

MUBARAK

For Accounting, Auditing & Financial Consultancy
Certified Public Accountants

Independent Firm, Correspondent of
ERNST & YOUNG

مبارك

للمحاسبة والمراجعة والإستشارات المالية
محاسبون قانونيون

مكتب مستقل، مراسلون
إرنست ويونغ

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUDATEL TELECOM GROUP LIMITED

We have audited the accompanying financial statements of Sudatel Telecom Group Limited, which comprise the balance sheet as at 31 December 2008 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Sudanese Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with Sudanese Generally Accepted Accounting Principles and the requirements of Companies' Act 1925.



Mubarak Ali Ibrahim – Partner

April 16, 2009

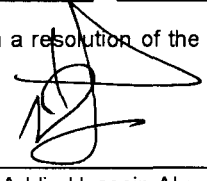
Sudatel Telecom Group Limited
CONSOLIDATED BALANCE SHEET

31 December 2008

		2008 USD	Restated 2007 USD
ASSETS			
Non-current assets			
Property, plant and equipment	5	719,458,030	567,305,323
Intangible assets	6	639,814,388	567,841,228
Investment in associates	7	72,901,761	15,217,613
Non-trading investments	8	325,801,244	405,240,685
		<u>1,757,975,423</u>	<u>1,555,604,849</u>
Current assets			
Non-trading investments	8	80,128,164	118,654,016
Inventories	10	62,659,107	56,940,581
Trade and other receivables	11	238,348,008	250,542,162
Term Islamic deposits	12	340,324,731	304,288,218
Bank balances and cash		45,743,327	50,280,338
		<u>767,203,337</u>	<u>780,705,315</u>
TOTAL ASSETS		<u>2,525,178,760</u>	<u>2,336,310,164</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	893,915,400	744,929,500
Share premium	13	292,601,044	292,601,044
General reserve	13	333,026,911	289,956,019
Foreign exchange translation reserve	13	62,387,086	58,915,685
Cumulative changes in fair value		(2,216,853)	-
Retained earnings	13	7,690,421	15,723,577
Proposed dividends	13	44,695,770	148,985,900
Proposed bonus share issue	13	89,391,540	148,985,900
		<u>1,721,491,319</u>	<u>1,700,097,625</u>
Minority interests		1,790,486	883,403
Total equity		<u>1,723,281,805</u>	<u>1,700,981,028</u>
Non-current liabilities			
Non-current portion of Islamic finance	14	421,485,121	335,923,071
Employees' end of service benefits	15	7,901,394	5,638,307
		<u>429,386,515</u>	<u>341,561,378</u>
Current liabilities			
Trade payables and accruals	16	264,811,382	160,828,772
Zakat provision	17	13,301,486	40,149,688
Current portion of Islamic finance	14	94,397,572	92,789,298
		<u>372,510,440</u>	<u>293,767,758</u>
Total liabilities		<u>801,896,955</u>	<u>635,329,136</u>
TOTAL EQUITY AND LIABILITIES		<u>2,525,178,760</u>	<u>2,336,310,164</u>

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 29 March 2009 and signed on their behalf by:


 Mr. Siraj Addin Abdul Gaffar Omer
 Director


 Mr. Imad Addin Hussain Ahmed
 Chief Executive Officer

The attached explanatory notes 1 to 26 form part of these consolidated financial statements.

Sudatel Telecom Group Limited
CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

		<i>Restated</i>	
	<i>Notes</i>	2008 USD	<i>2007 USD</i>
Revenue			
Operating revenues	18	653,521,452	621,102,892
Less: Operating expenses	19	(426,551,765)	(434,452,484)
Gross profit		226,969,687	186,650,408
Profit from investments and deposits	20	88,618,244	104,637,385
Share of (loss) profit from associate companies	7	(1,789,924)	1,811,259
Other income	21	27,429,188	7,451,594
		341,227,195	300,550,646
Expenses			
General and administration expenses	22	(141,894,623)	(110,005,325)
Finance costs		(10,871,022)	(3,983,379)
Profit before Zakat and tax		188,461,550	186,561,942
Zakat provision	17	(11,512,786)	(12,198,000)
Social development tax provision	17	(6,916,635)	(7,269,521)
Profit after Zakat and tax		170,032,129	167,094,421
(Profit) loss attributable to minority shareholders		(907,083)	3,794,502
Profit attributable to equity holders of the parent company		169,125,046	170,888,923
BASIC AND DILUTED EARNINGS PER SHARE	23	0.19	0.23

The attached explanatory notes 1 to 26 form part of these consolidated financial statements.

