

Emirates Integrated
Telecommunications
Company PJSC

Condensed interim financial statements

30 September 2009

Emirates Integrated Telecommunications Company PJSC

Condensed interim financial statements

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Independent auditors' 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 30 September 2009, and the related condensed statement of comprehensive income, statement of changes in equity and the cash flows for the nine-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 nine-month period ended 30 September 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

29 OCT 2009

Vijendra Nath Malhotra
Registration No. 48B

Emirates Integrated Telecommunications Company PJSC

Condensed interim balance sheet

As at 30 September 2009

		Reviewed 30 September 2009	Audited 31 December 2008
	Note	AED 000	AED 000
Non-current assets			
Property, plant and equipment	4	5,348,008	4,283,727
IT software	5.1	431,026	425,543
Telecommunications license fee	5.2	102,022	106,678
Indefeasible right of use	5.3	102,240	108,650
Goodwill		549,050	549,050
Total non-current assets		6,532,346	5,473,648
Current assets			
Deferred fees	5.4	24,064	113
Inventories		30,305	52,962
Accounts receivable	7	839,734	599,445
Other receivables	8	136,657	106,275
Due from related parties	6.1	91,256	153,844
Prepayments		168,454	114,043
Cash and cash equivalents	9	1,208,773	1,275,611
Total current assets		2,499,243	2,302,293
Current liabilities			
Bank overdraft		-	4,901
Loans and borrowings	10.1	99,659	-
Accounts payable and accruals	11	3,181,180	2,425,054
Due to related parties	6.1	8,477	11,080
Total current liabilities		3,289,316	2,441,035
Net current liabilities		(790,073)	(138,742)
Non-current liabilities			
Employee benefits	12	57,910	49,972
Loans and borrowings	10.2	3,000,000	2,775,000
Total non-current liabilities		3,057,910	2,824,972
Net assets		2,684,363	2,509,934
Represented by:			
Share capital	13	4,000,000	4,000,000
Share based payment reserve	14	14,865	-
Statutory reserve	15	16,369	412
Accumulated losses		(1,346,871)	(1,490,478)
Shareholders' equity		2,684,363	2,509,934

The financial statements were approved on 29 October 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 interim income statement for the period ended 30 September 2009

		Reviewed Nine month Period ended 30 September 2009 AED 000	Reviewed Nine month Period ended 30 September 2008 AED 000	Reviewed Three month Period ended 30 September 2009 AED 000	Reviewed Three month Period ended 30 September 2008 AED 000
	<i>Note</i>				
Revenue		3,808,868	2,723,828	1,332,936	1,059,575
Cost of sales		(1,293,986)	(1,022,613)	(456,591)	(390,617)
Gross profit		2,514,882	1,701,215	876,345	668,958
General and administrative expenses	16	(2,229,715)	(1,869,845)	(725,309)	(673,783)
Finance income	17	2,497	8,558	1,076	2,286
Finance expenses	17	(8,272)	(3,262)	(3,471)	(1,642)
Other income	18	39,736	89,306	8,457	35,647
Profit / (loss) before Royalty		319,128	(74,028)	157,098	31,466
Royalty	19	(159,564)	-	(78,549)	-
Profit/ (loss) for the period		159,564	(74,028)	78,549	31,466
Profit and comprehensive income / (loss) attributable to owners of the Company		159,564	(74,028)	78,549	31,466
Earnings /(Loss) Per Share AED	20	0.04	(0.01)	0.02	0.01

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

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Emirates Integrated Telecommunications Company PJSC

