

Emirates Integrated  
Telecommunications Company, PJSC

Interim financial statements  
*30 June 2007*

# Emirates Integrated Telecommunications Company, PJSC

## Interim financial statements

30 June 2007

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## **Independent Auditors' Report on Review of Interim Financial Statements**

The Shareholders  
Emirates Integrated Telecommunications Company, PJSC

### **Introduction**

We have reviewed the accompanying interim balance sheet of Emirates Integrated Telecommunications Company, PJSC ("the Company") as of 30 June 2007 and the related interim statements of income, changes in equity and cash flows for the six month period then ended, and the summary of significant accounting policies and other explanatory notes to the interim financial statements. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim financial statements 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 statements do not present fairly, in all material respects the financial position of the Company as at 30 June 2007, and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34, 'Interim Financial Reporting'.

  
KPMG

Vijendranath Malhotra  
Registration No. 48B

22 July 2007

# Emirates Integrated Telecommunications Company, PJSC

## Interim balance sheet

at 30 June 2007

		Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	4	1,906,820	1,206,781
IT software	5.1	273,795	180,997
Telecommunications license fee	5.2	115,947	119,128
Indefeasible right of use	5.3	121,636	125,848
Goodwill	6.1	549,050	549,050
<b>Total non-current assets</b>		<b>2,967,248</b>	<b>2,181,804</b>
<b>Current assets</b>			
Deferred fees	5.4	66,194	13,300
Inventories		23,328	6,111
Accounts receivable	7	249,319	132,286
Other receivables	8	143,984	116,903
Due from related parties	6.2	67,098	38,171
Cash and cash equivalents	9	683,032	1,646,278
<b>Total current assets</b>		<b>1,232,955</b>	<b>1,953,049</b>
<b>Current liabilities</b>			
Accounts payable and accruals	10	1,281,054	540,102
<b>Net current (liabilities)/assets</b>		<b>(48,099)</b>	<b>1,412,947</b>
<b>Non-current liabilities</b>			
Fees payable	11	15,073	197,112
End of service benefits	12	9,681	6,562
<b>Total non-current liabilities</b>		<b>24,754</b>	<b>203,674</b>
<b>Net assets</b>		<b>2,894,395</b>	<b>3,391,077</b>
<b>Represented by:</b>			
Share capital	13	4,000,000	4,000,000
Accumulated losses		(1,105,605)	(608,923)
<b>Shareholders' equity</b>		<b>2,894,395</b>	<b>3,391,077</b>

The financial statements were approved on 22 JUL 2007 2007 by:

Ahmad bin Byat  
Chairman

Osman Sultan  
Chief Executive Officer

The notes set out on pages 6 to 16 form part of these interim financial statements.  
The Independent auditors' report on review of interim financial statements is set out on page 1.

## Emirates Integrated Telecommunications Company, PJSC

### Interim income statement

for the period ended 30 June 2007

		<b>Reviewed Six month Period ended 30 June 2007 AED 000</b>	<b>Reviewed For the period from 28 Dec 05 to 30 June 2006 AED 000</b>	<b>Reviewed Three month Period ended 30 June 2007 AED 000</b>	<b>Reviewed Three month Period ended 30 June 2006 AED 000</b>
	<i>Note</i>				
<b>Revenue</b>	<i>22</i>	<b>485,464</b>	200,865	<b>302,252</b>	106,478
Cost of sales		<b>(214,016)</b>	(99,765)	<b>(140,883)</b>	(52,000)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		<b>271,448</b>	101,100	<b>161,369</b>	54,478
General and administrative expenses	<i>14</i>	<b>(803,892)</b>	(292,033)	<b>(455,725)</b>	(164,684)
Finance income	<i>15</i>	<b>35,762</b>	83,137	<b>13,520</b>	33,310
Pre-incorporation expenses	<i>16</i>	<b>-</b>	(24,454)	<b>-</b>	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Loss for the period</b>		<b>(496,682)</b>	(132,250)	<b>(280,836)</b>	(76,896)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss Per Share AED	<i>17</i>	<b>(0.12)</b>	(0.03)	<b>(0.07)</b>	(0.02)
		<hr/>	<hr/>	<hr/>	<hr/>

The notes set out on pages 6 to 16 form part of these interim financial statements.

