

Sudan Telecommunications Company Limited

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

Sudan Telecommunications Company Limited

CONSOLIDATED BALANCE SHEET

31 December 2007

	<i>Notes</i>	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
ASSETS			
Non-current assets			
Property, plant and equipment	4	590,410,396	531,593,354
Intangible assets	5	651,421,671	303,401,550
Investments in associates	6	15,217,613	10,745,563
Non trading investments	7	405,240,685	415,380,860
Deferred expenses	5	-	104,496,613
		1,662,290,365	1,365,617,940
Current assets			
Non trading investments	7	118,654,016	58,274,696
Inventories	9	56,940,581	81,975,932
Trade and other receivables	10	250,542,162	265,307,984
Term Islamic deposits	11	304,288,218	412,662,877
Bank balances and cash	12	50,280,338	133,112,420
		780,705,315	951,333,909
TOTAL ASSETS		2,442,995,680	2,316,951,849
EQUITY AND LIABILITIES			
Equity			
Share capital	13	744,929,500	744,929,500
Share premium	13	292,601,044	292,601,044
General reserve	13	289,956,019	180,993,042
Foreign exchange translation reserve	13	55,860,059	71,622,320
Retained earnings		108,894,975	375,785,678
Proposed dividends	25	148,985,900	305,104,290
Proposed bonus share issue	25	148,985,900	-
		1,790,213,397	1,971,035,874
Minority interests		883,403	2,001,057
Total equity		1,791,096,800	1,973,036,931
Non-current liabilities			
Non current portion of Islamic finance	14	348,350,379	102,619,224
Employees' end of service benefits	18	5,638,307	2,908,457
		353,988,686	105,527,681
Current liabilities			
Trade payables and accruals	15	160,828,772	73,161,140
Zakat provision	22	40,149,688	44,259,185
Current portion of Islamic finance	14	96,931,734	120,966,912
		297,910,194	238,387,237
Total liabilities		651,898,880	343,914,918
TOTAL EQUITY AND LIABILITIES		2,442,995,680	2,316,951,849

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2008 and signed on their behalf by:

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	<i>Notes</i>	2007 USD	2006 USD
Income			
Operating revenues	16	621,102,892	259,426,530
Less: Operating expenses	17	(386,550,810)	(144,163,050)
Gross profit		234,552,082	115,263,480
Profit from investments and deposits	20	104,637,385	104,631,199
Share of profits from associated companies	6	1,811,259	-
Other income	19	7,451,594	1,017,704,416
		348,452,320	1,237,599,095
Expenses			
General and administration	21	(106,949,699)	(67,304,694)
Accounts receivable written off	10	-	(70,812,570)
Impairment of property, plant and equipment	4	-	(252,152,249)
Consolidated profit before Zakat and tax		241,502,621	847,329,582
Zakat provision	22	(12,198,000)	(37,767,281)
Social Development Tax provision	23	(7,269,521)	(547,468)
Profit after Zakat and tax		222,035,100	809,014,833
Loss (profit) attributable to minority shareholders		3,794,502	(548)
Attributable to equity holders of the parent company		225,829,602	809,014,285
BASIC AND DILUTED EARNINGS PER SHARE	24	0.30	1.09

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 USD	2006 USD
OPERATING ACTIVITIES			
Net profit after Zakat and tax		222,035,100	809,014,833
Adjustments for:			
Depreciation	4	76,190,964	75,955,071
Amortisation	5	42,435,415	19,020,671
Trade debts written off	10	-	70,812,570
Impairment of property, plant and equipment	4	-	252,152,249
Profit on fixed deposits and other investments		(104,637,385)	(104,631,199)
Share of profits from associated companies	6	(1,811,259)	-
Provision for doubtful debts	10	1,616,554	5,011,939
Provision for obsolete and slow moving stock	9	2,360,000	-
Provision for reduction in value of investments	7	90,318	-
Provision for employees' end of service benefits	18	2,807,059	2,863,374
Provision for Zakat	22	12,198,000	37,767,281
Provision for tax	23	7,269,521	547,468
Goodwill written off	5	1,896,859	10,654,222
Loss on disposal of intangible assets	5	2,212,007	-
Formation costs written off	5	1,141,938	-
Capital work in progress derecognised on sale of Mobitel	5	-	40,290,475
Gain on disposal of property, plant and equipment	4	(629,005)	(1,846,475)
Gain on sale of Mobitel		-	(819,352,846)
Operating profit before working capital changes		265,176,086	398,259,633
Inventories (net)		22,722,628	(19,943,855)
Payables (net)		74,091,383	(31,810,183)
Receivables (net)		(36,288,026)	(90,350,929)
Term Islamic deposits (net)		108,374,659	(412,662,877)
Zakat paid	22	(16,307,497)	(6,289,871)
End of service benefit paid	18	(105,206)	(2,850,640)
Tax paid	23	(294,852)	(252,616)
Net cash from (used in) operating activities		417,369,175	(165,901,338)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(137,100,381)	(131,531,039)
Proceeds from sale of property, plant and equipment	4	653,068	1,912,632
Additional investment in associated companies	6	(1,370,000)	(1,064,000)
Additional investments made (net)		(50,329,463)	(152,658,630)
Additions to intangible assets	5	(315,737,435)	(392,289,736)
Net proceeds from sale of a subsidiary		-	1,015,397,655
Acquisition of a subsidiary	8	(1,025,299)	-
Profit received from fixed deposits and other investments		100,530,480	45,202,755
Dividends received from an associated companies	6	798,265	48,023
Minority interests		2,550,082	2,000,509
Net cash (used in) from investing activities		(401,030,683)	387,018,169
FINANCING ACTIVITIES			
Long term loans	14	221,695,977	26,726,551
Dividends paid	25	(305,104,290)	(326,857,505)
Paid to minority interests on sale of Mobitel		-	(133,622,588)
Net cash used in financing activities		(83,408,313)	(433,753,542)
Foreign exchange translation		(15,762,261)	71,622,320
DECREASE IN CASH AND CASH EQUIVALENTS		(82,832,082)	(141,014,391)
Cash and cash equivalents at the beginning of the year		133,112,420	274,126,811
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	50,280,338	133,112,420