Condensed interim statement of cash flows for the period ended 30 September 2009

		Reviewed Nine month Period ended 30 September 2009	Reviewed Nine month Period ended 30 September 2008
	Note	AED 000	AED 000
Net operating cash flows before changes in working capital	21	692,973	250,395
Change in inventories		22,657	(10,899)
Change in accounts receivable		(240,289)	(241,272)
Change in prepayment		(54,411)	(78,654)
Change in other receivables		(30,382)	(120,447)
Change in accounts payable and accruals		247,642	293,652
Change in amounts due from related parties		62,588	(32,577)
Change in amounts due to related parties		(2,603)	14,035
Change in long term portion of Executive Share Option Plan		(9,954)	-
Change in deferred fees		(23,951)	(15,656)
Payment of end of service benefits		(1,686)	(2,150)
Net cash generated from operating activities		662,584	56,427
Cash flows from investing activities			
Purchase of property, plant and equipment		(963,318)	(1,113,365)
Proceeds from disposal of property, plant and equipment		-	99
Purchase of IT software		(70,023)	(90,403)
Payment of telecommunications license fee		(49,800)	(37,350)
Interest Income		2,497	537
Interest expense		(8,272)	(3,262)
Other income		39,736	89,306
Net cash used in investing activities		(1,049,180)	(1,154,438)
Cash flow from financing activities			
Notes payable		99,659	-
Long term financing		225,000	975,000
Net cash from financing activities		324,659	975,000
Net decrease in cash and cash equivalents		(61,937)	(123,011)
Cash and cash equivalents at beginning of the period		1,270,710	89,226
Cash and cash equivalents at the end of the period		1,208,773	(33,785)
These comprise the following:			
Cash and cash equivalents at end of the period	9	1,208,773	30,570
Bank Overdraft		-	(64,355)
Cash and cash equivalents at end of the period		1,208,773	(33,785)

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 30 September 2009

	Share capital	Share based payment reserve	Statutory reserve	Accumulated losses	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
At 1 January 2008	4,000,000	-	-	(1,494,190)	2,505,810
Loss for the period	-	-	-	(74,028)	(74,028)
As at 30 September 2008	4,000,000	-	-	(1,568,218)	2,431,782
At 1 January 2009	4,000,000	-	412	(1,490,478)	2,509,934
Profit for the period	-	-	-	159,564	159,564
Share based payment reserve	-	14,865	-	-	14,865
Transfer to statutory reserve	-	-	15,957	(15,957)	-
At 30 September 2009	4,000,000	14,865	16,369	(1,346,871)	2,684,363

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

Emirates Integrated Telecommunications Company PJSC

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 except for the adoption of the following which does not have any significant impact on the condensed interim financial statements of the Company.

Revised IAS 23 borrowing costs, which removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IFRS 8 Operating segments introduces the "management approach" to segment reporting and requires presentation and disclosure of segment information based on internal reports reviewed by Company's Chief Operating decision maker.

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/(transfers)	-	1,351,317	35,781	192	(11,177)	1,376,113
At 30 September 2009	47,208	4,186,274	165,594	2,123	1,838,391	6,239,590
Depreciation						
At 1 January 2009	6,339	497,967	52,537	1,441	-	558,284
Charge for the period	1,671	276,935	34,675	242	-	313,523
At 30 September 2009	8,010	774,902	87,212	1,683	-	871,807
Impairment / Provision for obsolescence						
At 1 January 2009	-	-	-	-	21,466	21,466
Charge for the period	-	-	-	-	(1,691)	(1,691)
At 30 September 2009	-	-	-	-	19,775	19,775
Net book value						
At 1 January 2009	40,869	2,336,990	77,276	490	1,828,102	4,283,727
At 30 September 2009	39,198	3,411,372	78,382	440	1,818,616	5,348,008

Emirates Integrated Telecommunications Company PJSC

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	67,486	23,068	90,554
At 30 September 2009	582,347	90,944	673,291
Amortization			
At 1 January 2009	157,194	-	157,194
Charge for the period	85,071	-	85,071
At 30 September 2009	242,265	-	242,265
Net book value			
At 1 January 2009	357,667	67,876	425,543
Net book value at 30 September 2009	340,082	90,944	431,026

5.2 Telecommunications licence fee

	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Opening balance	106,678	112,904
Amortisation for the period/year	(4,656)	(6,226)
Closing balance	102,022	106,678

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 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 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Opening balance	108,650	117,220
Amortisation for the period/year	(6,410)	(8,570)
Closing balance	<u>102,240</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 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Deferred annual license fee, numbering fees and spectrum fees	<u>24,064</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/to related parties