Sudatel Telecom Group Limited
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2008

	<i>Notes</i>	2008 USD	<i>Restated</i> <i>2007</i> <i>USD</i>
OPERATING ACTIVITIES			
Profit after Zakat and tax		170,032,129	167,094,421
Adjustments for:			
Depreciation	5	86,155,432	73,989,205
Amortisation	6	25,518,920	17,233,618
Profit on fixed deposits and other investments	20	(88,618,244)	(104,637,385)
Share of profits from associated companies	7	1,789,924	(1,811,259)
Provision for doubtful debts	11	98,589	1,616,554
Provision for obsolete and slow moving stock	10	156,000	2,360,000
Provision for reduction in value of investments	8	-	90,318
Provision for employees' end of service benefits	15	2,303,759	2,807,059
Provision for Zakat	17	11,512,786	12,198,000
Social development tax provision	17	6,916,635	7,269,521
Goodwill written off	6	-	1,896,859
Loss on disposal of intangible assets	6	471,333	2,212,007
Formation costs written off	6	-	1,141,938
(Loss) gain on disposal of property, plant and equipment	5	509,075	(629,005)
Operating profit before working capital changes		216,846,338	182,831,851
Inventories (net)	10	(5,874,526)	22,722,628
Payables (net)	16	115,070,748	74,091,383
Receivables (net)	11	12,095,565	(36,288,026)
Term Islamic deposits (net)	12	(36,036,513)	108,374,659
Zakat paid	17	(38,360,988)	(16,307,497)
End of service benefit paid	15	(40,672)	(105,206)
Tax paid	17	(8,498,645)	(294,852)
Net cash from operating activities		255,201,307	335,024,940
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(238,817,204)	(109,701,174)
Proceeds from sale of property, plant and equipment	5	-	742,365
Additional investment in associated companies	7	(60,605,000)	(1,370,000)
Additional investments made (net)	8	115,748,430	(50,329,463)
Additions to intangible assets	6	(97,963,413)	(247,367,586)
Acquisition of a subsidiary	9	-	(1,025,299)
Profit received from fixed deposits and other investments	20	88,618,244	100,530,480
Dividends received from an associated companies	7	1,130,928	798,265
Minority interests		-	2,550,082
Net cash used in investing activities		(191,888,015)	(305,172,330)
FINANCING ACTIVITIES			
Islamic finance	14	87,170,324	205,126,233
Dividends paid	13	(158,492,028)	(305,104,290)
Net cash used in financing activities		(71,321,704)	(99,978,057)
Foreign exchange translation	13	3,471,401	(12,706,635)
DECREASE IN BANK BALANCES AND CASH		(4,537,011)	(82,832,082)
Bank balances and cash at the beginning of the year		50,280,338	133,112,420
BANK BALANCES AND CASH AT THE END OF THE YEAR		45,743,327	50,280,338

The attached explanatory notes 1 to 26 form part of these consolidated financial statements.