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to equity holders of the Parent Company									Total USD
	Share capital USD	Share premium USD	General reserve USD	Foreign exchange translation reserve USD	Revaluation reserve USD	Retained earnings USD	Proposed dividends USD	Proposed bonus share issue USD	Minority interests USD	
Balance as at 1 January 2006	744,929,500	292,601,044	104,752,866	-	115,000,000	1,244,040	165,139,689	-	133,622,588	1,557,289,727
Profits distributed to minority interests on sale of Mobitel	-	-	-	-	-	-	-	-	(133,622,588)	(133,622,588)
Minority interests arising from incorporation of new subsidiaries	-	-	-	-	-	-	-	-	2,000,509	2,000,509
Retained earnings reversed -Mobitel	-	-	-	-	-	(1,244,040)	-	-	-	(1,244,040)
Dividends received from Mobitel	-	-	-	-	-	183,580,096	-	-	-	183,580,096
Transferred to distributable proposed dividends	-	-	-	-	-	(183,532,073)	-	-	-	(183,532,073)
Net profit after Zakat and tax	-	-	-	-	-	809,014,285	-	-	548	809,014,833
Dividends proposed - 2006 (note 25)	-	-	-	-	-	(297,971,800)	297,971,800	-	-	-
Transfer to general reserve (note 13)	-	-	76,240,176	-	-	(76,240,176)	-	-	-	-
Dividends proposed - 2005 (note 25)	-	-	-	-	-	(168,850,306)	168,850,306	-	-	-
Dividends paid (note 25)	-	-	-	-	-	-	(326,857,505)	-	-	(326,857,505)
Exchange adjustments	-	-	-	71,622,320	-	-	-	-	-	71,622,320
Revaluation reserve	-	-	-	-	(115,000,000)	115,000,000	-	-	-	-
Prior period adjustments	-	-	-	-	-	(5,214,348)	-	-	-	(5,214,348)
Balance at 31 December 2006	744,929,500	292,601,044	180,993,042	71,622,320	-	375,785,678	305,104,290	-	2,001,057	1,973,036,931
Balance as at 1 January 2007	744,929,500	292,601,044	180,993,042	71,622,320	-	375,785,678	305,104,290	-	2,001,057	1,973,036,931
Prior period adjustments (note 2.2)	-	-	-	-	-	(85,785,528)	-	-	-	(85,785,528)
Profit for the year	-	-	-	-	-	225,829,602	-	-	(3,794,502)	222,035,100
Share capital contributed by minority interests	-	-	-	-	-	-	-	-	2,550,082	2,550,082
Minority interests accounted on acquisition of a subsidiary	-	-	-	-	-	-	-	-	126,766	126,766
Transfer to general reserve (note 13)	-	-	108,962,977	-	-	(108,962,977)	-	-	-	-
Dividends proposed-2007 (note 25)	-	-	-	-	-	(148,985,900)	148,985,900	-	-	-
Proposed bonus share issue -2007 (note 25)	-	-	-	-	-	(148,985,900)	-	148,985,900	-	-
Dividends paid (note 25)	-	-	-	-	-	-	(305,104,290)	-	-	(305,104,290)
Exchange adjustments	-	-	-	(15,762,261)	-	-	-	-	-	(15,762,261)
Balance as at 31 December 2007	744,929,500	292,601,044	289,956,019	55,860,059	-	108,894,975	148,985,900	148,985,900	883,403	1,791,096,800

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

1 ACTIVITIES

Sudan Telecommunications Company Limited ("Sudatel" or "the Company ") is a Public Listed Company incorporated in the Republic of Sudan in accordance with Sudan Commercial Companies law for the year 1925 under commercial registration (CR) number 7484. The company has its registered office at Sudatel Tower , Building 9/A, block No. 2 Khartoum West , Khartoum, Republic of Sudan.

The Company and its subsidiaries are engaged in the provision of installation, maintenance, and operation of telecommunication services, infrastructure and the provision of wire and wireless telecommunication services.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except for available - for - sale investments that have been measured at fair value. The consolidated financial statements are presented in US dollars.

Statement of compliance

The consolidated financial statements of Sudan Telecommunications Company Limited and all its subsidiaries ("the Group") have been prepared in accordance with Sudanese Generally Accepted Accounting Principles.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Sudan Telecommunications Company Limited and its subsidiaries as at 31 December each year.

Subsidiaries are those enterprises controlled by Group. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain economic benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control effectively ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries at the balance sheet date:

Company	Country of incorporation	Shareholding percentage	
		2007	2006
Chinguitel Telecom Company Limited.	Mauritania	60%	60%
Al Gadida Asima Services Company Limited	Sudan	60%	-
Sudatel Engineering Services	Sudan	100%	-
Sudanese Internet Company Limited	Sudan	100%	100%
Datanet Company Limited	Sudan	99%	99%
Sudasat Company	Sudan	51%	51%

All intragroup balances and transactions, and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Minority interests represent the portion of the profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows. The changes in policies were made to align the Group's accounting policies with those generally prevailing in the telecommunication industry.

Intangible assets

The Group had been capitalising formation costs, brand, restructuring costs and goodwill which were recorded initially at cost and amortised - except for goodwill - on a straight line basis over the estimated useful lives as follows:

Formation costs	5 years
Brand	20 years
Restructuring costs	3 years

The Group has changed its accounting policies on recognition and measurement of formation , brand and restructuring costs from capitalising and amortising these costs to expensing them as they are incurred. This has resulted in adjusting the opening retained earnings by USD 29,261,330 and charging an amount of USD 6,346,684 to the consolidated income statement in the current year.

