

**Emirates Integrated
Telecommunications
Company PJSC**

Condensed interim financial statements

31 March 2009

Emirates Integrated Telecommunications Company PJSC

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Independent auditor's report on review of condensed interim financial information

The Shareholders
Emirates Integrated Telecommunications Company PJSC

Introduction

We have reviewed the accompanying condensed balance sheet of Emirates Integrated Telecommunications Company PJSC ("the Company") as at 31 March 2009, and the related condensed 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 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

28 APR 2009

Vijendra Nath Malhotra
Registration No. 48B

Emirates Integrated Telecommunications Company PJSC

Condensed interim balance sheet

As at 31 March 2009

		Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
	Note		
Non-current assets			
Property, plant and equipment	4	4,801,118	4,283,727
IT software	5.1	424,834	425,543
Telecommunications license fee	5.2	105,142	106,678
Indefeasible right of use	5.3	106,536	108,650
Goodwill		549,050	549,050
Total non-current assets		5,986,680	5,473,648
Current assets			
Deferred fees	5.4	28,424	113
Inventories		46,658	52,962
Accounts receivable	7	610,201	599,445
Other receivables	8	128,119	106,275
Due from related parties	6.1	168,616	153,844
Prepayments		157,608	114,043
Cash and cash equivalents	9	1,162,841	1,275,611
Total current assets		2,302,467	2,302,293
Current liabilities			
Short term bank borrowings		-	4,901
Accounts payable and accruals	11	2,659,588	2,425,054
Due to related parties	6.1	38,321	11,080
Total current liabilities		2,697,909	2,441,035
Net current (liabilities)		(395,442)	(138,742)
Non-current liabilities			
Employee benefits	12	57,934	49,972
Long term bank borrowings	10	3,000,000	2,775,000
Total non-current liabilities		3,057,934	2,824,972
Net assets		2,533,304	2,509,934
Represented by:			
Share capital	13	4,000,000	4,000,000
Statutory reserve	14	2,749	412
Accumulated losses		(1,469,445)	(1,490,478)
Shareholders' equity		2,533,304	2,509,934

28 APR 2009

The financial statements were approved on ____ April 2009 by:

Ahmad bin Byat
Chairman

Osman Sultan
Chief Executive Officer

The notes set out on pages 6-15 form part of these condensed interim financial statements.

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

Emirates Integrated Telecommunications Company PJSC

Condensed comprehensive income statement

For the period ended 31 March 2009

		Reviewed Three month Period ended 31 March 2009 AED 000	Reviewed Three month Period ended 31 March 2008 AED 000
	<i>Note</i>		
Revenue		1,165,815	756,422
Cost of sales		(390,281)	(291,901)
Gross profit		775,534	464,521
General and administrative expenses	15	(741,437)	(559,530)
Finance (expense)/ income	16	(6,003)	(410)
Other income	17	18,646	33,761
Profit / (loss) before Royalty		46,740	(61,658)
Royalty	18	(23,370)	-
Profit/ (loss) for the period		23,370	(61,658)
Profit and comprehensive income / (loss) attributable to owners of the Company		23,370	(61,658)
Earnings (Loss) Per Share AED	19	0.0058	(0.0154)

The notes set out on pages 6-15 form part of these condensed interim financial statements.

