

**Emirates Integrated
Telecommunications
Company PJSC**

Condensed interim financial statements

30 September 2008

Emirates Integrated Telecommunications Company PJSC

Condensed interim financial statements

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Contents	Page
Independent auditors' report on review of condensed interim financial information	1
Condensed interim balance sheet	2
Condensed interim income statement	3
Condensed interim statement of cash flows	4
Condensed interim statement of changes in equity	5
Notes to the condensed interim financial statements	6-15



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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 2008, and the related condensed interim statements of income, changes in equity and cash flows for the nine month period then ended ("the interim financial information"). Management is responsible for the preparation and fair presentation of the interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on the interim financial information based on our review.

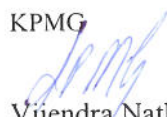
Scope of Review

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

02 NOV 2008

Emirates Integrated Telecommunications Company PJSC

Condensed interim balance sheet

As at 30 September 2008

	Note	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Non-current assets			
Property, plant and equipment	4	3,536,284	2,465,877
IT software	5.1	412,454	348,252
Telecommunications license fee	5.2	108,244	112,904
Indefeasible right of use	5.3	110,804	117,220
Goodwill	6.1	549,050	549,050
Total non-current assets		4,716,836	3,593,303
Current assets			
Deferred fees	5.4	15,823	167
Inventories		47,322	36,423
Accounts receivable	7	634,789	393,517
Other receivables	8	193,073	72,626
Due from related parties	6.2	144,571	111,994
Prepayments		129,470	50,816
Cash and cash equivalents	9	30,570	89,226
Total current assets		1,195,618	754,769
Current liabilities			
Short term bank borrowings	9	64,355	-
Accounts payable and accruals	11	2,386,577	1,692,498
Due to related parties	6.2	14,035	-
Total current liabilities		2,464,967	1,692,498
Net current liabilities		(1,269,349)	(937,729)
Non-current liabilities			
Fees payable	12	-	133,518
Long term bank borrowings	10	975,000	-
Employee benefits	13	40,705	16,246
Total non-current liabilities		1,015,705	149,764
Net assets		2,431,782	2,505,810
Represented by:			
Share capital	14	4,000,000	4,000,000
Accumulated losses		(1,568,218)	(1,494,190)
Shareholders' equity		2,431,782	2,505,810

The condensed interim financial statements were approved on 02 NOV 2008 by:



Saeed Rashid Al Yateem
Board Member



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 30 September 2008

		Reviewed Nine month Period ended 30 September 2008 AED 000	Reviewed Nine month Period ended 30 September 2007 AED 000	Reviewed Three month Period ended 30 September 2008 AED 000	Reviewed Three month Period ended 30 September 2007 AED 000
	<i>Note</i>				
Revenue		2,723,828	897,689	1,059,575	412,225
Cost of sales		(1,022,613)	(409,331)	(390,617)	(195,168)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		1,701,215	488,358	668,958	217,057
General and administrative expenses	15	(1,869,845)	(1,271,329)	(673,783)	(467,584)
Finance income - net	16	5,296	44,352	644	8,590
Other income	17	89,306	-	35,647	-
		<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) for the period		(74,028)	(738,619)	31,466	(241,937)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) per share AED	18	(0.01)	(0.18)	0.01	(0.06)
		<hr/>	<hr/>	<hr/>	<hr/>

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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 30 September 2008

		Reviewed Nine month Period ended 30 September 2008 AED 000	Reviewed Nine month Period ended 30 September 2007 AED 000
	<i>Note</i>		
Net operating cash flows before changes in working capital	19	250,395	(556,830)
Change in deferred fees		(15,656)	(10,049)
Change in inventories		(10,899)	(22,463)
Change in accounts receivable		(241,272)	(200,056)
Change in prepayments		(78,654)	(42,280)
Change in other receivables		(120,447)	4,145
Change in accounts payable and accruals		293,652	247,145
Change in amounts due from related parties		(32,577)	(41,901)
Payment of end of service benefits		(2,150)	(1,090)
Change in amounts due to related parties		14,035	-
Net cash used in operating activities		56,427	(623,379)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,113,365)	(582,269)
Proceeds from disposal of property plant and equipment		99	-
Purchase of IT software		(90,403)	(145,403)
Payment of telecommunications license fee		(37,350)	(24,900)
Interest income		537	40,518
Interest expense		(3,262)	-
Other income		89,306	-
Net cash used in investing activities		(1,154,438)	(712,054)
Cash flow from financing activities			
Long term financing		975,000	-
Net cash from financing activities		975,000	-
Net decrease in cash and cash equivalents		(123,011)	(1,335,433)
Cash and cash equivalents at beginning of the period		89,226	1,646,278
Cash and cash equivalents at the end of the period		(33,785)	310,845
These comprise the following:			
Cash and cash equivalents at end of the period	9	30,570	310,845
Bank overdraft	9	(64,355)	-
Cash and cash equivalents at end of the period		(33,785)	310,845

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 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	-	(738,619)	(738,619)
At 30 September 2007	<u>4,000,000</u>	<u>(1,347,542)</u>	<u>2,652,458</u>
At 1 January 2008	4,000,000	(1,494,190)	2,505,810
Loss for the period	-	(74,028)	(74,028)
At 30 September 2008	<u>4,000,000</u>	<u>(1,568,218)</u>	<u>2,431,782</u>

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 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 is recognized as an expense in the income statement in the period in which it is incurred. Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets.

ii Executive share option plan

In 2008 the Company finalized a long term executive remuneration scheme that entitles the employees to a cash payment based on the increase in the share price of the Company's shares over a specified period.