Goodwill had been recognised initially at cost being the excess of the cost of the business combination over the Group's share in the net assets of the subsidiary's identifiable assets, liabilities, and contingent liabilities as at the balance sheet date in the year of acquisition. Subsequently, goodwill was remeasured as the difference between cost and the Group's share of net assets of the subsidiary at each balance sheet date.

In 2007, the Group adopted the purchase method for accounting for business combinations and recognised goodwill at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities. Due to losses made by the subsidiaries, the Group had written off the goodwill balance at 1 January 2007 of USD 1,896,859.

Investment in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in associates was recognised initially at cost.

The income statement reflects the dividends received from the associates. Impairment is recognised when there is significant reduction in the carrying amount of the investment.

As a result of adopting the equity method on accounting for associates in 2007, the net profit for the year ended 31 December 2007 has increased by USD 1,811,259 and the opening retained earnings by USD 2,089,056.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

In addition to the changes in accounting policies the Group has made changes to other accounting estimates of certain amounts receivable and payable relating to prior years.

Trade and other receivables

Amounts due from other operators of USD 11,953,767 has been written off and adjusted against the opening retained earnings as they are deemed uncollectible and pertain to periods prior to 2006. After the introduction of wireless mobile services, long outstanding receivables of USD 40,769,308 on account of old outstanding trade debts for periods prior to 2007 have been adjusted against the opening retained earnings for the current year.

Further, advances paid to suppliers and contractors and other receivables have been written of for USD 1,263,909 and USD 446,610 respectively, which pertain to periods prior to 2006 as the company paid these parties upon receipt of services and goods without adjusting the advances paid.

Other changes in estimates principally related to miscellaneous amounts due from other telecommunication operators and maintenance costs.

The prior period adjustments impacting the opening retained earnings are as follows:

	2007 USD
Changes in accounting policies	
Write off of capitalised formation, brand and restructuring costs	29,261,330
Share of profit from associates	(2,089,056)
	27,172,274
Change in accounting estimates	
Provision for doubtful debts (refer note 10)	52,723,075
Write off advances paid to suppliers and contractors (refer note 10)	1,263,909
Write off other receivables (refer note 10)	446,610
Others	4,179,660
	85,785,528

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment. The estimated useful lives for the current year and comparative periods are as follows:

Buildings	40 years
Network equipment and cables	25 years
Communication equipment	10 years
Earth station	10 years
Motor vehicles	5 years
Furniture and computers	10 years

Depreciation methods, useful lives and residual values, are reassessed and adjusted, if appropriate, at each balance sheet date.

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Contracted repairs and major maintenance

All major maintenance and repair costs are expensed as incurred, as the pattern of major maintenance is regular and evenly spread over the year.

Borrowing costs

Borrowing costs comprising fees and profit directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are included in the cost of those assets, until such time the assets are substantially ready for their intended use. Profit earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset, in the operating expenses for software, licenses, customer acquisition costs and car ownership scheme.

The licenses have been granted for a period of 20 years by the relevant government agency with the option of renewal at the end of this period.

Handsets and accessories are sold by the Group to its subscribers at a price lower than cost. The difference between the selling price and the cost of the handsets is recognised initially as customer acquisition costs under the intangible assets and amortised over a period of three years being the period over which the Group expects to receive the future economic benefits arising from the airtime revenues and interconnect charges.

The useful lives estimated by the management for the amortisation of intangible assets for the current and comparative periods are as follows:

License fees	20 years
Customer acquisition costs	3 years
Staff car scheme	5 years
Software costs	5 years

Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associates is reflected in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same accounting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investments

Investments are initially recognised at cost being the fair value of the consideration paid including the transaction charges associated with the investment. The Group determines the classification of its investments on initial recognition and, when allowed and appropriate, re-evaluates the designation at each financial year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity which the company has the intention to hold to maturity. These investments are measured at cost. Any gain or loss on such investments is recognized in the consolidated income statement when the investment is derecognised or impaired.

Available - for - sale investments

Available for-sale-investments are financial investments that are not classified as held to maturity investments. These comprise unquoted investments in managed funds.

Investments designated as available-for-sale investments are initially recorded at the fair value of consideration given and subsequently measured at fair value, unless this cannot be reliably measured.

Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the consolidated statement of income for the year.

Inventories

Inventories comprising handsets held for sale are stated at the lower of cost and net realisable value. Spare parts and other inventories are stated at cost. Cost is determined on a weighted average basis and includes expenditure incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price, less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amounts of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances, deposits held at call with banks and other short-term deposits with an original maturity of three months or less.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the income statement.

Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Term loans

Term loans are carried on the balance sheet at their principal amounts. Instalments due within one year are shown under current liabilities.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flow from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Employee benefits

The Company provides end of service benefits to its employees in accordance with the requirements of the Labour Act 1997. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The Company also makes monthly payments based on percentage of the salaries to the Social Insurance Fund according to the requirements of Social Insurance Act 1990.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition

Revenue represents the value of fixed or determinable consideration that has been received or is receivable and includes revenue from revenue sharing arrangements entered into with national and international telecommunication operators in respect of traffic exchanged.

Revenue from rendering of services

Revenue from rendering of services represents the value of telecommunication services provided to customers. Revenue is recognised over the period to which it relates.

Revenue from postpaid services

Revenue for services rendered is stated at the amount invoiced to customers. Fees for installation and activation are recognised as revenues upon activation. All installation and activation costs are expensed as incurred. Monthly service revenue received from the customer is recognised in the period in which the service is delivered. Airtime revenue is recognised on a usage basis.

Revenue from prepaid services:

Deferred revenue related to the unused airtime is recognised when utilised by the customer. Revenues from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amounts receivable by the Group as commission for facilitating the service.