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

Emirates Integrated Telecommunications Company PJSC

Condensed interim statement of cash flows

for the period ended 31 March 2009

		Reviewed Three month Period ended 31 March 2009 AED 000	Reviewed Three month Period ended 31 March 2008 AED 000
	<i>Note</i>		
Net operating cash flows before changes in working capital	20	184,898	51,071
Change in inventories		6,304	(20,031)
Change in accounts receivable		(10,756)	(67,727)
Change in prepayment		(43,565)	(30,866)
Change in other receivables		(21,844)	(77,339)
Change in accounts payable and accruals		73,129	(223,502)
Change in amounts due from related parties		(14,772)	18,806
Change in amounts due to related parties		27,241	-
Change in long term portion of Executive Share Option Plan		2,092	-
Change in deferred fees		(28,311)	(45,233)
Payment of end of service benefits		(452)	(688)
Net cash generated/(absorbed) in operating activities		173,964	(395,509)
Cash flows from investing activities			
Purchase of property, plant and equipment		(459,352)	(171,642)
Purchase of IT software		(10,324)	(10,857)
Payment of telecommunications license fee		(49,800)	(37,350)
Interest Income		1,806	47
Interest expense		(7,809)	(701)
Other income		18,646	33,761
Net cash used in investing activities		(506,833)	(186,742)
Cash flow from financing activities			
Short term financing		-	425,000
Long term financing		225,000	-
Net cash from financing activities		225,000	425,000
Net decrease in cash and cash equivalents		(107,869)	(157,251)
Cash and cash equivalents at beginning of the period		1,270,710	89,226
Cash and cash equivalents at the end of the period		1,162,841	(68,025)
These comprise the following:			
Cash and cash equivalents at end of the period	9	1,162,841	2,874
Bank Overdraft		-	(70,899)
Cash and cash equivalents at end of the period		1,162,841	(68,025)

The notes set out on pages 6-15 form part of these condensed interim financial statements.

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

Emirates Integrated Telecommunications Company PJSC**Condensed Interim Statement of Changes in Equity**

for the period ended 31 March 2009

	Share capital AED 000	Accumulated losses AED 000	Statutory reserve AED 000	Total AED 000
At 1 January 2008	4,000,000	(1,494,190)	-	2,505,810
Loss for the period	-	(61,658)	-	(61,658)
As at 31 March 2008	<u>4,000,000</u>	<u>(1,555,848)</u>	<u>-</u>	<u>2,444,152</u>
At 1 January 2009	4,000,000	(1,490,478)	412	2,509,934
Profit for the period	-	23,370	-	23,370
Transfer to statutory reserve	-	(2,337)	2,337	-
At 31 March 2009	<u>4,000,000</u>	<u>(1,469,445)</u>	<u>2,749</u>	<u>2,533,304</u>

The notes set out on pages 6-15 form part of these condensed interim financial statements.

Notes to the condensed 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 on 28 December 2005. The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates.

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.

2 Basis of preparation

i Statement of compliance

These financial statements have been prepared in accordance with the interim reporting requirements of 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 Adoption of new accounting standard

The Company has adopted new accounting standard IAS 1 Revised which became effective on 1 January 2009. The revised standard requires the Company to present a statement of comprehensive income. The adoption of the standard did not have any material impact on the financial statements of the Company.

iii Basis of measurement

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

iv Functional and presentation currency

These 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.

v Use of estimates and judgments

The preparation of financial statements 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 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.

vi Comparatives

Comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current period.

3 Significant accounting policies

The same accounting policies and methods of computation have been followed in these condensed interim financial statements as compared with the Company’s recent 2008 annual financial statements.

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

4 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture & Fixtures AED 000	Motor Vehicles AED 000	Capital work in progress AED 000	Total AED 000
Cost						
At 1 January 2009	47,208	2,834,957	129,813	1,931	1,849,568	4,863,477
Additions	-	243,717	4,020	176	364,218	612,131
At 31 March 2009	47,208	3,078,674	133,833	2,107	2,213,786	5,475,608
Depreciation						
At 1 January 2009	6,339	497,967	52,537	1,441	-	558,284
Charge for the period	551	88,539	5,343	87	-	94,520
At 31 March 2009	6,890	586,506	57,880	1,528		652,804
Impairment / Provision for obsolescence						
At 1 January 2009	-	-	-	-	21,466	21,466
Charge for the period	-	-	-	-	220	220
At 31 March 2009	-	-	-	-	21,686	21,686
Net book value						
At 1 January 2009	40,869	2,336,990	77,276	490	1,828,102	4,283,727
At 31 March 2009	40,318	2,492,168	75,953	579	2,192,100	4,801,118

Notes to the condensed 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
Cost			
At 1 January 2009	514,861	67,876	582,737
Additions	17,556	8,474	26,030
At 31 March 2009	532,417	76,350	608,767
Amortization			
At 1 January 2009	157,194	-	157,194
Charge for the period	26,739	-	26,739
At 31 March 2009	183,933	-	183,933
Net book value			
At 31 December 2008	357,667	67,876	425,543
Net book value at 31 March 2009	348,484	76,350	424,834

5.2 Telecommunications licence fee

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Opening balance	106,678	112,904
Amortisation for the period/year	(1,536)	(6,226)
Closing balance	<u>105,142</u>	<u>106,678</u>

Telecommunications licence fee represent the fee charged by the Telecommunications Regulatory Authority to the Company to grant the licence to operate as a telecommunications service provider in the United Arab Emirates. The fees are being amortised on a straight-line basis over a period of 20 years from the date of granting the licence.