Sudatel Telecom Group Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	<i>Attributable to equity holders of the Parent Company</i>									
	<i>Share capital</i>	<i>Share premium</i>	<i>General reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in fair value</i>	<i>Retained earnings</i>	<i>Proposed dividends</i>	<i>Proposed bonus share issue</i>	<i>Minority interests</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>	<i>USD</i>
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
Remeasurement arising from changes in accounting policies and estimates	-	-	-	-	-	(124,016,247)	-	-	-	(124,016,247)
Balance as at 1 January 2007 (restated)	744,929,500	292,601,044	180,993,042	71,622,320	-	251,769,431	305,104,290	-	2,001,057	1,849,020,684
Exchange adjustments	-	-	-	(12,706,635)	-	-	-	-	-	(12,706,635)
Net income and expense for the year recognized directly in equity	-	-	-	(12,706,635)	-	-	-	-	-	(12,706,635)
Profit (loss) for the year	-	-	-	-	-	170,888,923	-	-	(3,794,502)	167,094,421
Total income and expense for the year	-	-	-	(12,706,635)	-	170,888,923	-	-	(3,794,502)	154,387,786
Dividends paid (note 13)	-	-	-	-	-	-	(305,104,290)	-	-	(305,104,290)
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 13)	-	-	-	-	-	(148,985,900)	148,985,900	-	-	-
Proposed bonus share issue -2007 (note 13)	-	-	-	-	-	(148,985,900)	-	148,985,900	-	-
Balance as at 31 December 2007 (restated)	744,929,500	292,601,044	289,956,019	58,915,685	-	15,723,577	148,985,900	148,985,900	883,403	1,700,981,028
Exchange adjustments	-	-	-	3,471,401	-	-	-	-	-	3,471,401
Changes in fair value of available for sale investments	-	-	-	-	(2,216,853)	-	-	-	-	(2,216,853)
Net income and expense for the year recognized directly in equity	-	-	-	3,471,401	(2,216,853)	-	-	-	-	1,254,548
Profit for the year	-	-	-	-	-	169,125,046	-	-	907,083	170,032,129
Total income and expense for the year	-	-	-	3,471,401	(2,216,853)	169,125,046	-	-	907,083	171,286,677
Dividends paid (note 13)	-	-	-	-	-	-	(148,985,900)	-	-	(148,985,900)
Transfer to share capital (note 13)	148,985,900	-	-	-	-	-	-	(148,985,900)	-	-
Transfer to general reserve (note 13)	-	-	43,070,892	-	-	(43,070,892)	-	-	-	-
Dividends proposed-2008 (note 13)	-	-	-	-	-	(44,695,770)	44,695,770	-	-	-
Proposed bonus share issue -2008 (note 13)	-	-	-	-	-	(89,391,540)	-	89,391,540	-	-
Balance as at 31 December 2008	893,915,400	292,601,044	333,026,911	62,387,086	(2,216,853)	7,690,421	44,695,770	89,391,540	1,790,486	1,723,281,805

The attached explanatory notes 1 to 26 form part of these consolidated financial statements.

31 December 2008

1 ACTIVITIES

Sudatel Telecom Group Limited ("Sudatel" or "the Company"), previously Sudan Telecommunication Company Limited, 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 (together "the Group") are engaged in the provision of installation, maintenance, and operation of telecommunication services, infrastructure and the provision of wire and wireless telecommunication services in Sudan and other African countries.

2 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, where available. The consolidated financial statements are presented in US dollars.

Statement of compliance

The consolidated financial statements of Sudatel Telecom 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 the Company and its subsidiaries as at 31 December.

Subsidiaries are those entities controlled by the 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:

<i>Company</i>	<i>Country of incorporation</i>	<i>Shareholding</i>		<i>Principal activity</i>
		<i>2008</i>	<i>2007</i>	
Chinguitel S.A.	Mauritania	60%	60%	Provision of installation, maintenance, and operation of telecommunication services
Al Gadida Asima Services Company Limited	Sudan	60%	60%	Issuing invoices and accounts receivable collection
Sudatel Engineering Services	Sudan	100%	100%	Telecommunication engineering and maintenance services
Sudanese Internet Company Limited	Sudan	100%	100%	Internet and data services
Datanet Company Limited	Sudan	100%	99%	Internet and data services

31 December 2008

2 BASIS OF PREPARATION**Basis of consolidation (continued)**

<i>Company</i>	<i>Country of incorporation</i>	<i>Shareholding</i>		<i>Principal activity</i>
		<i>2008</i>	<i>2007</i>	
Sudasat Company	Sudan	51%	51%	Monitoring telecommunication through satellite
Expresso Telecom Group Limited	UAE	100%	-	Investing and managing the Group's international operations

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

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.