Other income

Sale of equipment:

Revenue from sales of equipment including handsets is recognised when the significant risks and rewards of ownership of the goods are passed to the buyer and the amount of revenue can be measured reliably.

Profit from investments and deposits

Profit from investments and deposits is recognised in the income statement based on profit rates declared at maturity dates, or accrued if profit can be reliably estimated.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements of Sudan Telecommunications Company Limited are presented in US dollars, which is the Group's presentational currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in equity if the gain or loss on the non-monetary item is recognised directly in equity. Any exchange component of a gain or loss on a non-monetary item is recognised directly in the income statement if the gain or loss on the non-monetary item is recognised in the income statement.

In the consolidated financial statements, the assets, including related goodwill where applicable, and liabilities of subsidiaries, joint ventures and associates whose functional currency is not US dollars, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date. The profits and losses of subsidiaries and associates whose functional currency is not US dollars are translated into US dollars at the average rates of exchange for the reporting period.

Exchange differences arising from the retranslation of opening foreign currency net investments, and exchange differences arising from retranslation of the result for the reporting period from the average rate to the exchange rate prevailing at the period end, are recognised in equity in the 'foreign exchange translation reserve'. Exchange differences on a monetary item that is part of a net investment in a foreign operation are recognised in the income statement of the Company. In the consolidated financial statements these exchange differences are recognised in the foreign exchange translation reserve in shareholders' equity. On disposal of a foreign operation, exchange differences relating thereto and previously recognised in reserves are recognised in the income statement.

Fair values

For investments traded in active markets, fair value is determined based by reference to quoted markets bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair values of profit bearing items is estimated based on the discounted cash flows using profit rates for items with similar terms and risk characteristics.

Taxation and Zakat

The Company is exempted from business profit tax till February 2009 and till 2011 for Sudani. However the Company is subject to social development tax which is provided in accordance with the Chamber of Taxation fiscal regulations.

Zakat is provided in accordance with the laws and regulation of Chamber of Taxation.

31 December 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the profit charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Profit charges are charged reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold land USD</i>	<i>Buildings USD</i>	<i>Network equipment and cables USD</i>	<i>Communication equipment USD</i>	<i>Earth station USD</i>	<i>Motor vehicles USD</i>	<i>Furniture and computers USD</i>	<i>Capital work in progress USD</i>	<i>Total USD</i>
Cost:									
At 1 January 2007	4,957,796	35,017,614	244,325,987	508,189,026	25,173,745	445,675	53,186,733	59,798,614	931,095,190
Additions	504,230	4,331,862	2,517,669	60,534,985	-	1,000,146	113,258	68,098,231	137,100,381
Additions in relation to the acquisition of a subsidiary	-	-	-	-	-	11,330	865,916	-	877,246
Transfers from capital work in progress	-	1,940,521	33,675,175	43,215,920	-	-	3,403,432	(82,235,048)	-
Transferred to intangible assets	-	-	-	-	-	-	-	(2,945,558)	(2,945,558)
Disposals	-	-	-	(300)	-	(4,092)	(89,572)	-	(93,964)
Balance at 31 December 2007	<u>5,462,026</u>	<u>41,289,997</u>	<u>280,518,831</u>	<u>611,939,631</u>	<u>25,173,745</u>	<u>1,453,059</u>	<u>57,479,767</u>	<u>42,716,239</u>	<u>1,066,033,295</u>
Depreciation:									
At 1 January 2007	-	5,319,348	83,014,681	270,389,243	16,660,104	147,877	23,970,583	-	399,501,836
Charge for the year	-	1,414,139	10,351,536	56,099,449	2,517,375	163,782	5,644,683	-	76,190,964
Relating to disposals	-	-	-	-	-	-	(69,901)	-	(69,901)
Balance at 31 December 2007	<u>-</u>	<u>6,733,487</u>	<u>93,366,217</u>	<u>326,488,692</u>	<u>19,177,479</u>	<u>311,659</u>	<u>29,545,365</u>	<u>-</u>	<u>475,622,899</u>
Net carrying values:									
At 31 December 2007	<u>5,462,026</u>	<u>34,556,510</u>	<u>187,152,614</u>	<u>285,450,939</u>	<u>5,996,266</u>	<u>1,141,400</u>	<u>27,934,402</u>	<u>42,716,239</u>	<u>590,410,396</u>
At 31 December 2006	<u>4,957,796</u>	<u>29,698,266</u>	<u>161,311,306</u>	<u>237,799,783</u>	<u>8,513,641</u>	<u>297,798</u>	<u>29,216,150</u>	<u>59,798,614</u>	<u>531,593,354</u>

Equipment with a carrying value of USD 230,456,678 (2006: 161,414,736) are subject to a first charge guarantee to secure the Group's finance obtained from Al Salam Bank B.S.C as disclosed in note 14.

Included in property, plant and equipment at 31 December 2007 is an amount of USD 33,842,395 (2006: USD 25,480,270) relating to the borrowing costs on credit facilities utilised during the course of construction of capital projects and the acquisition of new equipment.

The carrying value of plant and equipment held under Murabaha agreements at 31 December 2007 was USD 248,267,294 (2006: USD 174,029,893). Additions during the year include USD 98,279,220 (2006: USD 114,430,980) of plant and equipment held under Murabaha agreements which are pledged as security for the related Murabaha finance.