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# Emirates Integrated Telecommunications Company, PJSC

## Interim statement of cash flows

for the period ended 30 June 2007

	Reviewed Six month Period ended 30 June 2007 AED 000	Reviewed For the period from 28 Dec 05 to 30 June 2006 AED 000
Net operating/ pre-operating cash flows before changes in working capital- refer to note 18	(341,425)	(76,181)
Change in inventories	(17,216)	(42,263)
Change in accounts receivable	(120,230)	(306,745)
Change in other receivables	(23,884)	166,312
Change in accounts payable and accruals	467,451	2,224
Change in amounts due from related parties	(28,927)	79,240
Net cash used in operating/ pre-operating activities	(64,231)	(177,413)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(760,072)	(260,989)
Acquisition of businesses during the period- refer to note 6.1	-	(1,133,237)
Purchase of software	(114,043)	(32,182)
Payment of telecommunication license fees	(24,900)	(12,450)
Net cash used in investing activities	(899,015)	(1,438,858)
<b>Cash flow from financing activities</b>		
Introduction of share capital	-	4,000,000
Net cash from financing activities	-	4,000,000
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(963,246)	2,383,729
Cash and cash equivalents at beginning of the period (note 9)	1,646,278	-
Cash and cash equivalents at end of the period (note 9)	683,032	2,383,729

The notes set out on pages 6 to 16 form part of these interim financial statements.

The Independent auditors' report on review of interim financial statements is set out on page 1.

## Emirates Integrated Telecommunications Company, PJSC

### Interim statement of changes in equity for the period ended 30 June 2007

	Share capital AED 000	Accumulated losses AED 000	Total AED 000
At 28 December 2005	-	-	-
Introduction of share capital	4,000,000	-	4,000,000
Loss for the period	-	(132,250)	(132,250)
At 30 June 2006	<u>4,000,000</u>	<u>(132,250)</u>	<u>3,867,750</u>
At 1 January 2007	4,000,000	(608,923)	3,391,077
Loss for the period	-	(496,682)	(496,682)
<b>At 30 June 2007</b>	<u><b>4,000,000</b></u>	<u><b>(1,105,605)</b></u>	<u><b>2,894,395</b></u>

The notes set out on pages 6 to 16 form part of these interim financial statements.

## **Emirates Integrated Telecommunications Company, PJSC**

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### **Notes to the 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 interim financial statements have been prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting”.

##### **ii Basis of measurement**

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

##### **iii Functional and presentation currency**

These interim 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 interim 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 interim financial statements and estimates with a significant 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.

#### **3 Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company’s interim financial statements.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.



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

**3 Principal accounting policies (continued)**

**i Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Assets acquired from related parties are stated at revalued amounts less accumulated depreciation. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives for the current and comparative period are as follows:

	<b>Years</b>
Buildings	20-25
Plant and equipment	3-10
Furniture and fixtures	5
Motor vehicles	4

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

**ii Goodwill**

Goodwill represents the excess of the 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.

**iii Intangible assets**

Intangible assets that are acquired by the Company, which have finite useful life, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful lives of the intangible assets, other than goodwill, from the date that they are available for use which are as follows:

	<b>Years</b>
IT software	5
Telecommunications license fees	20
Indefeasible right of use	15

**iv Inventories**

Inventories are measured at the lower of cost and estimated net realisable value. Cost 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.

**v Trade and other receivables**

Trade and other receivables are stated at amortised cost less impairment losses. Bad debts are written off when identified.

**vi Cash and cash equivalents**

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

**vii Trade and other payables**

Trade and other payables are stated at amortised cost.

