

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

**Condensed consolidated  
interim financial statements**

for the three month period  
ended 31 March 2011

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

## **Condensed consolidated interim financial statements**

for the three month period ended 31 March 2011

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

The Shareholders  
Emirates Integrated Telecommunications Company PJSC  
Dubai

### **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 31 March 2011, and the related condensed consolidated statement of comprehensive income, statement of changes in equity and the cash flows for the three 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 three month period ended 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

24 APR 2011

Vijendra Nath Malhotra  
Registration No. 48B

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated statement of financial position

as at 31 March 2011

		Reviewed 31 March 2011 AED 000	Audited 31 December 2010 AED 000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	4	6,959,167	6,689,267
IT software	5.1	430,417	423,846
Telecommunications licence fee	5.2	92,694	94,226
Indefeasible right of use	5.3	89,395	91,510
Goodwill		549,050	549,050
<b>Total non-current assets</b>		<b>8,120,723</b>	<b>7,847,899</b>
<b>Current assets</b>			
Deferred fees	5.4	44,785	4,387
Inventories		66,217	47,300
Accounts receivable	7	1,004,528	1,122,401
Other receivables	8	308,384	418,369
Due from related parties	6.1	174,885	94,336
Prepayments		156,782	199,508
Cash and cash equivalents	9	2,904,195	2,785,478
<b>Total current assets</b>		<b>4,659,776</b>	<b>4,671,779</b>
<b>Current liabilities</b>			
Accounts payable and accruals	11	3,156,369	3,209,773
Due to a related party	6.1	88,010	78,109
Current portion of long term bank borrowings	10	3,153,623	3,153,580
<b>Total current liabilities</b>		<b>6,398,002</b>	<b>6,441,462</b>
<b>Net current liabilities</b>		<b>1,738,226</b>	<b>1,769,683</b>
<b>Non-current liabilities</b>			
Employee benefits	12	85,707	77,714
Long term bank borrowings	10	991,273	904,735
<b>Total non-current liabilities</b>		<b>1,076,980</b>	<b>982,449</b>
<b>Net assets</b>		<b>5,305,517</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	50,261	46,345
Statutory reserve	16	178,451	157,868
Accumulated profit / (losses)		111,872	(73,379)
<b>Shareholders' equity</b>		<b>5,305,517</b>	<b>5,095,767</b>

The condensed consolidated interim financial statements were approved on 24 April 2011 by:

**Ahmad bin Byat**  
Chairman

**Osman Sultan**  
Chief Executive Officer

The notes set out on pages 6-19 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated statement of comprehensive income for the three month period ended 31 March 2011

		Reviewed three month period ended 31 March 2011 AED 000	Reviewed three month period ended 31 March 2010 AED 000
	<i>Note</i>		
Revenue		2,038,179	1,580,382
Cost of sales		(721,508)	(538,379)
<b>Gross profit</b>		<b>1,316,671</b>	<b>1,042,003</b>
General and administrative expenses	17	(900,947)	(838,933)
Finance income	18	26,021	1,079
Finance expense	18	(42,629)	(10,436)
Other income	19	12,552	399
<b>Profit before Royalty</b>		<b>411,668</b>	<b>194,112</b>
Royalty	20	(205,834)	(97,056)
<b>Profit for the Period</b>		<b>205,834</b>	<b>97,056</b>
Profit and comprehensive income attributable to shareholders of the Company		205,834	97,056
Earnings per share (AED)	21	0.05	0.02

The notes set out on pages 6-19 form an integral part of these condensed consolidated interim financial statements.

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# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

## Condensed consolidated statement of cash flows

for the three month period ended 31 March 2011

		Reviewed three month period ended 31 March 2011 AED 000	Reviewed three month period ended 31 March 2010 AED 000
	<i>Note</i>		
<b>Cash flows from operating activities</b>			
Net cash flows before changes in working capital	22	430,966	300,236
Change in inventories		(18,917)	(10,377)
Change in accounts receivable		117,873	(89,073)
Change in prepayments		42,726	(21,449)
Change in other receivables		109,985	5,967
Change in accounts payable and accruals		(48,721)	328,193
Change in amounts due from related parties		(80,549)	(14,340)
Change in amounts due to a related party		9,901	12,383
Change in deferred fees		(40,398)	(75,393)
Payment of employee benefits		(2,753)	(869)
Net cash generated from operating activities		520,113	435,278
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(460,182)	(425,786)
Purchase of IT software		(21,593)	(23,318)
Finance income		26,021	1,079
Finance expense		(44,775)	(10,436)
Other income		12,552	399
Net cash used in investing activities		(487,977)	(458,062)
<b>Cash flows from financing activities</b>			
Long term borrowings		163,371	87,578
Repayment of borrowings		(76,790)	-
Net cash generated from financing activities		86,581	87,578
<b>Net increase in cash and cash equivalents</b>		118,717	64,794
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	2,904,195	934,058