Depreciation has been allocated in the income statement as follows:

	2007 USD	2006 USD
Operating expenses (note 17)	68,863,679	69,877,588
General and administrative expenses (note 21)	7,327,285	6,077,483
	<u>76,190,964</u>	<u>75,955,071</u>

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Land</i>	<i>Buildings</i>	<i>Network equipment and cables</i>	<i>Communication equipment</i>	<i>Earth station</i>	<i>Motor vehicles</i>	<i>Others</i>	<i>Capital work in progress</i>	<i>Total</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Cost:									
At 1 January 2006	11,269,214	38,669,479	594,775,110	514,592,230	26,856,361	14,189,301	57,223,807	103,839,382	1,361,414,884
Additions	8,027	-	-	-	-	-	-	131,523,012	131,531,039
Transfers from capital work in progress	-	2,218,459	7,758,943	113,452,795	-	155,604	11,687,504	(135,273,305)	-
Assets impaired	(868,620)	(5,870,324)	(117,157,842)	(119,855,999)	(1,682,616)	-	(6,716,848)	-	(252,152,249)
Disposals on sale of Mobitel	(5,450,825)	-	(241,050,224)	-	-	(2,836,425)	(9,007,535)	(40,290,475)	(298,635,484)
Disposals	-	-	-	-	-	(11,062,805)	(195)	-	(11,063,000)
Balance at 31 December 2006	4,957,796	35,017,614	244,325,987	508,189,026	25,173,745	445,675	53,186,733	59,798,614	931,095,190
Depreciation:									
At 1 January 2006	40,711	4,324,880	158,340,639	216,221,358	15,110,470	12,719,133	25,086,617	-	431,843,808
Charge for the year	-	994,468	14,160,069	54,167,885	1,549,634	51,599	5,031,416	-	75,955,071
Relating to disposals on sale of Mobitel	(40,711)	-	(89,486,027)	-	-	(1,626,100)	(6,147,362)	-	(97,300,200)
Relating to disposals	-	-	-	-	-	(10,996,755)	(88)	-	(10,996,843)
Balance at 31 December 2006	-	5,319,348	83,014,681	270,389,243	16,660,104	147,877	23,970,583	-	399,501,836
Net carrying values:									
At 31 December 2006	4,957,796	29,698,266	161,311,306	237,799,783	8,513,641	297,798	29,216,150	59,798,614	531,593,354

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

5 INTANGIBLE ASSETS

	<i>Formation costs</i> <i>USD</i>	<i>Brand costs</i> <i>USD</i>	<i>Re-structuring costs</i> <i>USD</i>	<i>Goodwill</i> <i>USD</i>	<i>Software costs</i> <i>USD</i>	<i>License costs</i> <i>USD</i>	<i>Customer acquisition costs</i> <i>USD</i>	<i>Staff - car scheme</i> <i>USD</i>	<i>Total</i> <i>USD</i>
Cost:									
At 1 January 2007	9,169,778	1,700,066	28,255,744	1,896,859	1,713,841	230,000,000	39,643,077	12,821,593	325,200,958
Intangible assets written off	(10,311,716)	(1,700,066)	(28,255,744)	(1,896,859)	-	-	-	-	(42,164,385)
Transferred from deferred expenses *	1,141,938	-	-	-	-	103,354,675	-	-	104,496,613
Additions	-	-	-	1,009,849	261,454	240,016,717	73,103,471	2,355,793	316,747,284
Additions in relation to the acquisition of a subsidiary	-	-	-	-	778,215	-	-	-	778,215
Transferred from capital work in progress included in property, plant and equipment **	-	-	-	-	2,945,558	-	-	-	2,945,558
Disposals	-	-	-	-	-	-	-	(2,455,906)	(2,455,906)
Balance at 31 December 2007	-	-	-	1,009,849	5,699,068	573,371,392	112,746,548	12,721,480	705,548,337
Amortisation and impairment:									
At 1 January 2007	1,567,117	122,289	8,174,852	-	299,794	6,388,889	3,964,308	1,282,159	21,799,408
Amortisation	-	-	-	-	973,546	13,727,326	25,201,797	2,532,746	42,435,415
Relating to disposals	-	-	-	-	-	-	-	(243,899)	(243,899)
Relating to assets written off	(1,567,117)	(122,289)	(8,174,852)	-	-	-	-	-	(9,864,258)
Balance at 31 December 2007	-	-	-	-	1,273,340	20,116,215	29,166,105	3,571,006	54,126,666
Net book values:									
At 31 December 2007	-	-	-	1,009,849	4,425,728	553,255,177	83,580,443	9,150,474	651,421,671

During the year, Sudan Telecommunications Company Limited obtained an extension of three years of its unified telecommunication license life which expires in 2027.

* Licenses and formation costs formerly reported under deferred expenses in 2006 totaling to USD 104,496,613 had been transferred to intangible assets in 2007.

** Assets transferred from capital work in progress represent new billing software developed by an external provider which was brought into use during the year.

Under the staff car scheme, the Company's employees are entitled to acquire cars at 50% of the prevailing purchase price and the balance is borne by the Company. This Company's share is deferred and amortised over a period of five years being the expected life of the car. In the event of an employee leaving employment, the employee settles the remaining outstanding balance as of the date of leaving.

The estimated useful life of customer acquisition costs has been revised during the year from 5 years to 3 years on account of rapid technological changes and increasing competitiveness in the telecommunication industry. Had the previous useful life been used the amortisation charge for the year would have been lower by USD 10,061,072 and the net profit for the year would have been higher by the same amount.

Sudan Telecommunications Company Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

5 INTANGIBLE ASSETS

	<i>Formation costs</i> <i>USD</i>	<i>Brand costs</i> <i>USD</i>	<i>Re-structuring costs</i> <i>USD</i>	<i>Goodwill</i> <i>USD</i>	<i>Software costs</i> <i>USD</i>	<i>License costs</i> <i>USD</i>	<i>Customer acquisition costs</i> <i>USD</i>	<i>Staff - car scheme</i> <i>USD</i>	<i>Total</i> <i>USD</i>
Cost:									
At 1 January 2006	6,501,395	1,595,754	26,746,389	12,551,081	642,045	150,000,000	-	-	198,036,664
Additions	2,668,383	104,312	1,509,355	1,896,859	1,071,796	230,000,000	39,643,077	12,821,593	289,715,375
Disposals	-	-	-	(12,551,081)	-	(150,000,000)	-	-	(162,551,081)
Balance at 31 December 2006	9,169,778	1,700,066	28,255,744	1,896,859	1,713,841	230,000,000	39,643,077	12,821,593	325,200,958
Amortisation and impairment:									
At 1 January 2006	-	39,893	2,674,639	-	64,205	115,000,000	-	-	117,778,737
Amortisation	1,567,117	82,396	5,500,213	-	235,589	6,388,889	3,964,308	1,282,159	19,020,671
Relating to disposals	-	-	-	-	-	(115,000,000)	-	-	(115,000,000)
Balance at 31 December 2006	1,567,117	122,289	8,174,852	-	299,794	6,388,889	3,964,308	1,282,159	21,799,408
Net book values:									
At 31 December 2006	7,602,661	1,577,777	20,080,892	1,896,859	1,414,047	223,611,111	35,678,769	11,539,434	303,401,550

