



**Emirates Integrated Telecommunications
Company, PJSC**

Interim condensed financial statements

30 June 2006

Emirates Integrated Telecommunications Company, PJSC

Interim condensed financial statements for the period from 28 December 2005 to 30 June 2006

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The Shareholders
Emirates Integrated Telecommunications Company, PJSC
Dubai

Review Report

We have reviewed the accompanying interim condensed balance sheet of Emirates Integrated Telecommunications Company, PJSC ("the Company") as of 30 June 2006, and the related statements of pre-operating costs, changes in equity and cash flows for the period from 28 December 2005 to 30 June 2006. These interim condensed financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

KPMG
Munther Dajani
Registration No. 268

23 July 2006

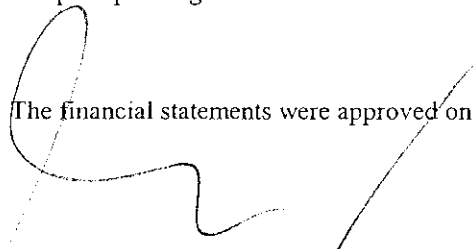
Emirates Integrated Telecommunications Company, PJSC

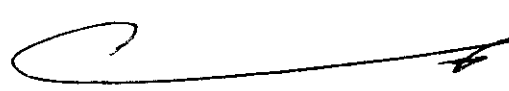
Interim condensed balance sheet

At 30 June 2006

	Note	30 June 2006 AED 000
Non-current assets		
Property, plant and equipment		587,595
Telecommunication license fees	5	122,266
Indefeasible right of use	5	109,315
Goodwill	6	704,860
		<u>1,524,036</u>
Current assets		
Deferred fees	5	66,690
Inventories		42,263
Accounts receivable		87,659
Other receivables		219,086
Cash and cash equivalents		2,383,729
		<u>2,799,427</u>
Current liabilities		
Due to a related party		79,240
Accounts payable and accruals		166,312
		<u>245,552</u>
Net current assets		<u>2,553,875</u>
Non current liabilities		
Fees payable		210,161
Net assets		<u>3,867,750</u>
Shareholders' equity		
Share capital		4,000,000
Net pre-operating costs		(132,250)
		<u>3,867,750</u>

The financial statements were approved on 23 July 2006 by:


Ahmad bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes set out on pages 6 to 8 form part of these interim condensed financial statements.

The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Interim condensed statement of pre-operating costs

For the period from 28 December 2005 to 30 June 2006

	Note	For the period from 28 December 2005 to 30 June 2006 AED 000
General and administrative expenses		(148,855)
Staff costs		(118,540)
Depreciation and amortisation		(24,638)
Pre-incorporation expenses		(24,454)
Pre-operating income (net)	7	101,100
Interest income		82,706
Other income		431
Net pre-operating costs		(132,250)

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The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Interim condensed statement of changes in equity

For the period from 28 December 2005 to 30 June 2006

	Share capital AED 000	Net pre-operating costs AED 000	Total AED 000
Introduction of share capital	4,000,000	-	4,000,000
Net pre-operating costs	-	(132,250)	(132,250)
At 30 June 2006	4,000,000	(132,250)	3,867,750

The notes set out on pages 6 to 8 form part of these interim condensed financial statements.

The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Interim condensed statement of cash flows

For the period from 28 December 2005 to 30 June 2006

For the period from
28 December 2005
to 30 June 2006
AED 000

Set-up activities

Net pre-operating costs for the period	(132,250)
Adjustment for:	
Depreciation and amortisation	24,638
Net pre-operating costs before changes in working capital	(107,612)

Increase in inventories	(42,263)
Increase in accounts receivables and others	(306,745)
Increase in accounts payable and accruals	166,312
Increase in deferred fees	33,655
Increase in due to a related party	79,240

Net cash used in set-up activities	(177,413)
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Investing activities

Purchase of property, plant and equipment	(260,989)
Acquisition of businesses during the period	(1,133,237)
Payment of telecommunication license fees	(12,450)
Purchase of right to use fibre-optic system	(32,182)

Net cash used in investing activities	(1,438,858)
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Financing activities

Introduction of share capital	4,000,000
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Net cash provided by financing activities	4,000,000
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Net increase in cash and cash equivalents	2,383,729
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Cash and cash equivalents at the beginning of the period	-
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Cash and cash equivalents at the end of the period	2,383,729
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This comprises of:

Cash in hand and at bank	363,290
Fixed deposits	2,020,439
	2,383,729

The notes set out on pages 6 to 8 form part of these interim condensed financial statements

The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Notes to the interim condensed 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 27 December 2005. The Company was registered in the commercial register under No. 77967 on 28 December 2005.

