

**Emirates Integrated
Telecommunications
Company PJSC**

Condensed interim financial statements

31 March 2008

Emirates Integrated Telecommunications Company PJSC

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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 31 March 2008, and the related condensed interim statements of income, changes in equity and cash flows for the three month period then ended ("the interim financial information"). Management is responsible for the preparation and fair presentation of these interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these 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 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendra Nath Malhotra

Registration No. 48B

4 May 2008

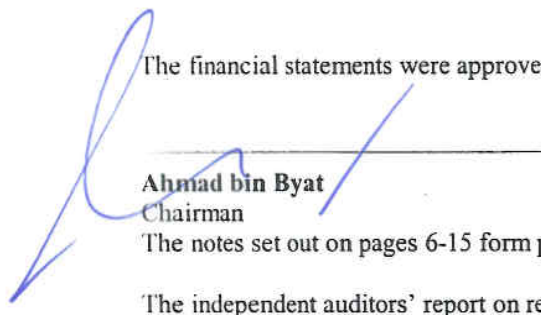
Emirates Integrated Telecommunications Company PJSC

Condensed interim balance sheet

As at 31 March 2008

	Note	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Non-current assets			
Property, plant and equipment	4	2,843,611	2,465,877
IT software	5.1	368,278	348,252
Telecommunications license fee	5.2	111,356	112,904
Indefeasible right of use	5.3	115,089	117,220
Goodwill	6.1	549,050	549,050
Total non-current assets		3,987,384	3,593,303
Current assets			
Deferred fees	5.4	45,400	167
Inventories		56,454	36,423
Accounts receivable	7	461,244	393,517
Other receivables	8	149,965	72,626
Due from related parties	6.2	93,188	111,994
Prepayments		81,682	50,816
Cash and cash equivalents	9	2,874	89,226
Total current assets		890,807	754,769
Current liabilities			
Accounts payable and accruals	11	1,914,367	1,692,498
Short term bank borrowings	10	495,899	-
Net current liabilities		(1,519,459)	(937,729)
Non-current liabilities			
Fees payable	12	-	133,518
End of service benefits	13	23,773	16,246
Total non-current liabilities		23,773	149,764
Net assets		2,444,152	2,505,810
Represented by:			
Share capital	14	4,000,000	4,000,000
Accumulated losses		(1,555,848)	(1,494,190)
Shareholders' equity		2,444,152	2,505,810

The financial statements were approved on 4 May 2008 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 interim income statement

For the period ended 31 March 2008

		Reviewed Three month Period ended 31 March 2008 AED 000	Reviewed Three month Period ended 31 March 2007 AED 000
	<i>Note</i>		
Revenue		756,422	183,212
Cost of sales		(291,977)	(73,162)
Gross profit		464,445	110,050
General and administrative expenses	15	(559,454)	(348,138)
Finance (expense)/ income	16	(410)	22,243
Other income	17	33,761	-
Loss for the period		(61,658)	(215,845)
Loss Per Share AED	18	(0.02)	(0.05)

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 2008

		Reviewed Three month Period ended 31 March 2008 AED 000	Reviewed Three month Period ended 31 March 2007 AED 000
	<i>Note</i>		
Net operating cash flows before changes in working capital	19	51,071	(161,459)
Change in inventories		(20,031)	(13,898)
Change in accounts receivable		(67,727)	(81,878)
Change in prepayment		(30,866)	(15,412)
Change in other receivables		(43,572)	(28,685)
Change in accounts payable and accruals		(268,741)	(74,887)
Change in amounts due from related parties		18,806	(22,968)
Payment of end of service benefits		(688)	(26)
Net cash used in operating activities		(361,748)	(399,213)
Cash flows from investing activities			
Purchase of property, plant and equipment		(171,642)	(113,979)
Purchase of IT software		(10,857)	(29,009)
Payment of telecommunications license fee		(37,350)	(24,900)
Interest Income		47	20,365
Interest expense		(701)	-
Net cash used in investing activities		(220,503)	(147,523)
Cash flow from financing activities			
Short term financing		425,000	-
Net cash from financing activities		425,000	-
Net decrease in cash and cash equivalents		(157,251)	(546,736)
Cash and cash equivalents at beginning of the period		89,226	1,646,278
Cash and cash equivalents at the end of the period		(68,025)	1,099,542
These comprise the following:			
Cash and cash equivalents at end of the period	9	2,874	1,099,542
Bank Overdraft	10	(70,899)	-
Cash and cash equivalents at end of the period		(68,025)	1,099,542

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 2008

	Share capital AED 000	Accumulated losses AED 000	Total AED 000
At 1 January 2007	4,000,000	(608,923)	3,391,077
Loss for the period	-	(215,845)	(215,845)
At 31 March 2007	4,000,000	(824,768)	3,175,232
At 1 January 2008	4,000,000	(1,494,190)	2,505,810
Loss for the period	-	(61,658)	(61,658)
At 31 March 2008	4,000,000	(1,555,848)	2,444,152

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 Basis of measurement

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

iii 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.

iv 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.

v Comparatives

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

3 Significant accounting policies

With the exception of the new accounting policy described in note (i) below, the same accounting policies and methods of computation have been followed in these condensed interim financial statements as compared with the company's recent 2007 annual financial statements.

i Recognition of finance expense

Finance interest is payable on borrowing facilities obtained from financial institutions at normal commercial rates. and are recognized as an expense in the income statement in the period in which they are incurred. Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of acquisition.