Amortisation charges are included under operating expenses.

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

6 INVESTMENTS IN ASSOCIATES

The consolidated financial statements incorporate the share of net assets of the following associates at the balance sheet date:

Company	Country of incorporation	Shareholding percentage	
		2007	2006
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	47.5%	45.72%
Electronic Banking Services	Sudan	30%	30%

The following table illustrates the summarised financial information of the Group's investments in associates:

	2007 USD	2006 USD
At 1 January	10,745,563	9,681,563
Share of profits from prior years	2,089,056	
Additional investments made during the year	1,370,000	1,064,000
Share of profits during the year	1,811,259	-
Dividends received during the year	(798,265)	-
At 31 December	15,217,613	10,745,563

Share of associates' balance sheet:

	2007 USD	2006 USD
Current assets	8,866,320	6,060,797
Non-current assets	8,982,874	7,959,518
Current liabilities	(1,668,435)	(794,622)
Non-current liabilities	(963,146)	(9,172)
Net assets	15,217,613	13,216,521

Share of associates' revenue and results:

Revenue	3,953,375	2,616,464
Profits	1,811,259	-
Carrying amount of the investments	15,217,613	10,745,563

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

7 NON TRADING INVESTMENTS

Current investments

	2007			2006		
	<i>Held to maturity USD</i>	<i>Available-for-sale USD</i>	<i>Total USD</i>	<i>Held to maturity USD</i>	<i>Available-for-sale USD</i>	<i>Total USD</i>
Unquoted investments	72,817,131	45,836,885	118,654,016	12,437,811	45,836,885	58,274,696

Non current investments

	2007			2006		
	<i>Held to maturity USD</i>	<i>Available-for-sale USD</i>	<i>Total USD</i>	<i>Held to maturity USD</i>	<i>Available-for-sale USD</i>	<i>Total USD</i>
Unquoted investments	306,982,218	98,258,467	405,240,685	392,191,586	23,189,274	415,380,860

Current held to maturity investments comprises Shihama certificates which mature in 12 months period and earns an average profit of (13-15%). Non-current held to maturity investments comprises government bonds maturing in 2010. These bonds are held as collateral against financing raised for acquisition of equipments. Both Shihama and government bonds have no predetermined profit rate.

Unquoted available for sale investments are carried at cost because the fair value cannot be determined with sufficient reliability due to the unpredictable nature of future cash flows and the absence of other reliable methods of valuation.

Current unquoted available for sale investments include an investment fund which has no fixed maturity date nor a predetermined profit rate. This fund has been liquidated in 2008 and the proceeds have been used in to finance the construction of the networks.

Non-current unquoted available for sale investments include investments in Al Thuraya, Rascom and Sudan Finance House of USD 1,000,000, USD 1,194,120 and USD 49,500,000 respectively (2006: USD 1,000,000, USD 1,194,120 and nil) in addition to investment funds which have no specific maturity date. These funds are expected to achieve a 12% return on investment.

The movement in impairment for investments during the year was as follows:

	2007 USD	2006 USD
At 1 January	1,004,846	1,000,016
Charge for the year	90,318	166,278
Amounts written back during the year	-	(161,448)
At 31 December	1,095,164	1,004,846

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

8 BUSINESS COMBINATION

Acquisition of Al Gadida Asima Services Company Limited "Sudabill":

On 3 March 2007 the Group acquired 60% of the voting shares of Sudabill , an unlisted company based in Sudan specialising in debt collection and customer relationship services.

The fair value of identifiable assets and liabilities of Sudabill as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were :

	<i>Previous carrying amounts USD</i>	<i>Fair value recognised on acquisition USD</i>
Property , plant and equipment	877,247	877,247
Cash and cash equivalents	174,701	174,701
Trade receivables	889,394	889,394
Intangible assets	778,215	778,215
Inventories	47,277	47,277
	<u>2,766,834</u>	<u>2,766,834</u>
Trade payables		(1,774,247)
Provisions and other liabilities		(647,673)
End of service benefits		(27,997)
Net assets		<u>316,917</u>
Group's share of net assets acquired (60 %)		190,151
Goodwill arising from acquisition		<u>1,009,849</u>
Total consideration paid		<u>1,200,000</u>
		<i>USD</i>
Cash outflow on acquisition:		
Net cash acquired with the subsidiary		(174,701)
Cash paid		1,200,000
Net cash outflow		<u>1,025,299</u>

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

8 BUSINESS COMBINATION (continued)

From the date of acquisition, Sudabill has contributed an amount of USD 720,115 to the net profit of the Group.

9 INVENTORIES

	2007	2006
	USD	USD
Handsets and accessories	20,585,276	27,376,526
Spare parts and other materials	1,291,372	1,447,241
Transmission cables and materials	13,586,893	17,268,914
Goods in transit	19,184,532	33,045,846
Other equipment	4,652,508	2,837,405
Less:		
Provision for slow moving and obsolete stock	(2,360,000)	-
	56,940,581	81,975,932

The amount provided for in the current year in connection with slow moving and obsolete stock is USD 2,360,000 (2006:USD nil) which is included in general and administrative expenses.