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

5 Intangible assets and deferred fees (continued)

5.3 Indefeasible right of use

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Opening balance	108,650	117,220
Amortisation for the period/year	(2,114)	(8,570)
Closing balance	<u>106,536</u>	<u>108,650</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

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Deferred annual license fee, numbering fees and spectrum fees	<u>28,424</u>	<u>113</u>

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

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 related parties

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Axiom Telecom ("Axiom")	168,616	153,844
	<u>168,616</u>	<u>153,844</u>
Due to related party		
Tecom Investments FZ LLC ("Tecom")	38,321	11,080
	<u>38,321</u>	<u>11,080</u>

Axiom is a distributor of the Company's products. The transactions are carried out at commercial rates. The balances mainly represent amounts due in respect of the Company's products sold to Axiom.

The Company has inter-company transactions with Tecom predominantly comprising of rent payable for premises.

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

6.2 Compensation to key management personnel

	Reviewed 31 March 2009 AED 000	Reviewed 31 March 2008 AED 000
Salaries and other short term employee benefits	8,296	6,033
End of service benefits	-	202
Cash settled share based benefits	3,874	-
	<u>12,170</u>	<u>6,235</u>

7 Accounts receivable

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Trade receivables	672,247	653,046
Less: Provision for doubtful debts	(62,046)	(53,601)
	<u>610,201</u>	<u>599,445</u>

8 Other receivables

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Advances to suppliers	84,528	66,901
Interest receivable	7,372	5,241
Staff loans	12,529	12,181
Deposits	23,690	19,110
Other receivables	-	1,600
Derivatives	-	1,242
	<u>128,119</u>	<u>106,275</u>

9 Cash and cash equivalents

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
At bank (on deposit and call accounts)	1,162,630	1,275,414
In hand	211	197
	<u>1,162,841</u>	<u>1,275,611</u>

Notes to the condensed interim financial statements (continued)

10 Long term bank borrowings

During the period, the Company fully drew down the balance of its 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. As of 31 March 2009, the Company satisfies all applicable financial covenants imposed by the loan agreement.

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Long term bank borrowings	3,000,000	2,775,000
	<u>3,000,000</u>	<u>2,775,000</u>

11 Accounts payable and accruals

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Trade payables & accruals	2,310,182	2,028,564
Payroll accruals	59,919	124,336
Customer deposits	25,146	22,972
Retention payable	16,472	16,621
Deferred revenue	200,212	208,332
Other	47,657	24,229
	<u>2,659,588</u>	<u>2,425,054</u>

12 Employee benefits

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
End of service benefits		
Opening balance	40,018	16,246
Provision made during the period	6,322	27,796
Payment made during the period	(452)	(4,024)
Closing balance	<u>45,888</u>	<u>40,018</u>
Cash settled share based benefits		
Total cash settled share based benefits	26,985	23,110
Less: Current portion classified under Payroll accruals (refer note 11)	(14,939)	(13,156)
Non current portion	<u>12,046</u>	<u>9,954</u>
Total employee benefits	<u>57,934</u>	<u>49,972</u>

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

13 Share capital

	Reviewed 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Authorised, issued and fully paid 4,000,000,000 shares of AED 1 each	4,000,000	4,000,000

14 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 for the year 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 31 March 2009 AED 000	Audited 31 December 2008 AED 000
Opening balance	412	-
Transfer to statutory reserve (10% of net profit)	2,337	412
Closing balance	2,749	412