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 2008	47,208	1,565,270	69,343	2,097	1,011,364	2,695,282
Additions	-	174,488	18,775	-	257,371	450,634
At 31 March 2008	47,208	1,739,758	88,118	2,097	1,268,735	3,145,916
Depreciation						
At 1 January 2008	4,105	184,907	21,924	959	-	211,895
Charge for the period	556	60,781	7,917	173	-	69,427
At 31 March 2008	4,661	245,688	29,841	1,132	-	281,322
Impairment / Provision for obsolescence						
At 1 January 2008	-	8,586	-	-	8,924	17,510
Charge for the period	-	-	-	-	3,473	3,473
At 31 March 2008	-	8,586	-	-	12,397	20,983
Net book value						
At 31 December 2007	43,103	1,371,777	47,419	1,138	1,002,440	2,465,877
Net book value						
At 31 March 2008	42,547	1,485,484	58,277	965	1,256,338	2,843,611

Plant and equipment includes borrowing cost amounting to AED 702 thousand (31 December 2007: Nil) capitalised in accordance with International Accounting Standard 23 "Borrowing Costs". This relate to bank borrowings for the acquisition of the above plant and equipment.

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 2008	354,284	58,202	412,486
Additions	34,711	5,379	40,090
At 31 March 2008	388,995	63,581	452,576
Amortization			
At 1 January 2008	64,234	-	64,234
Charge for the period	20,064	-	20,064
At 31 March 2008	84,298	-	84,298
Net book value			
At 31 December 2007	290,050	58,202	348,252
Net book value	304,697	63,581	368,278
At 31 March 2008			

5.2 Telecommunications licence fee

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Opening balance	112,904	119,128
Amortisation for the period/year	(1,548)	(6,224)
Closing balance	111,356	112,904

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 2008 AED 000	Audited 31 December 2007 AED 000
Opening balance	117,220	125,848
Amortisation for the period/year	(2,131)	(8,628)
Closing balance	<u>115,089</u>	<u>117,220</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 2008 AED 000	Audited 31 December 2007 AED 000
Deferred annual license fee, numbering fees and spectrum fees	<u>45,400</u>	<u>167</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 Acquisition of businesses

During the period ended 31 December 2006 and based on an independent valuation report, the Board of Directors approved the acquisition of the business and assets of the following wholly owned subsidiaries and division 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
Consideration paid	1,133,237
Less:	
Acquired property, plant and equipment	(507,054)
Acquired amount of right of use of fibre-optic cable system	(77,133)
Goodwill	<u>549,050</u>

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

6 Related party transactions (continued)

6.2 Due from related parties

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Tecom Investments FZ LLC ("Tecom")	21,696	40,881
Axiom Telecom ("Axiom")	71,492	71,113
	<u>93,188</u>	<u>111,994</u>

The Company has significant inter-company transactions with Tecom. These transactions comprise amounts of rent payable for certain premises and collections made on behalf of the Company.

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.

6.3 Compensation to key management personnel

	Reviewed 31 March 2008 AED 000	Reviewed 31 March 2007 AED 000
Salaries and other short term employee benefits	6,033	5,528
End of service benefits	202	191
	<u>6,235</u>	<u>5,719</u>

7 Accounts receivable

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Trade receivables	513,519	435,380
Less: Provision for doubtful debts	(52,275)	(41,863)
	<u>461,244</u>	<u>393,517</u>

8 Other receivables

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Advances to suppliers	96,787	59,218
Interest receivable	-	34
Staff loans	10,024	8,519
Deposits	9,387	4,855
Other receivables (refer note below)	33,767	-
	<u>149,965</u>	<u>72,626</u>

Other receivables comprise compensation from third parties towards relocation of certain assets (refer note 17),

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

9 Cash and cash equivalents

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
The balances were held:		
At bank (on deposit and call accounts)	2,633	89,009
In hand	241	217
	<u>2,874</u>	<u>89,226</u>

10 Short term bank borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Short term bank borrowings	425,000	-
Bank Overdraft	70,899	-
	<u>495,899</u>	<u>-</u>

During the period the Company increased its short term bridge facility to AED 1 billion of which AED 575 million remains undrawn as at 31 March 2008. This facility bears interest at EIBOR plus 60 basis points up to 30 June 2008 and thereafter at 125 basis points and has a maturity date of 30 September 2008.