10 TRADE AND OTHER RECEIVABLES

	2007	2006
	USD	USD
Gross customers' accounts	109,696,926	197,060,887
Less:		
Impairment allowance	(58,844,593)	(5,489,551)
Amounts written off (*)	-	(70,812,570)
Customers' accounts, net	50,852,333	120,758,766
Advances paid to suppliers and staff loans (net)	33,464,072	27,316,587
Prepaid expenses	5,668,314	3,188,982
Amounts due from a shareholder	41,122,478	3,187,581
Accrued profit on investments	91,983,224	87,676,318
Other receivables (net)	27,451,741	23,179,750
	250,542,162	265,307,984

For terms and conditions of related party receivables, refer to note 27.

* In 2006, the Group has written off trade receivables of USD 70,812,570 deemed to be uncollectible in light of introducing mobile wireless services by the Group.

Advances paid to suppliers and contractors and other receivables are net of write-offs of USD 1,263,909 and USD 446,610 respectively. These advances related to periods prior to 2006.

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

10 TRADE AND OTHER RECEIVABLES (continued)

The movement in impairment allowances for trade receivables during the year was as follows:

	2007	2006
	USD	USD
At 1 January	5,489,551	25,724,563
Charge for the year	1,616,554	5,011,939
Charge relating to prior years (note 2.2)	52,723,075	-
Amounts written back during the year	(984,587)	-
Written off during the year	-	(25,246,951)
At 31 December	58,844,593	5,489,551

11 TERM ISLAMIC DEPOSITS

These represent investment accounts placed with Sudanese banks according to Mudaraba contracts. Partial and total withdrawals are allowed without significant cost. Substantially all of the term Islamic deposits are denominated in Sudanese Pounds and US Dollars.

Term Islamic deposits of USD 177,706,772 (2006 : USD 19,121,913) are pledged under credit facilities obtained from various financial institutions.

Deposits earn profit at floating rates based on daily bank rates. These deposits are made for periods ranging from 1 day to 3 months depending on the Group's cash requirements.

12 BANK BALANCES AND CASH

	2007	2006
	USD	USD
Cash at banks and in hand	50,280,338	133,112,420

Cash at banks and in hand includes US \$ 23 million, which are denominated in foreign currencies substantially in Saudi Riyals.

Sudan Telecommunications Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007

13 SHARE CAPITAL AND OTHER RESERVES

	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
Authorised (Ordinary shares of USD 1 each)	750,000,000	750,000,000
Issued and fully paid up (Ordinary shares of USD 1 each)	744,929,500	744,929,500

Share premium

The majority of the share premium arose on the fifth issue of shares in 2005 for USD 240,000,000 and is not available for distribution.

General reserve

In accordance with Article 84 of the memorandum of incorporation of Sudan Telecommunications Company Limited, the Board of Directors is authorised to appropriate an amount from the Group's profit to the general reserve as deemed adequate which can be utilised to fulfill any of the Group's needs or to finance its investments.

On 24 April 2008, Board of Directors has approved the appropriation an amount of USD 108,962,977 (2006: USD 76,240,176) to the general reserve in connection with the year ended 31 December 2007.

Foreign exchange translation reserve

The foreign exchange translation reserve is principally used to record exchange differences arising from the translation of the Company's financial statements under its functional currency "Sudanese Pounds" into the presentational currency "US Dollars".

14 TERM ISLAMIC FINANCE

	<i>Effective profit rate %</i>	<i>Maturity</i>	<i>Total 2007 USD</i>	<i>Total 2006 USD</i>
Current				
Murabaha finance (*)	Libor + (1-2%)	1 year	96,931,734	120,966,912
Non-current				
Murabaha finance (*)	Libor + (1-2%)	5 years	108,350,379	102,619,224
Finance from Al Salam Bank (**)	Libor +2%	7 years	240,000,000	-
			348,350,379	102,619,224
Total borrowings			445,282,113	223,586,136

* These Murabaha finance were provided by suppliers for the purchase of network equipment and telecommunication related devices. These amounts are secured by a first charge of the acquired network equipment and devices of USD 248,267,294 (2006: USD 174,029,893).

** This loan is repayable in six equal installments of USD 40,000,000, commencing in May 2010 and the last of which is falling due in November 2012, primarily availed to finance the acquisition of a telecommunication license in Senegal. Term Islamic deposits of USD 177,706,772 have been pledged against this finance.

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

31 December 2007

15 TRADE PAYABLES AND ACCRUALS

	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
Trade accounts payable	10,743,097	15,931,478
Amounts due to international operators	13,783,165	3,414,681
Advances received from customers	18,195,239	4,604,870
Other provisions and accrued expenses	30,085,177	21,648,325
Social contributions	7,029,134	7,124,633
Social development tax	6,880,000	252,616
Staff bonus	26,805,775	20,184,537
Tax, customs and duties payable	23,367,543	-
Unclaimed dividends	23,939,642	-
	160,828,772	73,161,140

16 OPERATING REVENUES

	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
Telephone and other services revenues	617,892,984	256,017,522
Other operating revenues	3,209,908	3,409,008
	621,102,892	259,426,530

17 OPERATING EXPENSES

	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
Outpayments and interconnect charges	90,272,996	4,978,253
Cost of sales of equipment and other services	73,666,341	5,586,460
Leased circuit rentals	6,585,345	675,567
License fee amortisation	7,385,962	4,833,808
Employee salaries and associated costs	33,468,919	20,184,564
Repairs and maintenance	22,917,950	7,300,004
Commissions and fees	40,954,203	11,706,135
Depreciation (note 4)	68,863,679	69,877,588
Amortisation (note 5)	42,435,415	19,020,671
	386,550,810	144,163,050

18 EMPLOYEES END OF SERVICE BENEFITS

The movement in the employees end of service benefits was as follows:

	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
At 1 January	2,908,457	2,895,723
Charge for the year	1,915,667	2,863,374
Reclassified during the year	919,389	-
Paid during the year	(105,206)	(2,850,640)
At 31 December	5,638,307	2,908,457

The attached explanatory notes 1 to 31 form part of these consolidated financial statements.