The notes set out on pages 6-19 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

## Emirates Integrated Telecommunications Company PJSC and its Subsidiary

### Condensed consolidated statement of changes in equity

for the three month period ended 31 March 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
Profit for the year	-	-	-	-	97,056	97,056
Transfer to share based payment reserve	-	-	19,632	-	-	19,632
Transfer to statutory reserve	-	-	-	9,706	(9,706)	-
<b>At 31 March 2010</b>	<b>4,000,000</b>	<b>-</b>	<b>37,114</b>	<b>36,531</b>	<b>(1,165,417)</b>	<b>2,908,228</b>
At 1 January 2011	4,571,429	393,504	46,345	157,868	(73,379)	5,095,767
Profit for the period	-	-	-	-	205,834	205,834
Transfer to share based payment reserve	-	-	3,916	-	-	3,916
Transfer to statutory reserve	-	-	-	20,583	(20,583)	-
<b>At 31 March 2011</b>	<b>4,571,429</b>	<b>393,504</b>	<b>50,261</b>	<b>178,451</b>	<b>111,872</b>	<b>5,305,517</b>

The notes set out on pages 6-19 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

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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 31 March 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 31 March 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**

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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 2010 annual audited financial statements.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 4 Property, plant and equipment

	<b>Buildings AED 000</b>	<b>Plant and equipment AED 000</b>	<b>Furniture &amp; fixtures AED 000</b>	<b>Motor vehicles AED 000</b>	<b>Capital work in progress AED 000</b>	<b>Total 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	-	193,701	8,383	-	234,336	436,420
<b>At 31 March 2011</b>	<u>47,208</u>	<u>6,395,348</u>	<u>204,395</u>	<u>2,123</u>	<u>2,068,591</u>	<u>8,717,665</u>
<b>Depreciation / impairment / provision for obsolescence</b>						
At 1 January 2011	(10,806)	(1,447,096)	(109,867)	(2,015)	(22,194)	(1,591,978)
(Charge) / reversal for the period	(551)	(158,620)	(9,319)	(23)	1,993	(166,520)
<b>At 31 March 2011</b>	<u>(11,357)</u>	<u>(1,605,716)</u>	<u>(119,186)</u>	<u>(2,038)</u>	<u>(20,201)</u>	<u>(1,758,498)</u>
<b>Net book value</b>						
At 1 January 2011	<u>36,402</u>	<u>4,754,551</u>	<u>86,145</u>	<u>108</u>	<u>1,812,061</u>	<u>6,689,267</u>
<b>Net book value</b>						
<b>At 31 March 2011</b>	<u>35,851</u>	<u>4,789,632</u>	<u>85,209</u>	<u>85</u>	<u>2,048,390</u>	<u>6,959,167</u>

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	5,338	35,334	40,672
<b>At 31 March 2011</b>	<b>695,525</b>	<b>181,274</b>	<b>876,799</b>
<b>Amortisation</b>			
At 1 January 2011	(412,281)	-	(412,281)
Charge for the period	(34,101)	-	(34,101)
<b>At 31 March 2011</b>	<b>(446,382)</b>	<b>-</b>	<b>(446,382)</b>
Net book value			
At 31 January 2011	277,906	145,940	423,846
<b>Net book value</b>			
<b>At 31 March 2011</b>	<b>249,143</b>	<b>181,274</b>	<b>430,417</b>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

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

#### 5.2 Telecommunications licence fee

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Opening balance	94,226	100,452
Amortisation for the period / year	(1,532)	(6,226)
Closing balance	<u>92,694</u>	<u>94,226</u>

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

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Opening balance	91,510	100,080
Amortisation for the period / year	(2,115)	(8,570)
Closing balance	<u>89,395</u>	<u>91,510</u>

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.

#### 5.4 Deferred fees

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Deferred annual licence fee, numbering fees and spectrum fees	<u>44,785</u>	<u>4,387</u>

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



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 6 Related party transactions

Related parties comprise the shareholders of the Company, its directors, key management personnel and entities over which they exercise significant influence. Transactions with related parties are on terms and conditions approved by the Company's management or by the Board of Directors.