	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Due from related parties		
Axiom Telecom ("Axiom")	<u>91,256</u>	<u>153,844</u>
Due to related party		
Tecom Investments FZ LLC ("Tecom")	<u>8,477</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 30 September 2009 AED 000	Reviewed 30 September 2008 AED 000
	Salaries and other short term employee benefits	25,095	25,277
	End of service benefits	-	1,985
	Cash settled share based benefits	-	33,536
		<u>25,095</u>	<u>60,798</u>
7	Accounts receivable	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
	Trade receivables	913,871	653,046
	Less: Provision for doubtful debts	(74,137)	(53,601)
		<u>839,734</u>	<u>599,445</u>
8	Other receivables	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
	Advances to suppliers	92,483	66,901
	Interest receivable	1,625	5,241
	Staff loans	8,373	12,181
	Deposits	34,176	19,110
	Other receivables	-	1,600
	Derivatives	-	1,242
		<u>136,657</u>	<u>106,275</u>
9	Cash and cash equivalents	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
	At bank (on deposit and call accounts)	1,208,465	1,275,414
	In hand	308	197
		<u>1,208,773</u>	<u>1,275,611</u>

Emirates Integrated Telecommunications Company PJSC

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

10 Loans and borrowings

10.1 Notes payable

During the nine month period, the Company issued promissory notes to one supplier amounting to USD 27.13 million. The notes are repayable over a period of one year and carry a fixed interest rate of 4.5% p.a which is accumulated annually. The promissory notes do not have covenants attached.

	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Notes payable	99,659	-
	<u>99,659</u>	<u>-</u>

10.2 Long term bank borrowings

During the period, the Company drew down the balance of its available 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. As at 30 September 2009, the Company satisfies all applicable financial covenants imposed by the loan agreement.

	Reviewed 30 September 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 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Trade payables & accruals	2,625,992	2,028,564
Payroll accruals	95,228	124,336
Customer deposits	33,082	22,972
Retention payable	16,840	16,621
Deferred revenue	220,813	208,332
Other	189,225	24,229
	<u>3,181,180</u>	<u>2,425,054</u>

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

12	Employee benefits	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
	End of service benefits		
	Opening balance	40,018	16,246
	Provision made during the period	19,578	27,796
	Payment made during the period	(1,686)	(4,024)
	Closing balance	<u>57,910</u>	<u>40,018</u>
	Cash settled share based benefits		
	Total cash settled share based benefits (refer note 14)	-	23,110
	Less: Current portion classified under Payroll accruals	-	(13,156)
	Non current portion	<u>-</u>	<u>9,954</u>
	Total employee benefits	<u>57,910</u>	<u>49,972</u>
13	Share capital	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
	Authorised, issued and fully paid 4,000,000,000 shares of AED 1 each	<u>4,000,000</u>	<u>4,000,000</u>
14	Share based payment reserve	Reviewed 30 September 2009 AED 000	Audited 31 December 2008 AED 000
	Share based payment reserve	<u>14,865</u>	<u>-</u>

The Company has in place an Executive Share Option Plan ("ESOP") for selected senior managers of the Company. The ESOP was established during the financial year 2008 and consists of a launch grant scheme and an annual grant scheme. During the quarter, the Company modified the ESOP from a cash settled scheme to an equity settled scheme. All other terms of the scheme remain unchanged. The share options are to be allocated from a pool set aside by the founding shareholders. On 1 July 2009, 25,641,493 options were granted in relation to the 2009 annual grant scheme.

The fair value of the options is calculated using the Black-Scholes option pricing model. The assumptions used to calculate the fair value of the options at 30 September 2009 were: share price of AED 2.55, exercise price AED 2.79 - 5.86, expected volatility of 45% - 54%, risk free interest rate of 0.60% - 2.20% and option life of 1 - 4.5 years.