3 CHANGE IN ACCOUNTING POLICIES AND ESTIMATES

In order to further enhance the disclosures in the financial statements and to align to leading international telecommunications accounting practices the Group has changed certain accounting policies and estimates as more fully explained below:

(i) Change in accounting policies**(a) Property, plant and equipment**

Until 2006, the Group had been capitalising all finance costs relating to the murabaha finance obtained to purchase certain of its equipment. The Group's accounting policy requires finance costs, except those directly attributable to the acquisition, construction or production of qualifying assets which are included in the cost of the asset, to be recognised in the income statement for the relevant period. Such finance costs included in the equipment as of 1 January 2007 amounted to USD 16,944,707 of which USD 2,551,950 related to the period prior to this date. Accordingly, the carrying value of the equipment and the retained earnings as at 1 January 2007 has been reduced by USD 16,944,707 and USD 2,551,950 respectively. This resulted in the restatement of the opening balance of Islamic Finance as at 1 January 2007 by USD 14,392,757. Also, the above change in accounting policy resulted in recognising finance costs of USD 3,983,379 in the consolidated income statement for the year ended 31 December 2007.

This change in accounting policy resulted in a reduction in the carrying values of the property, plant and equipment and Islamic finance by USD 6,160,366 and USD 2,176,986 respectively as of 31 December 2007, and resulted in recognition of finance costs of USD 3,983,379 in the consolidated income statement for the year 2007.

(b) Intangible assets**Goodwill**

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.

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.

31 December 2008

3 CHANGE IN ACCOUNTING POLICIES AND ESTIMATES (continued)**(i) Change in accounting policies (continued)****(b) Intangible assets (continued)****Other intangible assets**

Until 2006, 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

In addition, handsets and accessories were sold by the Group at a price lower than cost. The difference between the selling price and the cost of the handsets was recognised initially as customer acquisition costs under the intangible assets and amortised over a period of five years until 2006.

The Group has changed its accounting policies on recognition and measurement of the above items, from capitalising and amortising these costs to expensing them as they are incurred. This has resulted in adjusting the opening retained earnings at 1 January 2007 by USD 66,082,037 and charging an amount of USD 47,901,674 to the consolidated income statement for 2007.

(c) Investment in associates

Until 2006, the Group's investments in associates were carried at cost less provision for impairment when there is significant reduction in the carrying amount of the investment.

The Group applied the equity method of accounting for its investment in associates as of 1 January 2007. This resulted in an increase in retained earnings as of that date by USD 2,089,056.

(d) Deferred expenses

As at 31 December 2006, the Group had recognised USD 104,496,613, comprising formation costs (USD 1,141,938) and Licence costs (USD 103,354,675). Upon the changes in the Group's accounting policies at 1 January 2007, the Group transferred the licence costs to intangible assets and wrote-off the formation costs together with other similar costs against the retained earnings as explained in (note 3 (i) (b) above).

(e) Foreign exchange translation reserve

In the past, the group accounted for all differences arising from exchange rate movements on its foreign currency denominated balances against the foreign exchange translation reserve in equity. The exchange loss on foreign currency balances which required recognition in the consolidated income statement for the year ended 31 December 2007 amounted to USD 3,055,626 and as such, this amount has been restated by recognising it as an expense in 2007.

(ii) Changes in accounting estimates**(a) Trade and other receivables**

Amounts due from other operators of USD 11,953,767 as of 1 January 2007 was written off and adjusted against the retained earnings as of that date they were deemed uncollectible and pertain to periods prior to 2006. In addition, following 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 were adjusted against the opening retained earnings as at 1 January 2007.

31 December 2008

3 CHANGE IN ACCOUNTING POLICIES AND ESTIMATES (continued)**(ii) Changes in accounting estimates (continued)****(a) Trade and other receivables (continued)**

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 amounted to USD 1,140,863.