#### 6.1 Due from/to related parties

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
<b>Due from related parties</b>		
Axiom Telecom LLC ("Axiom")	158,646	94,336
Eros Electronics	16,239	-
	<u>174,885</u>	<u>94,336</u>
<b>Due to a related party</b>		
Tecom Investments FZ LLC ("Tecom")	<u>88,010</u>	<u>78,109</u>

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

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Tecom Investments FZ LLC ("Tecom"):		
Office rent and services	20,864	58,567
Infrastructure cost	40,370	923
Axiom Telecom LLC ("Axiom") – Authorised distributor – Net Sales	311,490	1,142,633
Eros Electronics – Authorised distributor – Net Sales	81,979	409,776
Injazat Data Systems LLC – Data centre rent and services	<u>1,879</u>	<u>12,927</u>

# 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

	<b>Reviewed three month period ended 31 March 2011 AED 000</b>	<b>Reviewed three month period ended 31 March 2010 AED 000</b>
Short term employee benefits	6,676	6,932
Termination benefits	427	557
Post employment benefits	150	91
Share based benefits*	1,874	14,541
Directors' remuneration	2,010	5,679
	<u>11,137</u>	<u>27,800</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

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Trade receivables	1,250,594	1,342,079
Less: Provision for doubtful debts (Refer note 7.1)	(246,066)	(219,678)
	<u>1,004,528</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:

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Opening balance	219,678	82,799
Impairment loss recognised	25,949	154,070
Write back / (write off) during the period / year	439	(17,191)
	<u>246,066</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 31 March 2011 AED 000	Audited 31 December 2010 AED 000
Advances to suppliers	252,251	395,592
Interest receivable	19,517	9,856
Staff loans	1,133	3,010
Deposits	19,581	9,911
Others	15,902	-
	<u>308,384</u>	<u>418,369</u>

### 9 Cash and cash equivalents

	Reviewed 31 March 2011 AED 000	Audited 31 December 2010 AED 000
At bank (on deposit and call accounts)	2,903,654	2,784,960
On hand	541	518
	<u>2,904,195</u>	<u>2,785,478</u>

### 10 Long term bank borrowings

	Reviewed 31 March 2011 AED 000	Audited 31 December 2010 AED 000
Long term bank borrowings (i)	3,000,000	3,000,000
Buyer credit arrangements (ii)	1,144,896	1,058,315
	<u>4,144,896</u>	<u>4,058,315</u>
Less: Current portion of long term bank borrowings	(3,000,000)	(3,000,000)
Current portion of buyer credit arrangement	(153,623)	(153,580)
	<u>991,273</u>	<u>904,735</u>

(i) The Company has a AED 3 billion long term loan facility. The facility is to be repaid in full, three years from the date of first draw down - not to extend beyond 30 June 2011 and has hence been classified as a current liability. A new facility for partial refinancing of the loan is in the process of being finalised.

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

- AED 352.1 million (USD 95.9 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.
- AED 768.1 million (USD 209.1 million) 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.

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 10 Long term bank borrowings (continued)

- (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 31 March 2011 AED 000	Audited 31 December 2010 AED 000
Trade payables & accruals	2,491,963	2,468,903
Payroll accruals	49,380	130,334
Customer deposits	58,052	52,391
Retention payable	21,192	19,651
Deferred revenue	309,064	330,572
Accrued royalties	205,834	183,915
Others	20,884	24,007
	<u>3,156,369</u>	<u>3,209,773</u>

### 12 Employee benefits

	Reviewed 31 March 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	10,746	20,389
Payments during the period / year	(2,753)	(6,198)
Closing balance	<u>85,707</u>	<u>77,714</u>

### 13 Share capital

	Reviewed 31 March 2011 AED 000	Audited 31 December 2010 AED 000
Authorised share capital (par value AED 1 each)	<u>4,571,428,571</u>	<u>4,571,428,571</u>

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



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 13 Share capital (continued)

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 (par value AED 1.00) each to shareholders on a pro rata basis. The shares were issued on 27 June 2010.

### 14 Share premium

	Reviewed 31 March 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 31 March 2011 AED 000	Audited 31 December 2010 AED 000
Share based payment reserve	<u>50,261</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.