The Company's principal objective is to provide wire, wireless and associated telecommunication services. The management expects that the commercial operations of the Company will commence by the end of year 2006.

The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates.

2 Statement of compliance

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard 34, 'Interim Financial Reporting'.

3 Basis of preparation

(a) The interim condensed financial statements have been prepared under the historical cost convention and are presented in United Arab Emirates Dirhams (AED) rounded to the nearest thousand.

(b) The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets, liabilities and the provisions in the financial statements. Actual results may differ from these estimates.

4 Significant accounting policies

(i) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any.

Assets acquired from related parties are stated at revalued amount less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets which is as follows:

	Years
Buildings and leasehold improvements	20-25
Plant and machinery	3-10
Office equipment	3-5
Furniture and fixtures	5
Motor vehicles	4

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Company policies.

(ii) Goodwill

Goodwill represents the excess of cost of acquisition over the fair market value of identifiable assets and liabilities acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any.

(iii) Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Costs includes expenses incurred in bringing each inventory item to its present location and condition and is determined on a weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Emirates Integrated Telecommunications Company, PJSC

Notes to the Interim Condensed Financial Statements (Continued)

4 Significant accounting policies (Continued)

(iv) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and balances with banks under current, call and fixed deposits maturing in less than three month from the balance sheet date.

(v) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of obligation.

(vi) Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's carrying amount is reduced to recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(vii) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rates ruling at the date of transaction. Exchange differences have been dealt with in the interim condensed statement of pre-operating costs.

5 Deferred fees and Indefeasible right of use

30 June 2006
AED 000

Telecommunication licence fees	122,266
Indefeasible right of use	109,315
Spectrum/frequency authorisation fees	52,633
Numbering fees	14,057
	<u>66,690</u>

Telecommunication licence fees represent the fees incurred for obtaining the licence to operate as a telecommunication 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 by the Telecommunication Regulation Authority of United Arab Emirates.

The Indefeasible right of use represent the fee paid to an operator of fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees will be amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

Spectrum/frequency authorisation fees have been charged by the Telecommunication Regulation Authority of the United Arab Emirates for the authorisation of various frequencies to be used by Company.

Numbering fees have been charged by the Telecommunication Regulation Authority of the United Arab Emirates for the allocation of the right of use of mobile number ranges.

Emirates Integrated Telecommunications Company, PJSC

Notes to the Interim Condensed 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, individual directors or by the Board of Directors.

During the period, the Board of Directors approved the acquisition of business and assets of the following wholly owned subsidiaries of Tecom Investments FZ LLC, a related party with effect from 31 December 2005.

Sama Communications Company FZ LLC
DIC Telecom (International Operations) Limited
The technology division of Tecom Investments FZ LLC

The goodwill arising from the acquisition as of 31 December 2005 has been calculated as follows:

	AED 000
	1,133,237
Consideration paid	
Less:	(351,244)
Revalued amount of property, plant and equipment acquired	(77,133)
Revalued amount of right of use of fibre-optic cable system	
	<u>704,860</u>
Goodwill	

7 Pre-operating income (net)

The revenues and cost of sales from the date of acquisition to 30 June 2006, generated by the acquired business amounted to AED 200,865 thousands and AED 99,765 thousands, respectively. These amounts have been netted off as pre-operating income in the statement of pre-operating costs.

8 Capital commitments

The Company has outstanding capital commitments amounting to AED 422,721 thousands as of 30 June 2006.

9 Comparative figures

Comparative figures have not been presented as the Company has been registered in the commercial register on 28 December 2005.

10 Earnings per share

As the Company has not yet commenced its commercial operations, accordingly the earnings per share have not been disclosed.