202)	(2,517)
Net cash generated from operating activities		1,117,058	940,888
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(775,899)	(765,397)
Purchase of IT software		(76,906)	(50,788)
Proceeds from disposal of property plant and equipment		-	1,193
Finance income		44,243	2,509
Finance expense		(76,225)	(25,058)
Other income		19,405	76
Net cash used in investing activities		(865,382)	(837,465)
<b>Cash flows from financing activities</b>			
Notes payable		-	(37,984)
Issue of share capital		-	571,429
Share premium		-	391,562
Long term borrowings		1,132,913	563,413
Repayment of borrowings		(3,129,347)	-
Net cash (used in) / generated from financing activities		(1,996,434)	1,488,420
<b>Net (decrease) / increase in cash and cash equivalents</b>		(1,744,758)	1,591,843
Cash and cash equivalents at beginning of the period		2,785,478	869,264
<b>Cash and cash equivalents at end of the period</b>	9	1,040,720	2,461,107

The notes set out on pages 6-17 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 2011

	Share capital (Note 13)	Share premium (Note 14)	Share based payment reserve (Note 15)	Statutory reserve (Note 16)	Accumulated (losses) / profit	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2010	4,000,000	-	17,482	26,825	(1,252,767)	2,791,540
Issue of common share capital	571,429	-	-	-	-	571,429
Share premium	-	391,562	-	-	-	391,562
Profit for the period	-	-	-	-	234,471	234,471
Transfer to share based payment reserve	-	-	21,565	-	-	21,565
Transfer to statutory reserve	-	-	-	23,447	(23,447)	-
<b>At 30 June 2010</b>	<b>4,571,429</b>	<b>391,562</b>	<b>39,047</b>	<b>50,272</b>	<b>(1,041,743)</b>	<b>4,010,567</b>
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>	<b>4,571,429</b>	<b>393,504</b>	<b>61,087</b>	<b>199,173</b>	<b>298,370</b>	<b>5,523,563</b>

The notes set out on pages 6-17 form an integral part of these condensed consolidated interim financial statements.

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# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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## 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 2011 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.

The Company’s wholly owned subsidiary, EITC Investment Holdings Limited (“the Subsidiary”) was incorporated as an offshore company in accordance with the offshore companies regulations of Jebel Ali Free Zone of 2003 on 18 February 2010.

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 2011 there had been no material commercial activities within the Subsidiary.

### 2 Basis of preparation

#### i Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”) and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

#### ii New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these condensed consolidated interim financial statements. None of these is expected to have a significant effect on the condensed consolidated interim financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company’s 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

#### iii Basis of consolidation

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

#### iv Basis of measurement

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

#### v Functional and presentation currency

These condensed consolidated interim financial statements are presented in United Arab Emirates Dirham (“AED”) rounded to the nearest thousand. This is the currency of the country in which the Company is domiciled.

#### vi Earnings per share

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



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 2 Basis of preparation (continued)

#### vii Use of estimates and judgments

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

Judgements made by management in the application of IFRS that have significant effect on the condensed consolidated interim financial statements and estimates with a risk of material adjustment in the next year mainly comprise of residual value and useful lives of items of property, plant and equipment and intangible assets, provision for bad and doubtful debts and provision for slow moving inventories.

### 3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed consolidated interim financial statements as compared with the Company's recent 2010 annual audited financial statements.