31 December 2007

19 OTHER INCOME

	2007	2006
	USD	USD
Other income	5,132,242	-
Gain on sale of Mobitel	-	1,015,397,655
Discounts received	1,295,368	458,950
Foreign exchange gain	133,196	1,336
Gain on sale of property, plant and equipment	629,005	1,846,475
Loan no longer payable	261,783	-
	7,451,594	1,017,704,416

20 PROFIT FROM INVESTMENTS AND DEPOSITS

	2007	2006
	USD	USD
Fixed deposits	8,968,621	12,156,863
Investment funds	47,984,656	59,960,688
Fixed deposits on sale of Mobitel	45,430,404	31,439,795
Long term investments	2,253,704	1,073,853
	104,637,385	104,631,199

21 GENERAL AND ADMINISTRATION

	2007	2006
	USD	USD
Depreciation (note 4)	7,327,285	6,077,483
Employee salaries and associated costs	23,213,258	16,473,017
Marketing costs and donations	25,976,087	12,620,245
Rentals and utilities	12,968,915	9,661,572
Other expenses	23,220,679	12,706,190
Provision for bad and doubtful debts	1,616,554	5,011,939
Legal and professional fees	3,154,348	131,742
Repairs and maintenance	3,746,241	1,052,835
Provision for obsolete and slow moving stock (note 9)	2,360,000	-
Investment portfolio expenses	1,602,626	2,783,493
Provision for decrease in value of investments	90,318	166,278
Goodwill written off	1,049,033	-
Board of directors' remuneration	624,355	619,900
	106,949,699	67,304,694

31 December 2007

22 ZAKAT PROVISION

	2007 USD	2006 USD
At 1 January	44,259,185	12,781,775
Charge for the year	12,198,000	37,767,281
Paid during the year	(16,307,497)	(6,289,871)
At 31 December	40,149,688	44,259,185

23 TAX PROVISION

	2007 USD	2006 USD
At 1 January	294,852	-
Charge for the year	6,880,000	252,616
Charge for the year (business profit tax)	389,521	294,852
Paid during the year	(294,852)	(252,616)
At 31 December	7,269,521	294,852

24 BASIC AND DILUTED EARNINGS PER SHARE

	2007 USD	2006 USD
Net profit attributable to ordinary equity holders of the parent from continuing operations	225,829,602	809,014,285
	2007	2006
Weighted average number of ordinary shares	744,929,500	744,929,500
Earning per share (US Dollars)	0.30	1.09

No separate figure for diluted earnings per share has been presented as the Company has issued no financial instruments which may have a dilutive effect.

25 DIVIDENDS PAID AND PROPOSED AND PROPOSED BONUS SHARE ISSUE

The Board of Directors has proposed a cash dividend of USD 0.20 per share totalling to USD 148,985,900 (2006: USD 0.400 per share totalling USD 297,971,800) in addition to a bonus share issue in the ratio of one share for every five shares totalling to USD 148,985,900 which is subject to the approval of the shareholders at the Annual General Meeting.

Dividend paid in 2007 relating to 2006 was USD 0.41 per share totalling to USD 305,104,290 (2006: USD 0.707 totalling to USD 326,857,505).

31 December 2007

26 COMMITMENTS AND CONTINGENCIES

a) *Commitments*

Capital expenditure

Estimated capital expenditure contracted for at the balance sheet date amounted to USD 80,000,000 (2006: USD 40,000,000).

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2007 were USD 13,338,681 (2006: USD 24,610,866).

b) *Legal claim*

A foreign company registered in Dubai has filed a claim of USD 10,000,000 against the Company on the grounds, that the Company has not paid its consultancy fees in connection with consultancy services rendered for the acquisition of Senegal's licence (2006: nil).

27 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Board of Directors.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Group manages risk through a process of ongoing identification and monitoring of the risks it faces. The Group is exposed to credit risk and liquidity risk.

Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Executive committee

The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Group.

The Group is exposed to credit risk, liquidity risk, profit rate risk and currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's financial assets which include accounts receivable from local customers and international telecommunication operators, investments and cash and cash equivalents, are not considered by management to represent a significant concentration of credit risk.

Accounts receivable are widely spread among various customer segments. Strict control is maintained and both credit period and credit limits are continuously monitored. Further, an adequate level of provision for doubtful receivables is maintained. The Group manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation of the issuer. The fixed deposits are placed with reputed Commercial Banks.

Credit risk is limited to the carrying values of the financial assets as shown in the consolidated balance sheet.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect the future profitability or the fair value of financial assets and liabilities. All financial assets and the majority of financial liabilities are either variable profit rate based or short term in nature.

The Group has profit bearing financial assets (term deposits and investments) and liabilities (finance leases and term loans). The effective profit rates as of the year end are disclosed in notes 14.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by monitoring cash flows on an ongoing basis. The Group's terms of sale require amounts to be paid within 15 days of the date of sale or service. Trade payables are normally settled within 60 days of the date of purchase.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, receivables and amounts due from shareholders. Financial liabilities consist of term loans, payables, and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values in the balance sheet.

30 POST BALANCE SHEET EVENTS

At the Shareholders' Extraordinary Meeting held on 23 April 2008 the shareholders resolved:

- to change the name of the Company to Sudatel Telecommunication Group Limited; and
- to increase the authorised share capital of the Company to be USD 2,500,000,000 (being 2,500,000,000 ordinary shares of USD 1 each).

31 COMPARATIVE INFORMATION

Certain 2006 comparative figures were reclassified to conform with the current year's presentation.