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

Share scheme	Options granted (000)	Options exercised (000)	Commencement date	Vesting date	Expiry date	Fair value per option (AED)
Launch grant scheme	14,829	11,623	22 Apr 2006	21 Apr 2009	21 Apr 2012	1.55
Annual grant scheme 2007	16,681	-	01 Jul 2007	30 Jun 2010	30 Jun 2013	0.28
Annual grant scheme 2008	24,835	-	01 Jul 2008	30 Jun 2011	30 Jun 2014	0.28
Annual grant scheme 2009	27,365	-	01 Jul 2009	30 Jun 2012	30 Jun 2015	0.93
Annual grant scheme 2010	27,529	-	01 Jul 2010	30 Jun 2013	30 Jun 2016	0.63

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 15 Share based payment reserve (continued)

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

Share scheme	Stock Price at Measurement date	Expected volatility	Risk-free interest rate	Employee retention rate
Launch grant scheme	2.51	50%	1.00%	100%
Annual grant scheme 2007	2.51	47%	1.75%	100%
Annual grant scheme 2008	2.51	42%	2.50%	100%
Annual grant scheme 2009	2.51	42%	2.50%	95-100%
Annual grant scheme 2010	1.91	42%	1.25%	85-100%

### 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.

	<b>Reviewed 31 March 2011 AED 000</b>	<b>Audited 31 December 2010 AED 000</b>
Opening balance	157,868	26,825
Transfer to statutory reserve (10% of net profit)	20,583	131,043
Closing balance	<u>178,451</u>	<u>157,868</u>

### 17 General and administrative expenses

	<b>Reviewed three month period ended 31 March 2011 AED 000</b>	<b>Reviewed three month period ended 31 March 2010 AED 000</b>
Payroll and employee related expenses	211,776	209,775
Outsourcing and contracting	101,291	82,080
Consulting	12,404	16,552
Telecommunications licence and related fees	52,975	43,740
Sales and marketing expenses	55,987	73,217
Depreciation and amortisation expenses	206,261	163,131
Network operation and maintenance	175,689	178,535
Rent and utilities	38,759	37,098
Provision for receivables	26,243	19,245
(Reversal) / impairment of property, plant and equipment	(1,993)	116
Miscellaneous	21,555	15,444
	<u>900,947</u>	<u>838,933</u>

# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 18 Finance income and expense

	Reviewed three month period ended 31 March 2011 AED 000	Reviewed three month period ended 31 March 2010 AED 000
<b>Finance income</b>		
Interest income	26,021	1,079
<b>Finance expense</b>		
Gross finance expense	44,775	29,166
Less: Capitalised finance expense	-	(25,857)
Net finance expense	44,775	3,309
Exchange (gain) / loss	(2,146)	7,127
	42,629	10,436

### 19 Other income

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

### 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 31 March 2011 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. The royalty charge for the three month period ended 31 March 2010 was provided at 50% of net profit.

	Reviewed three month period ended 31 March 2011 AED 000	Reviewed three month period ended 31 March 2010 AED 000
Consolidated profit before royalty	411,668	194,112
Royalty at 50%	205,834	97,056



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 21 Earnings per share

	<b>Reviewed three month period ended 31 March 2011</b>	Reviewed three month period ended 31 March 2010
Profit for the period (AED 000)	205,834	97,056
Weighted average number of shares (number in 000)	4,571,429	4,000,000
Earnings per share AED	0.05	0.02

### 22 Cash flows from operating activities

	<b>Reviewed three month period ended 31 March 2011 AED 000</b>	Reviewed three month period ended 31 March 2010 AED 000
Profit for the period	205,834	97,056
Adjustment for:		
Depreciation of property, plant and equipment	168,513	126,714
Amortisation of IT software	34,101	32,769
Amortisation of intangible assets	3,647	3,648
Provision for end of service benefits	10,746	9,356
Impairment of property, plant and equipment	(1,993)	116
Finance income and expense	18,754	9,357
Equity-settled share based payment transactions	3,916	21,619
Other income	(12,552)	(399)
Net cash flows before changes in working capital	430,966	300,236

### 23 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,524,516 thousand and AED 20,354 thousand, respectively (2010: AED 1,624,246 thousand and AED 19,090 thousand respectively).



# Emirates Integrated Telecommunications Company PJSC and its Subsidiary

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

### 24 Segment analysis

#### 31 March 2011

	Fixed	Mobile	Wholesale	Broadcasting	Total
	2011	2011	2011	2011	2011
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	337,299	1,576,324	84,635	39,921	2,038,179
Segment contribution	250,423	1,012,751	38,870	14,627	1,316,671
Unallocated costs					(900,947)
Finance income and expense & other income					(4,056)
Profit before royalty					411,668
Royalty					(205,834)
Profit for the period					205,834

#### 31 March 2010

	Fixed	Mobile	Wholesale	Broadcasting	Total
	2010	2010	2010	2010	2010
	AED 000	AED 000	AED 000	AED 000	AED 000
Segment revenue	264,890	1,167,126	108,150	40,216	1,580,382
Segment contribution	226,033	746,052	54,331	15,587	1,042,003
Unallocated costs					(838,933)
Finance income and expense & other income					(8,958)
Profit before royalty					194,112
Royalty					(97,056)
Profit for the period					97,056

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.