### 4 Property, plant and equipment

	<b>Buildings</b> <b>AED 000</b>	<b>Plant &amp; equipment</b> <b>AED 000</b>	<b>Furniture &amp; fixtures</b> <b>AED 000</b>	<b>Motor vehicles</b> <b>AED 000</b>	<b>Capital work in progress</b> <b>AED 000</b>	<b>Total</b> <b>AED 000</b>
<b>Cost</b>						
At 1 January 2011	47,208	6,201,647	196,012	2,123	1,834,255	8,281,245
Additions/(transfers)	-	721,133	22,873	104	(136,254)	607,856
<b>At 30 June 2011</b>	<b>47,208</b>	<b>6,922,780</b>	<b>218,885</b>	<b>2,227</b>	<b>1,698,001</b>	<b>8,889,101</b>
<b>Depreciation / impairment</b>						
At 1 January 2011	10,806	1,447,096	109,867	2,015	22,194	1,591,978
Charge / (reversal) for the period	1,108	356,621	21,090	140	(8,884)	370,075
<b>At 30 June 2011</b>	<b>11,914</b>	<b>1,803,717</b>	<b>130,957</b>	<b>2,155</b>	<b>13,310</b>	<b>1,962,053</b>
<b>Net book value</b>						
At 1 January 2011	36,402	4,754,551	86,145	108	1,812,061	6,689,267
<b>Net book value</b>						
<b>At 30 June 2011</b>	<b>35,294</b>	<b>5,119,063</b>	<b>87,928</b>	<b>72</b>	<b>1,684,691</b>	<b>6,927,048</b>

The carrying amount of the Company's buildings includes a nominal amount of AED 1 (2010: AED 1) in relation to land granted by the Government to the Company.

# 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 2011	690,187	145,940	836,127
Additions/transfers	79,288	3,339	82,627
<b>At 30 June 2011</b>	<b>769,475</b>	<b>149,279</b>	<b>918,754</b>
<b>Amortisation</b>			
At 1 January 2011	412,281	-	412,281
Charge for the period	77,140	-	77,140
<b>At 30 June 2011</b>	<b>489,421</b>	<b>-</b>	<b>489,421</b>
Net book value At 31 January 2011	277,906	145,940	423,846
<b>Net book value At 30 June 2011</b>	<b>280,054</b>	<b>149,279</b>	<b>429,333</b>

#### 5.2 Telecommunications licence fee

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Opening balance	94,226	100,452
Amortisation for the period / year	(3,084)	(6,226)
Closing balance	91,142	94,226

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 2011 AED 000	Audited 31 December 2010 AED 000
Opening balance	91,510	100,080
Amortisation for the period / year	(4,252)	(8,570)
Closing balance	87,258	91,510

Indefeasible right of use represents the fee 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 Deferred fees

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Deferred annual licence fee, numbering fees and spectrum fees	32,854	4,387

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 June 2011 AED 000	Audited 31 December 2010 AED 000
<b>Due from related parties</b>		
Axiom Telecom LLC ("Axiom")	168,210	94,336
Eros Electronics	12,731	-
	<u>180,941</u>	<u>94,336</u>
<b>Due to a related party</b>		
Tecom Investments FZ LLC ("Tecom")	58,034	78,109

All transactions with related parties are carried out at commercial rates. Telecom services to related parties are provided at normal market value and are excluded from reportable related party transactions. The following table reflects the gross value of transactions with related parties.

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Tecom Investments FZ LLC ("Tecom"):		
Office rent and services	56,514	58,567
Infrastructure cost	51,237	923
Axiom Telecom LLC ("Axiom") – Authorised distributor – Net sales	806,001	1,142,633
Eros Electronics – Authorised distributor – Net sales	175,554	409,776
Injazat Data Systems LLC – Data centre rent and services	7,146	12,927

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 6 Related party transactions (continued)

#### 6.2 Compensation to key management personnel

	Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000
Short term employee benefits	13,955	16,066
Termination benefits	687	987
Post employment benefits	341	190
Share based benefits*	3,772	17,156
Directors' remuneration	4,020	8,615
	<u>22,775</u>	<u>43,014</u>

\* During the three month period ended 31 March 2010, the Company modified its Executive Share Option Plan in respect of the launch grant.