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

**3 Principal accounting policies (continued)**

**viii 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 that obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability

**ix End of service benefits**

The provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with UAE Federal Law and is based on the liability that would arise if the employment of the entire Company's staff were terminated at the balance sheet date except for UAE national staff who are members of the UAE Federal Pension scheme into which the Company makes contribution.

**x 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 the recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

**xi Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the interim financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

**xii 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 rate 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 are dealt with in the income statement.

**xiii Revenue recognition**

Revenue represents amounts invoiced/ accrued for telecommunication services provided comprising usage charges, fixed monthly subscription charges, internet usage charges, activation fees, processing fees and fees for value added services.

Revenue from telecommunication services is recognised when services have been rendered and is net of discounts and rebates allowed.

Return on deposits is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate of return.

## Notes to the interim financial statements (continued)

## 4 Property, plant and equipment

	Buildings AED 000	Plant and equipment AED 000	Furniture & fixture AED 000	Motor vehicles AED 000	Capital work in progress AED 000	Total AED 000
<b>Cost</b>						
At 1 January 2007	47,177	535,821	28,719	2,082	668,874	1,282,673
Additions	-	709,728	28,859	-	24,530	763,117
Transfer	31	-	-	(31)	-	-
At 30 June 2007	47,208	1,245,549	57,578	2,051	693,404	2,045,790
<b>Depreciation</b>						
At 1 January 2007	2,206	59,893	3,135	277	-	65,511
Charge for the period	774	51,301	7,730	322	-	60,127
At 30 June 2007	2,980	111,194	10,865	599	-	125,638
<b>Impairment / Provision for obsolescence</b>						
At 1 January 2007	-	7,774	-	-	2,607	10,381
Charge for the period	-	812	-	-	2,139	2,951
At 30 June 2007	-	8,586	-	-	4,746	13,332
<b>Net book value</b>						
At 30 June 2007	44,228	1,125,769	46,713	1,452	688,658	1,906,820
Net book value At 31 December 2006	44,971	468,154	25,584	1,805	666,267	1,206,781

## 5 Intangible assets and deferred fees

## 5.1 IT software

	Software in use AED 000	Capital work in progress AED 000	Total AED 000
<b>Cost</b>			
At 1 January 2007	73,117	116,642	189,759
Additions	114,043	-	114,043
Transfer	88,397	(88,397)	-
At 30 June 2007	275,557	28,245	303,802
<b>Amortisation</b>			
At 1 January 2007	(8,762)	-	(8,762)
Charge for the period	(21,245)	-	(21,245)
At 30 June 2007	(30,007)	-	(30,007)
<b>Net book value</b>			
At 30 June 2007	245,550	28,245	273,795
Net book value At 31 December 2006	64,355	116,642	180,997

Notes to the interim financial statements (continued)

5 Intangible assets and deferred fees (continued)

5.2 Telecommunication licence fees

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Opening balance	119,128	-
Recognised asset during the period	-	124,500
Amortisation for the period	(3,181)	(5,372)
Closing balance	<u>115,947</u>	<u>119,128</u>

Telecommunications licence fees represent the fee charged by the Telecommunications Regulatory Authority TRA 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 by TRA.

5.3 Indefeasible right of use

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Opening balance	125,848	-
Recognised asset during the period	-	128,657
Amortisation for the period	(4,212)	(2,809)
Closing balance	<u>121,636</u>	<u>125,848</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 June 2007 AED 000	Audited 31 December 2006 AED 000
Deferred annual license fees, numbering fees and spectrum fees	<u>66,194</u>	<u>13,300</u>

Spectrum/frequency authorisation fees have been charged by the TRA for the authorisation of various frequencies to be used by the Company. Annual license fees are charged by the TRA in respect of the license awarded to the Company for providing telecommunications services in UAE. Numbering fees have been charged by the TRA for the allocation of the right of use of mobile/Fix 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, individual directors 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/ 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