The fair value of the cost to the company is measured using the Black-Scholes option pricing model. Measurement inputs in the Black-Scholes option pricing model include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. Expenses in respect of this scheme are recognised under payroll and employee related expenses over the period during which services are rendered and is measured at the change in the fair value of the liability at each reporting date.

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 and 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	-	518,742	51,208	-	724,174	1,294,124
Disposals	-	-	-	(166)	-	(166)
At 30 September 2008	47,208	2,084,012	120,551	1,931	1,735,538	3,989,240
Depreciation						
At 1 January 2008	4,105	184,907	21,924	959	-	211,895
Charge for the period	1,673	187,490	23,367	467	-	212,997
Provision for depreciation on disposals	-	-	-	(113)	-	(113)
At 30 September 2008	5,778	372,397	45,291	1,313	-	424,779
Impairment / Provision for obsolescence						
At 1 January 2008	-	8,586	-	-	8,924	17,510
Charge for the period	-	-	-	-	10,667	10,667
At 30 September 2008	-	8,586	-	-	19,591	28,177
Net book value						
At 31 December 2007	43,103	1,371,777	47,419	1,138	1,002,440	2,465,877
At 30 September 2008	41,430	1,703,029	75,260	618	1,715,947	3,536,284

Plant and equipment includes borrowing cost amounting to AED 11.16 million (31 December 2007: Nil) capitalised in accordance with International Accounting Standard 23 "Borrowing Costs". This relates to bank borrowings for the acquisition of the above plant and equipment (refer note 16)

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	120,639	9,659	130,298
At 30 September 2008	474,923	67,861	542,784
Amortization			
At 1 January 2008	64,234	-	64,234
Charge for the period	66,096	-	66,096
At 30 September 2008	130,330	-	130,330
Net book value			
At 31 December 2007	290,050	58,202	348,252
Net book value			
At 30 September 2008	344,593	67,861	412,454

5.2 Telecommunications licence fee

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Opening balance	112,904	119,128
Amortisation for the period/year	(4,660)	(6,224)
Closing balance	108,244	112,904

Telecommunications licence fee represent the fee charged by the Telecommunications Regulatory Authority of the UAE 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 2008 AED 000	Audited 31 December 2007 AED 000
Opening balance	117,220	125,848
Amortisation for the period/year	(6,416)	(8,628)
Closing balance	<u>110,804</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 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Deferred annual license fee, numbering fees and spectrum fees	<u>15,823</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/to related parties

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Due to related party		
Tecom Investments FZ LLC ("Tecom")	14,035	-
	<u>14,035</u>	<u>-</u>
Due from related party		
Tecom Investments FZ LLC ("Tecom")	-	40,881
Axiom Telecom ("Axiom")	144,571	71,113
	<u>144,571</u>	<u>111,994</u>

The Company has significant inter-company transactions with Tecom. These transactions comprise amounts of rent payable for certain premises, construction of network infrastructure and collections made on behalf of the Company and are at agreed rates.

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 30 September 2008 AED 000	Reviewed 30 September 2007 AED 000
Salaries and other short term employee benefits	25,277	20,304
End of service benefits	1,985	696
Executive share option plan	33,536	-
	<u>60,798</u>	<u>21,000</u>

7 Accounts receivable

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Trade receivables	703,679	435,380
Less: Provision for doubtful debts	(68,890)	(41,863)
	<u>634,789</u>	<u>393,517</u>

8 Other receivables

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Advances to suppliers	147,089	59,218
Interest receivable	-	34
Staff loans	13,310	8,519
Deposits	32,674	4,855
	<u>193,073</u>	<u>72,626</u>

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

9 Cash and cash equivalents

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
The balances are held:		
At bank (on deposit and call accounts)	30,330	89,009
In hand	240	217
	<u>30,570</u>	<u>89,226</u>
Short term bank borrowings		
Bank overdraft	64,355	-
	<u>64,355</u>	<u>-</u>

Bank overdraft is unsecured and carries interest at normal commercial rates.

10 Long 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 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Long term bank borrowings	975,000	-
	<u>975,000</u>	<u>-</u>

During the period the Company fully settled its short term bridge facility of AED 1 billion replacing it with its syndicated term loan facility of AED 3 billion of which AED 2.025 billion remains undrawn at 30 September 2008. The facility incurs interest at EIBOR / LIBOR plus 125 basis points and is to be repaid in full, three years from the date of first draw down. As of 30 September 2008, the Company has fulfilled applicable financial covenants imposed by the loan agreement.