### 7 Accounts receivable

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Trade receivables	1,126,605	1,342,079
Less: Provision for doubtful debts (Refer note 7.1)	(270,006)	(219,678)
	<u>856,599</u>	<u>1,122,401</u>

#### 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 June 2011 AED 000	Audited 31 December 2010 AED 000
Opening balance	219,678	82,799
Impairment loss recognised	54,877	154,070
Write off during the period / year	(4,549)	(17,191)
Closing balance	<u>270,006</u>	<u>219,678</u>



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 8 Other receivables

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Advances to suppliers	246,366	395,592
Interest receivable	73	9,856
Staff loans	2,294	3,010
Deposits	19,685	9,911
Others	23,886	-
	<u>292,304</u>	<u>418,369</u>

### 9 Cash and cash equivalents

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
At bank (on deposit and call accounts)	1,040,211	2,784,960
On hand	509	518
	<u>1,040,720</u>	<u>2,785,478</u>

### 10 Long term bank borrowings

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Long term bank borrowings (i)	808,170	3,000,000
Buyer credit arrangements (ii)	1,253,711	1,058,315
	<u>2,061,881</u>	<u>4,058,315</u>
Less: Current portion of long term bank borrowings	-	(3,000,000)
Current portion of buyer credit arrangement	(202,045)	(153,580)
	<u>1,859,836</u>	<u>904,735</u>

(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 and has the following primary financial covenants attached:

- Consolidated total net liabilities not to exceed 3 times the consolidated adjusted net worth of the Company for a period of 12 months ending on the relevant reporting date.
- The ratio of consolidated EBITDA to consolidated net finance costs not to be less than 3 to 1 for a period of 12 months ending on the relevant reporting date.
- The ratio of total bank debts less consolidated eligible cash and cash equivalents not to exceed 3 times the adjusted consolidated EBITDA for a period of 12 months ending on the relevant reporting date.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 10 Long term bank borrowings (continued)

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

- (a) AED 420.3 million (USD 114.4 million) of an available AED 624.4 million (USD 170 million). The facility is to be repaid in full, three years from the date of the agreement (29 September 2009). The facility carries an interest rate of LIBOR + 2.6% per annum.
- (b) AED 986.5 million (USD 268.5 million) in full and final draw down of an available AED 987.1 million (USD 268.7 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 177.8 million (USD 48.4 million) has been repaid during the period.
- (c) AED 24.7 million (USD 6.7 million) of an available AED 760.4 million (USD 207.0 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.

### 11 Accounts payable and accruals

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Trade payables & accruals	2,071,943	2,468,903
Payroll accruals	76,804	130,334
Customer deposits	63,948	52,391
Retention payable	21,491	19,651
Deferred revenue	362,223	330,572
Accrued royalties	413,054	183,915
Others	22,056	24,007
	<u>3,031,520</u>	<u>3,209,773</u>

### 12 Employee benefits

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
<b>End of service benefits</b>		
Opening balance	77,714	63,523
Charge for the period / year	18,904	20,389
Payments during the period / year	(5,202)	(6,198)
Closing balance	<u>91,416</u>	<u>77,714</u>

### 13 Share capital

	Reviewed 30 June 2011	Audited 31 December 2010
Authorised share capital (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 13 Share capital (continued)

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Issued and fully paid up - opening balance	4,571,429	4,000,000
Issued during the period / year	-	571,429
Issued and fully paid up – closing balance	<u>4,571,429</u>	<u>4,571,429</u>

On 11 May 2010, the shareholders in an Extraordinary General Meeting approved an increase in the Company's share capital by issuing 571,428,571 new ordinary shares at 75% premium amounting to AED 1.75 each (par value AED 1.00) to shareholders on a pro rata basis. The shares were issued on 27 June 2010.

### 14 Share premium

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Premium on issue of common share capital (Note 15)	393,504	428,571
Less: Expenses relating to issue of common share capital	-	(35,067)
	<u>393,504</u>	<u>393,504</u>

### 15 Share based payment reserve

	Reviewed 30 June 2011 AED 000	Audited 31 December 2010 AED 000
Share based payment reserve	<u>61,087</u>	<u>46,345</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 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.