15 General and administrative expenses

	Reviewed Three month period ended 31 March 2009 AED 000	Reviewed Three month period ended 31 March 2008 AED 000
Payroll and employee related expenses	198,772	156,541
Consulting, contracting and outsourcing cost	66,522	39,233
Telecommunications license and related fees	42,720	40,978
Sales and marketing expenses	71,723	70,573
Depreciation and amortisation expenses	124,909	93,170
Network operation and maintenance	157,199	90,673
Rent and utilities	49,217	37,182
Impairment of property, plant and equipment	220	3,473
Provision for receivables	10,712	10,412
Miscellaneous	19,443	17,295
	741,437	559,530

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

16 Finance income and expense

	Reviewed Three month period ended 31 March 2009 AED 000	Reviewed Three month period ended 31 March 2008 AED 000
Finance income		
Interest income	1,806	47
Exchange gain (loss)	(5,233)	244
Finance income	(3,427)	291
Finance expenses		
Gross finance cost	35,815	1,403
Less:- capitalised finance cost	(33,239)	(702)
Net finance expenses	2,576	701
Net finance (expense)/income recognised in the income statement	(6,003)	(410)

17 Other income

During the period the Company recognised AED 18.6 million (2008: AED 33.7 million) in relation to an agreement to vacate one of its operational sites. Furthermore, an amount of AED 6.6 million (2008: AED 4.9 million) has been charged to the income statement in respect of accelerated depreciation on the assets relating to this site.

18. Royalty

The Company has provided for a potential royalty charge in the year estimated at 50 % of the net profit. No determination of the structure of the royalty fee has been advised to the Company as at 31 March. This estimate is based on the current practice followed by the other UAE telecom operator. A decision on the royalty is expected to be known during the course of the 2009 financial year.

	Reviewed Three month period ended 31 March 2009 AED 000	Reviewed Three month period ended 31 March 2008 AED 000
Net profit / (loss) for the period before royalty	46,740	(61,658)
Estimated royalty @ 50% of net profit for the period	23,370	-

19 Profit / (Loss) per share

	Reviewed Three month period ended 31 March 2009	Reviewed Three month period ended 31 March 2008
Net loss for the period (AED 000)	23,370	(61,658)
Number of shares (Number in 000)	4,000,000	4,000,000
Profit / (Loss) Per Share AED	0.0058	(0.0154)

Notes to the condensed interim financial statements (continued)

20 Cash flow from operating activities

	Reviewed Three month period ended 31 March 2009 AED 000	Reviewed Three month period ended 31 March 2008 AED 000
Profit(loss) for the period	23,370	(61,658)
Adjustment for:		
Depreciation of property plant and equipment	94,520	69,427
Amortisation of IT software	26,739	20,064
Amortisation of intangible assets	3,650	3,679
Provision for end of service benefits	6,322	8,215
Amortisation of telecommunication fee	42,720	40,978
Impairment of property, plant and equipment	220	3,473
Finance income and cost	6,003	654
Other income	(18,646)	(33,761)
Net cash flows before changes in working capital	<u>184,898</u>	<u>51,071</u>

21 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 2,090,597 thousand and AED 10,174 thousand, respectively (2008: AED 449,465 thousand and AED 11,223 thousand respectively).

22 Segment analysis

The Company is organized and managed into two major segments, each representing a strategic business unit offering products and services to different markets.

31 March 2009

	Commercial 2009 AED 000	International & Wholesale 2009 AED 000	Total 2009 AED 000
Segment revenue	981,509	184,306	1,165,815
Segment contribution	<u>575,380</u>	<u>88,842</u>	<u>664,222</u>
Unallocated costs			(653,495)
Finance income and expense & other income			<u>12,643</u>
Net profit for the period			<u>23,370</u>

Emirates Integrated Telecommunications Company PJSC**Notes to the condensed interim financial statements (continued)****22 Segment analysis (continued)****31 March 2008**

	Commercial	International & Wholesale	Total
	2008	2008	2008
	AED 000	AED 000	AED 000
Segment revenue	614,734	141,688	756,422
Segment contribution	330,641	63,854	394,495
Unallocated costs			(489,504)
Finance income and expense & other income			33,351
Net loss for the period			(61,658)

The current and the non current assets used in the Company's business and liabilities contracted 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.