(iii) Summary of impact on opening retained earnings

The impact of the changes in accounting policies and estimates following the change in accounting policy on the Group's opening retained earnings as of 1 January 2007 is summarised below :

	<i>USD</i>
Changes in accounting policies	
Write-off of goodwill	1,896,859
Write off of capitalised formation, brand, restructuring and customer acquisition costs	66,082,037
Share of profit from associates	(2,089,056)
Finance costs relating to equipment purchased under murabaha	2,551,950
	<hr/> 68,441,790
Changes in accounting estimates	
Provision for doubtful debts (refer note 11)	52,723,075
Write off advances paid to suppliers and contractors (refer note 11)	1,263,909
Write off other receivables (refer note 11)	446,610
Others	1,140,863
	<hr/> <hr/> 124,016,247

31 December 2008

3 CHANGE IN ACCOUNTING POLICIES AND ESTIMATES (continued)

The Group's reconciliation of equity as at 1 January 2007 is shown below.

	<i>Previously reported USD</i>	<i>Effect of change in accounting policies and estimates USD</i>	<i>Restated USD</i>	<i>Notes</i>
ASSETS				
Non-current assets				
Property, plant and equipment	531,593,354	(16,944,707)	514,648,647	3(i) (a) & 6
Intangible assets	303,401,550	36,517,717	339,919,267	3(i) (b) & 7
Investment in associates	10,745,563	2,089,056	12,834,619	3(i) (c) & 8
Non-trading investments	415,380,860	-	415,380,860	-
Deferred expenses	104,496,613	(104,496,613)	-	3(i) (d) & 7
	<u>1,365,617,940</u>	<u>(82,834,547)</u>	<u>1,282,783,393</u>	
Current assets				
Non-trading investments	58,274,696	-	58,274,696	-
Inventories	81,975,932	-	81,975,932	-
Trade and other receivables	265,307,984	(55,574,457)	209,733,527	3(ii) (a) & 11
Term Islamic deposits	412,662,877	-	412,662,877	-
Bank balances and cash	133,112,420	-	133,112,420	-
	<u>951,333,909</u>	<u>(55,574,457)</u>	<u>895,759,452</u>	
TOTAL ASSETS	<u>2,316,951,849</u>	<u>(138,409,004)</u>	<u>2,178,542,845</u>	
EQUITY AND LIABILITIES				
Equity				
Share capital	744,929,500	-	744,929,500	-
Share premium	292,601,044	-	292,601,044	-
General reserve	180,993,042	-	180,993,042	-
Foreign exchange translation reserve	71,622,320	-	71,622,320	-
Retained earnings	375,785,678	(124,016,247)	251,769,431	3 (iii)
Proposed dividends	305,104,290	-	305,104,290	-
	<u>1,971,035,874</u>	<u>(124,016,247)</u>	<u>1,847,019,627</u>	
Minority interests	2,001,057	-	2,001,057	-
Total equity	<u>1,973,036,931</u>	<u>(124,016,247)</u>	<u>1,849,020,684</u>	
Non-current liabilities				
Non-current portion of Islamic finance	102,619,224	(14,392,757)	88,226,467	3(i) (a) & 15
Employees' end of service benefits	2,908,457	-	2,908,457	-
	<u>105,527,681</u>	<u>(14,392,757)</u>	<u>91,134,924</u>	
Current liabilities				
Trade payables and accruals	73,161,140	-	73,161,140	-
Zakat provision	44,259,185	-	44,259,185	-
Current portion of Islamic finance	120,966,912	-	120,966,912	-
	<u>238,387,237</u>	<u>-</u>	<u>238,387,237</u>	
Total liabilities	<u>343,914,918</u>	<u>(14,392,757)</u>	<u>329,522,161</u>	
TOTAL EQUITY AND LIABILITIES	<u>2,316,951,849</u>	<u>(138,409,004)</u>	<u>2,178,542,845</u>	

Sudatel Telecom Group Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

3 CHANGE IN ACCOUNTING POLICIES AND ESTIMATES (continued)

The Group's reconciliation of equity as at 31 December 2007 is shown below.