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

15 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 30 September 2009 AED 000	Audited 31 December 2008 AED 000
Opening balance	412	-
Transfer to statutory reserve (10% of net profit)	15,957	412
Closing balance	<u>16,369</u>	<u>412</u>

16 General and administrative expenses

	Reviewed Nine month Period ended 30 September 2009 AED 000	Reviewed Nine month period ended 30 September 2008 AED 000
Payroll and employee related expenses	545,389	521,885
Consulting, contracting and outsourcing cost	199,408	167,533
Telecommunications license and related fees	119,740	91,595
Sales and marketing expenses	226,375	182,159
Depreciation and amortisation expenses	409,660	290,169
Network operation and maintenance	465,788	394,056
Rent and utilities	180,904	138,121
Impairment of property, plant and equipment	3,527	10,667
Provision for receivables	29,132	27,027
Miscellaneous	49,792	46,633
	<u>2,229,715</u>	<u>1,869,845</u>

17 Finance income and expense

	Reviewed Nine month period ended 30 September 2009 AED 000	Reviewed Nine month period ended 30 September 2008 AED 000
<u>Finance income</u>		
Interest income	3,872	537
Exchange (loss)/gain	(1,375)	7,975
Gain on disposal of assets	-	46
Finance income	<u>2,497</u>	<u>8,558</u>
<u>Finance expenses</u>		
Gross finance cost	105,198	14,417
Less: - capitalised finance cost	(96,926)	(11,155)
Net finance expenses	<u>8,272</u>	<u>3,262</u>

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

18 Other income

During the period the Company recognised AED 39.7 million (2008: AED 71.9 million) in relation to an agreement to vacate one of its operational sites. Furthermore, an amount of AED 6.6 million (2008: AED 30.71 million) has been charged to the income statement in respect of accelerated depreciation on the assets relating to this site.

19 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 30 September 2009. This estimate is based on the current practice followed by the other UAE telecom operator.

	Reviewed Nine month period ended 30 September 2009 AED 000	Reviewed Nine month period ended 30 September 2008 AED 000
Net profit / (loss) for the period before royalty	319,128	(74,029)
Estimated royalty @ 50% of net profit for the period	159,564	-

20 Profit / (Loss) per share

	Reviewed Nine month period ended 30 September 2009	Reviewed Nine month period ended 30 September 2008
Net profit (loss) for the period (AED 000)	159,564	(74,028)
Number of shares (Number in 000)	4,000,000	4,000,000
Profit / (Loss) Per Share AED	0.04	(0.01)

21 Cash flow from operating activities

	Reviewed Nine month period ended 30 September 2009 AED 000	Reviewed Nine month period ended 30 September 2008 AED 000
Profit/(loss) for the period	159,564	(74,028)
Adjustment for:		
Depreciation of property plant and equipment	313,523	212,997
Amortisation of IT software	85,071	66,096
Amortisation of intangible assets	11,066	11,076
Provision for end of service benefits	19,578	18,619
Telecommunication licence and related fee	119,740	91,595
Impairment of property, plant and equipment	3,527	10,667
Finance income	(2,497)	(8,558)
Finance expenses	8,272	3,262
Equity-settled share based payment transactions	14,865	-
Other income	(39,736)	(89,306)
Net cash flows before changes in working capital	692,973	250,395

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

22 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 2,455,822 thousand and AED 20,098 thousand, respectively (2008: AED 1,063,154 thousand and AED 10,526 thousand respectively).

23 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.

30 September 2009

	Commercial	International & Wholesale	Total
	2009	2009	2009
	AED 000	AED 000	AED 000
Segment revenue	3,167,878	640,990	3,808,868
Segment contribution	1,882,265	352,252	2,234,517
Unallocated costs			(2,108,914)
Finance income and expense & other income			33,961
Net profit for the period			159,564

30 September 2008

	Commercial	International & Wholesale	Total
	2008	2008	2008
	AED 000	AED 000	AED 000
Segment revenue	2,300,895	422,933	2,723,828
Segment contribution	1,223,990	216,218	1,440,208
Unallocated costs			(1,608,838)
Finance income (net) and other income			94,602
Loss for the period			(74,028)

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.