Subsequent to 31 March 2008, the Company amended its medium term facilities and entered into an underwritten syndicated term loan facility of AED 3 billion carrying interest at EIBOR/ LIBOR plus 125 basis points. The bridge facility will be fully settled on the successful launch of syndication.

11 Accounts payable and accruals

	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
Trade payables & accruals (refer note 12)	1,747,725	1,495,905
Payroll accruals	37,516	65,609
Customer deposits	15,320	12,337
Retention payable	8,769	7,449
Deferred revenue	103,730	110,162
Other	1,307	1,036
	<u>1,914,367</u>	<u>1,692,498</u>

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

12	Fees payable	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
	Total fees	193,366	277,419
	Less: Current portion classified under trade payable and accrual (refer note 11)	(193,366)	(143,901)
	Non current portion	<u>-</u>	<u>133,518</u>
	These comprise fees payable to the Telecommunications Regulatory Authority.		
13	End of service benefits	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 AED 000
	Opening balance	16,246	6,562
	Provision made during the period	8,215	11,155
	Payment made during the period	(688)	(1,471)
	Closing balance	<u>23,773</u>	<u>16,246</u>
14	Share capital	Reviewed 31 March 2008 AED 000	Audited 31 December 2007 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>
15	General and administrative expenses	Reviewed Three month period ended 31 March 2008 AED 000	Reviewed Three month period ended 31 March 2007 AED 000
	Payroll and employee related expenses	141,974	93,225
	Consulting, contracting and outsourcing cost	53,802	54,663
	Telecommunications license and related fees	40,978	35,135
	Sales and marketing expenses	64,832	52,396
	Depreciation and amortisation expenses (refer note 17)	93,170	37,349
	Network operation and maintenance	90,119	38,485
	Rent and utilities	37,182	19,243
	Impairment of property, plant and equipment	3,473	1,396
	Provision for receivables	10,412	5,238
	Miscellaneous	23,512	11,008
		<u>559,454</u>	<u>348,138</u>

Notes to the condensed interim financial statements (continued)

16 Finance income and expense

	Reviewed Three month period ended 31 March 2008 AED 000	Reviewed Three month period ended 31 March 2007 AED 000
Finance income		
Interest income	47	20,365
Exchange gain	244	1,878
Finance income	<u>291</u>	<u>22,243</u>
Finance expenses		
Gross finance cost	1,403	-
Less:- capitalised finance cost (refer note 4)	(702)	-
Net finance expenses	<u>701</u>	<u>-</u>
Net finance (expense)/income recognised in the income statement	<u>(410)</u>	<u>22,243</u>

17 Other income

During 2007 the Company entered into an agreement to vacate one of its operational sites. This agreement provided the transfer of operations to alternate premises within a two year time frame. The agreement provides for compensation of AED 280 million to be paid in four instalments relating to this relocation. The Company has accounted for a net receipt of AED 33.7 million during the current period. Furthermore, an amount of AED 4.9 million has been charged to the income statement in respect of accelerated depreciation on the assets relating to this site(refer note 15).

18 Loss Per share

	Reviewed Three month period ended 31 March 2008	Reviewed Three month period ended 31 March 2007
Net loss for the period (AED 000)	(61,658)	(215,845)
Number of shares (Number in 000)	4,000,000	4,000,000
Loss Per Share AED	<u>(0.02)</u>	<u>(0.05)</u>

Notes to the condensed interim financial statements (continued)

19 Cash flow from operating activities

	Reviewed Three month period ended 31 March 2008 AED 000	Reviewed Three month period ended 31 March 2007 AED 000
Loss for the period	(61,658)	(215,845)
Adjustment for:		
Depreciation of property plant and equipment	69,427	25,942
Amortisation of IT software	20,064	7,675
Amortisation of intangible assets	3,679	3,731
Provision for end of service benefits	8,215	719
Amortisation of telecommunication fee	40,978	35,288
Impairment of property, plant and equipment	3,473	1,396
Finance income and cost	654	(20,365)
Other income	(33,761)	-
Net cash flows before changes in working capital	<u>51,071</u>	<u>(161,459)</u>

20 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 449,465 thousand and AED 11,223 thousand, respectively (2007: AED 717,011 thousand and AED 10,692 thousand respectively).

21 Statutory reserve

In accordance with the UAE Federal Law No 8 of 1984 as amended and the Company's Articles of Association, 10% of the net profit is required to be transferred annually, at the end of each financial year, 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. Since the Company has incurred losses to date, no transfers have been made to a statutory reserve.

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 2008

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

Emirates Integrated Telecommunications Company PJSC**Notes to the condensed interim financial statements (continued)****22 Segment analysis (continued)****31 March 2007**

	Commercial	International & Wholesale	Total
	2007	2007	2007
	AED 000	AED 000	AED 000
Segment revenue	151,599	31,613	183,212
Segment contribution	39,456	11,840	51,296
Unallocated costs			(289,384)
Finance income and expense & other income			22,243
Net loss for the period			(215,845)

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.