## Emirates Integrated Telecommunications Company, PJSC

### Notes to the interim financial statements (continued)

#### 6 Related party transactions (continued)

##### 6.1 Acquisition of businesses (continued)

The goodwill arising from the acquisition as of 31 December 2005 has been calculated as follows:	Audited 31 December 2006 AED 000
Consideration paid	1,133,237
Less:	
Acquired property, plant and equipment	(351,244)
Acquired amount of right of use of fibre-optic cable system	(77,133)
Goodwill as initially reported	<u>704,860</u>

The Company has revalued the assets acquired as of 31 December 2005 to their fair values within the one year period permitted by IFRS 3 and effected the change by reducing the goodwill value and increasing the value of property, plant and equipment as summarised below:

	Audited 31 December 2006 AED 000
Goodwill as initially reported	704,860
Less: Revaluation difference of acquired property, plant and equipment added to property, plant and equipment	(155,810)
Adjusted goodwill	<u>549,050</u>

##### 6.2 Due from related parties

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Tecom Investments FZ LLC "Tecom"	44,107	38,171
Axiom Telecom ("Axiom")	22,991	-
	<u>67,098</u>	<u>38,171</u>

The Company has significant inter-company transactions with Tecom. These transactions comprise expenses paid by Tecom on behalf of the Company in the course of setting it up, and billing to customers and collections on behalf of the Company. All such transactions are performed by Tecom at cost without an extra charge to the Company. Balance due from Tecom as of 30 June 2007 mainly represents collection on behalf of the Company.

Axiom is a distributor of the Company's products. The transactions are carried out at agreed rates. The balance due at 30 June 2007 mainly represents amounts due in respect of the Company's products sold to Axiom.

##### 6.3 Compensation to key management personnel

	Reviewed Six month period ended 30 June 2007 AED 000	Reviewed For the period from 28 Dec 05 to 30 June 06 2006 AED 000
Salaries and other short term employee benefits	17,234	9,984
End of service benefits	1,013	382
	<u>18,247</u>	<u>10,366</u>

# Emirates Integrated Telecommunications Company, PJSC

## Notes to the interim financial statements (continued)

### 7 Accounts receivables

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Trade receivables	286,383	164,761
Less: Provision for doubtful debts	(37,064)	(32,475)
	<u>249,319</u>	<u>132,286</u>

### 8 Other receivables

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Supplier advances & prepayments	127,016	85,541
Interest receivable	2,957	14,840
Staff loans	9,779	14,627
Deposits	4,232	1,895
	<u>143,984</u>	<u>116,903</u>

### 9 Cash and cash equivalents

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
The balances were held:		
At banks		
- In deposit accounts & call accounts	682,856	1,646,224
In hand	176	54
	<u>683,032</u>	<u>1,646,278</u>

During the period, the balances in deposit accounts earned interest ranging from 3.6 % to 6.5 % per annum.

# Emirates Integrated Telecommunications Company, PJSC

## Notes to the interim financial statements (continued)

### 10 Accounts payable and accruals

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Trade payables & accruals	1,165,489	474,051
Staff accruals	27,037	57,699
Customer deposits	6,599	3,325
Retention payable	5,434	3,981
Deferred revenue	75,858	-
Other	637	1,046
	<u>1,281,054</u>	<u>540,102</u>

### 11 Fees payable

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Total fees	234,614	222,012
Less: Current portion	(219,541)	(24,900)
Non current portion	<u>15,073</u>	<u>197,112</u>

These comprise fees payable to TRA.

### 12 End of service benefits

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 AED 000
Opening balance	6,562	-
Provision made during the period	3,638	6,562
Payment made during the period	(519)	-
Closing balance	<u>9,681</u>	<u>6,562</u>

### 13 Share capital

	Reviewed 30 June 2007 AED 000	Audited 31 December 2006 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>

Notes to the interim financial statements (continued)