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 15 Share based payment reserve (continued)

Details of the ESOP schemes and the assumptions used to calculate the fair value of the options as at 30 June 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	12,573	3,446	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	1,350	-	26,237	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

\*Forefeited 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%	90-100%

### 16 Statutory reserve

In accordance with the UAE Federal Law No 8 of 1984 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 June 2011 AED 000	Audited 31 December 2010 AED 000
Opening balance	157,868	26,825
Transfer to statutory reserve (10% of net profit)	41,305	131,043
Closing balance	199,173	157,868



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 17 General and administrative expenses

	Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000
Payroll and employee related expenses	438,913	414,950
Outsourcing and contracting	198,051	165,336
Consulting	22,168	15,655
Telecommunications licence and related fees	107,363	89,215
Sales and marketing expenses	150,980	168,950
Depreciation and amortisation expenses	463,435	327,559
Network operation and maintenance	373,142	352,792
Rent and utilities	71,781	71,581
Provision for receivables	54,877	35,838
Impairment of property, plant and equipment	7,382	754
Miscellaneous	42,099	34,712
	<u>1,930,191</u>	<u>1,677,342</u>

### 18 Finance income and expense

	Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000
<b>Finance income</b>		
Interest income	<u>44,243</u>	<u>2,509</u>
<b>Finance expense</b>		
Gross finance expense	80,772	64,456
Less: Capitalised finance expense	-	(53,709)
Net finance expense	<u>80,772</u>	<u>10,747</u>
Exchange (gain) / loss	(4,547)	14,311
	<u>76,225</u>	<u>25,058</u>

### 19 Other income

Other income during the current period includes the release of AED 12.0 million (2010: Nil) in provisions against legal disputes provided for during the year ended 31 December 2010 which were resolved or settled during the current period.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 20 Royalty

The Company received confirmation via a UAE Cabinet Decision dated 16 January 2011 for the Royalty payable for the year 2010 at a rate of 15%. No determination of the structure of the royalty fee for 2011 has been advised to the Company as at 30 June 2011 and the Company has provided at an estimated charge of 50% of the profit for the current period. The royalty charge for the six month period ended 30 June 2010 was provided at 50% of net profit.

	Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000
Consolidated profit before royalty	826,108	468,942
Royalty at 50%	413,054	234,471

### 21 Earnings per share

	Reviewed six month period ended 30 June 2011	Reviewed six month period ended 30 June 2010
Profit for the period (AED 000)	413,054	234,471
Weighted average number of shares (number in 000)	4,571,429	4,009,523
Earnings per share AED	0.09	0.06

### 22 Cash flows from operating activities

	Reviewed six month period ended 30 June 2011 AED 000	Reviewed six month period ended 30 June 2010 AED 000
Profit for the period	413,054	234,471
Adjustment for:		
Depreciation of property, plant and equipment	378,959	257,655
Amortisation of IT software	77,140	62,568
Amortisation of intangible assets	7,336	7,336
Provision for end of service benefits	18,904	18,969
Impairment of property, plant and equipment	7,382	754
Finance income and expense	31,982	22,549
Equity-settled share based payment transactions	14,742	25,058
Other income	(19,405)	22
Net cash flows before changes in working capital	930,094	625,889

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 23 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,492,257 thousand and AED 31,667 thousand, respectively (2010: AED 1,624,246 thousand and AED 19,090 thousand respectively).

### 24 Segment analysis

30 June 2011

	Fixed	Mobile	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	705,008	3,239,851	186,181	78,671	4,209,711
Segment contribution	532,814	2,125,334	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

30 June 2010

	Fixed	Mobile	Wholesale	Broadcasting	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	555,111	2,426,659	221,584	80,053	3,283,407
Segment contribution	461,876	1,562,974	112,454	31,551	2,168,855
Unallocated costs					(1,677,342)
Finance income and expense & other income					(22,571)
Profit before royalty					468,942
Royalty					(234,471)
Profit for the period					234,471

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.