11 Accounts payable and accruals

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Trade payables and accruals (also refer note 12)	2,016,166	1,495,905
Employee accruals	113,766	65,609
Customer deposits	19,488	12,337
Retention payable	11,212	7,449
Deferred revenue	224,073	110,162
Other	1,872	1,036
	<u>2,386,577</u>	<u>1,692,498</u>

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

12 Fees payable

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Total fees	-	277,419
Less: Current portion classified under trade payables and accruals (refer note 11)	-	(143,901)
Non current portion	-	133,518

These comprise fees payable to the Telecommunications Regulatory Authority.

13 Employee benefits

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
End of service benefits		
Opening balance	16,246	6,562
Provision made during the period / year	18,619	11,155
Payment made during the period / year	(2,150)	(1,471)
Closing balance	32,715	16,246
Executive share option plan		
Total cash settled share based benefits	33,536	-
Less: Current portion classified under employee accruals (refer note 11)	(25,546)	-
Non current portion	7,990	-
Total employee benefits	40,705	16,246

14 Share capital

	Reviewed 30 September 2008 AED 000	Audited 31 December 2007 AED 000
Authorised, issued and fully paid 4,000,000,000 shares of AED 1 each	4,000,000	4,000,000

15 General and administrative expenses

	Reviewed Nine month period ended 30 September 2008 AED 000	Reviewed Nine month period ended 30 September 2007 AED 000
Payroll and employee related expenses	521,885	407,524
Consulting and outsourcing cost	167,533	94,769
Telecommunications license and related fees	91,595	69,125
Sales and marketing expenses	182,159	196,435
Depreciation and amortisation expenses (refer note 17)	290,169	148,916
Network operation and maintenance	394,056	199,135
Rent and utilities	138,121	92,077
Impairment of property, plant and equipment	10,667	7,195
Provision for receivables	27,027	13,717
Miscellaneous	46,633	42,436
	1,869,845	1,271,329

General and administrative expenses includes AED 33.53 million (30 September 2007: Nil) relating to cash settled share based benefits for the executive share option plan, recognized under payroll and employee related expenses.

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

16 Finance income and expense

	Reviewed Nine month period ended 30 September 2008 AED 000	Reviewed Nine month period ended 30 September 2007 AED 000
<u>Finance income / (expense)</u>		
Interest income	537	40,518
Exchange gain	7,975	3,834
Gain on disposal of assets	46	-
Finance income	8,558	44,352
Finance expense		
Gross finance cost	14,417	-
Less: capitalised finance cost (refer note 4)	(11,155)	-
Finance expense	3,262	-
Net finance income recognised in the income statement	5,296	44,352

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 over an agreed time frame. The agreement provides for compensation of AED 280 million to be paid in four installments relating to this relocation. The Company has accounted for an income of AED 71.9 million during the current nine month period ended 30 September 2008 related to this agreement(2007: Nil). Furthermore, an amount of AED 30.71 million has been charged to the income statement in respect of accelerated depreciation on the assets relating to this site (refer note 15).

The Company has also recognised AED 16.5 million (2007: Nil) in other income as compensation received for vacating an operational site during the current reporting period.

18 Loss per share

	Reviewed Nine month period ended 30 September 2008	Reviewed Nine month period ended 30 September 2007
Net loss for the period (AED 000)	(74,028)	(738,619)
Number of shares (Number in 000)	4,000,000	4,000,000
Loss per share AED	(0.01)	(0.18)

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

19 Cash flow from operating activities

	Reviewed Nine month period ended 30 September 2008 AED 000	Reviewed Nine month period ended 30 September 2007 AED 000
Loss for the period	(74,028)	(738,619)
Adjustment for:		
Depreciation of property plant and equipment	212,997	100,687
Amortisation of IT software	66,096	37,295
Amortisation of intangible assets	11,076	11,028
Provision for end of service benefits	18,619	6,045
Telecommunication licence and related fee	91,595	60,057
Impairment of property, plant and equipment	10,667	7,195
Finance income and cost	2,679	(40,518)
Other income	(89,306)	-
Net cash flows before changes in working capital	<u>250,395</u>	<u>(556,830)</u>

20 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 1,063,154 thousand and AED 10,526 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 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.

Nine month period ended 30 September 2008

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

Emirates Integrated Telecommunications Company PJSC

Notes to the condensed interim financial statements (continued)

22 Segment analysis (continued)

Nine month period ended 30 September 2007

	Commercial	International & Wholesale	Total
	AED 000	AED 000	AED 000
Segment revenue	709,009	188,680	897,689
Segment contribution	204,023	76,980	281,003
Unallocated costs			(1,063,974)
Finance income			44,352
Net loss for the period			(738,619)

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 the 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.