14 General and administrative expenses

	Reviewed Six month period ended 30 June 2007 AED 000	Reviewed For the period from 28 Dec 05 to 30 June 2006 AED 000
Payroll and employee related expenses	202,263	118,540
Consulting, Contracting & Outsourcing fees	123,244	61,389
Annual license, spectrum and numbering fees charged by TRA	62,854	31,431
Sales and marketing expenses	91,366	1,840
Depreciation and amortisation expenses	88,765	24,638
Network operation and maintenance	106,518	5,663
Rent	49,192	10,629
Provision for receivables	14,564	14,997
Impairment of property, plant and equipment	2,951	-
Miscellaneous	62,175	22,906
	<u>803,892</u>	<u>292,033</u>

15 Finance income

	Reviewed Six month period ended 30 June 2007 AED 000	Reviewed For the period from 28 Dec 05 to 30 June 2006 AED 000
Interest income	33,776	82,706
Exchange gain	1,986	431
	<u>35,762</u>	<u>83,137</u>

16 Pre-incorporation expenses

	Reviewed Six month period ended 30 June 2007 AED 000	Reviewed For the period from 28 Dec 05 to 30 June 2006 AED 000
Staff cost	-	12,922
Consulting fees	-	7,197
General and administrative expenses	-	4,335
	<u>-</u>	<u>24,454</u>

These represent expenses incurred by a related party on behalf of the Company prior to its incorporation on 28 December 2005.



## Emirates Integrated Telecommunications Company, PJSC

### Notes to the interim financial statements (continued)

#### 17 Loss Per Share

	<b>Reviewed Six month period ended 30 June 2007</b>	<b>Reviewed For the period from 28 Dec 05 to 30 June 2006</b>
Net loss for the period AED 000	(496,682)	(132,250)
Number of shares Number in 000	<b>4,000,000</b>	<b>4,000,000</b>
Loss Per Share AED	<u>(0.12)</u>	<u>(0.03)</u>

#### 18 Cash flow from operating/ pre-operating activities

	<b>Reviewed Six month period ended 30 June 2007 AED 000</b>	<b>Reviewed For the period from 28 Dec 05 to 30 June 2006 AED 000</b>
Loss for the period	(496,682)	(132,250)
Adjustment for:		
Depreciation of property plant and equipment	60,127	24,638
Amortisation of intangible assets	28,638	-
Provision for end of service benefits	3,638	-
Amortisation of fees charged by TRA	62,854	31,431
Net pre-operating cash flows before changes in working capital	<u>(341,425)</u>	<u>(76,181)</u>

#### 19 Contingent liabilities and commitments

The Company has outstanding capital commitments and outstanding bank guarantees amounting to AED 671,654 thousands and AED 8,468 thousands, respectively as of 30 June 2007 (31 December 2006: 783,698 thousands and 8,600 thousands respectively).

#### 20 Financial instruments

Financial assets of the Company include cash and bank balances, trade and other receivables, amounts due from related parties and financial liabilities of the Company include trade and other payables.

##### Interest rate risk

The Company's deposits with banks carry interest at agreed rates. The Company does not have significant interest rate risk.

##### Credit risk

Cash is placed with local banks. Trade and other receivables include contract receivables, retentions and other receivables and are stated at cost less impairment losses. These receivables are subject to market credit risks, which are closely monitored by management.

##### Foreign currency risk

The Company deals mainly in US Dollar and AED and does not have other significant exposures to foreign currency. The exchange rate of the AED has been pegged against the US Dollar since November 1980.

##### Fair value

The fair values of the Company's financial instruments approximate their carrying values.

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

**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**

Business segments:

The Company is organised and managed in three major segments, each representing a strategic business unit offering products and services to different markets.

	<b>Enterprise 2007 AED 000</b>	<b>Consumer 2007 AED 000</b>	<b>Carrier 2007 AED 000</b>	<b>Total 2007 AED 000</b>
Segment revenue	181,035	214,812	89,617	485,464
Segment contribution	120,961	109,109	41,378	271,448
Unallocated costs				(803,892)
Finance income				35,762
Net loss for the period				(496,682)

Comparatives for the segment analysis are not presented as the Company had not commence its commercial operations during the previous period.

**23 Comparatives**

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