	<i>Previously reported USD</i>	<i>Effect of change in accounting policies and estimates USD</i>	<i>Restated USD</i>	<i>Notes</i>
ASSETS				
Non-current assets				
Property, plant and equipment	590,410,396	(23,105,073)	567,305,323	3(i) (a) & 6
Intangible assets	651,421,671	(83,580,443)	567,841,228	3(i) (b) & 7
Investment in associates	15,217,613	-	15,217,613	-
Non trading investments	405,240,685	-	405,240,685	-
	<u>1,662,290,365</u>	<u>(106,685,516)</u>	<u>1,555,604,849</u>	
Current assets				
Non trading investments	118,654,016	-	118,654,016	-
Inventories	56,940,581	-	56,940,581	-
Trade and other receivables	250,542,162	-	250,542,162	-
Term Islamic deposits	304,288,218	-	304,288,218	-
Bank balances and cash	50,280,338	-	50,280,338	-
	<u>780,705,315</u>	<u>-</u>	<u>780,705,315</u>	
TOTAL ASSETS	<u>2,442,995,680</u>	<u>(106,685,516)</u>	<u>2,336,310,164</u>	
EQUITY AND LIABILITIES				
Equity				
Share capital	744,929,500	-	744,929,500	-
Share premium	292,601,044	-	292,601,044	-
General reserve	289,956,019	-	289,956,019	-
Foreign exchange translation reserve	55,860,059	3,055,626	58,915,685	3(i) (e) & 13
Retained earnings	108,894,975	(93,171,398)	15,723,577	-
Proposed dividends	148,985,900	-	148,985,900	-
Proposed bonus share issue	148,985,900	-	148,985,900	-
	<u>1,790,213,397</u>	<u>(90,115,772)</u>	<u>1,700,097,625</u>	
Minority interests	883,403	-	883,403	-
Total equity	<u>1,791,096,800</u>	<u>(90,115,772)</u>	<u>1,700,981,028</u>	
Non-current liabilities				
Non current portion of Islamic finance	348,350,379	(12,427,308)	335,923,071	3(i) (a) & 14
Employees' end of service benefits	5,638,307	-	5,638,307	-
	<u>353,988,686</u>	<u>(12,427,308)</u>	<u>341,561,378</u>	
Current liabilities				
Trade payables and accruals	160,828,772	-	160,828,772	-
Zakat provision	40,149,688	-	40,149,688	-
Current portion of Islamic finance	96,931,734	(4,142,436)	92,789,298	3(i) (a) & 14
	<u>297,910,194</u>	<u>(4,142,436)</u>	<u>293,767,758</u>	
Total liabilities	<u>651,898,880</u>	<u>(16,569,744)</u>	<u>635,329,136</u>	
TOTAL EQUITY AND LIABILITIES	<u>2,442,995,680</u>	<u>(106,685,516)</u>	<u>2,336,310,164</u>	

31 December 2008

3 CHANGE IN ACCOUNTING POLICIES AND ESTIMATES (continued)

The Group's reconciliation of net profit for the year ended 31 December 2007 is shown below.

	<i>Previously reported USD</i>	<i>Effect of change in accounting policies and estimates USD</i>	<i>Restated USD</i>	<i>Notes</i>
Operating revenues	621,102,892	-	621,102,892	-
Less: Operating expenses	(386,550,810)	(47,901,674)	(434,452,484)	3(i) (b) & 19
Gross profit	234,552,082	(47,901,674)	186,650,408	
Profit from investments and deposits	104,637,385	-	104,637,385	-
Share of profits from associated companies	1,811,259	-	1,811,259	-
Other income	7,451,594	-	7,451,594	-
	348,452,320	(47,901,674)	300,550,646	
General and administration expenses	(106,949,699)	(3,055,626)	(110,005,325)	3(i) (e) & 22
Finance costs	-	(3,983,379)	(3,983,379)	3(i) (a)
Consolidated profit before Zakat and tax	241,502,622	(54,940,679)	186,561,942	
Zakat provision	(12,198,000)	-	(12,198,000)	-
Social development tax provision	(7,269,521)	-	(7,269,521)	-
Profit after Zakat and tax	222,035,101	(54,940,679)	167,094,421	
Loss attributable to minority shareholders	3,794,502	-	3,794,502	-
Attributable to equity holders of the parent company	225,829,603	(54,940,679)	170,888,923	

4 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 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 consolidated 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 consolidated 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.

4 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 and car ownership scheme.

The licenses have been granted for a period of 15 to 20 years by the relevant government agency with the option of renewal at the end of this period.

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

License costs	15-20 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 consolidated 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 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.

Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and the ability to hold to maturity. After initial recognition, these investments are measured at amortised cost using effective rate method. Any gain or loss on such investments is recognised in the consolidated income statement when the investment is derecognised or impaired, as appropriate.

Available for sale investments

Available for sale investments are financial investments that are not classified as held to maturity investments.

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 income statement for the year.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are reduced through use of an allowance account. Impaired receivables are derecognised when they are assessed as uncollectible.

Cash and cash equivalents

For the purpose of the consolidated 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.

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 consolidated 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 consolidated 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.

Impairment of non - financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non - financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Term loans

Term loans are carried on the balance sheet at their principal amounts and related finance charges accrued till balance sheet date. Instalments including unpaid finance charges 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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenue 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 at the gross amount billed to the customer.

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 consolidated 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 the Group are presented in US dollars, which is the Group's presentational currency.

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.

31 December 2008

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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 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 by reference to bid prices quoted in such markets.

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 business profit from 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.

Sudatel Telecom Group Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

5 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 2008	5,462,026	41,289,997	280,518,831	585,740,972	25,173,745	1,453,059	57,479,767	42,716,239	1,039,834,636
Additions	31,220,516	239,297	4,458,558	9,225,536	-	1,014,249	1,384,880	177,091,168	224,634,204
Additions in relation to the acquisition of a subsidiary	-	-	-	-	-	-	-	14,183,000	14,183,000
Transfers from capital work in progress	-	3,840,841	12,515,245	88,969,195	-	-	771,629	(106,096,910)	-
Disposals	-	-	(189,000)	(854,826)	-	(14,960)	(49,397)	-	(1,108,183)
Balance at 31 December 2008	36,682,542	45,370,135	297,303,634	683,080,877	25,173,745	2,452,348	59,586,879	127,893,497	1,277,543,657
Depreciation:									
At 1 January 2008	-	6,733,487	93,366,217	323,395,106	19,177,479	311,659	29,545,365	-	472,529,313
Charge for the year	-	1,234,888	16,173,102	59,821,125	2,517,373	376,715	6,032,229	-	86,155,432
Relating to disposals	-	-	(3,780)	(587,552)	-	(5,731)	(2,055)	-	(599,118)
Balance at 31 December 2008	-	7,968,375	109,535,539	382,628,679	21,694,852	682,643	35,575,539	-	558,085,627
Net carrying values:									
At 31 December 2008	36,682,542	37,401,760	187,768,095	300,452,198	3,478,893	1,769,705	24,011,340	127,893,497	719,458,030

Equipment with a carrying value of USD 287,411,010 (2007: 230,456,678) is subject to a first charge guarantee to secure the Murabaha finance obtained from Al Salam Bank B.S.C as disclosed in note 14.

The carrying value of plant and equipment held under Murabaha finance agreements at 31 December 2008 was USD 323,705,784 (2007: USD 248,267,294). Additions during the year include USD 100,265,219 (2007: USD 98,279,220) of plant and equipment held under Murabaha finance agreements which are pledged as security for the related Murabaha finance.

Depreciation has been allocated in the consolidated income statement as follows:

	2008 USD	<i>Restated 2007 USD</i>
Operating expenses (note 19)	78,511,600	66,766,601
General and administrative expenses (note 22)	7,643,832	7,222,604
	86,155,432	73,989,205

Sudatel Telecom Group Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	<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
Remeasurements arising from changes in accounting policies and estimates	-	-	-	(17,836,534)	-	-	-	-	(17,836,534)
Balance as at 1 January 2007 (restated)	4,957,796	35,017,614	244,325,987	490,352,492	25,173,745	445,675	53,186,733	59,798,614	913,258,656
Additions	504,230	4,331,862	2,517,669	52,172,860	-	1,000,146	113,258	65,152,673	125,792,698
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)	-
Disposals	-	-	-	(300)	-	(4,092)	(89,572)	-	(93,964)
Balance at 31 December 2007 (restated)	5,462,026	41,289,997	280,518,831	585,740,972	25,173,745	1,453,059	57,479,767	42,716,239	1,039,834,636
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
Remeasurements arising from changes in accounting policies and estimates	-	-	-	(891,827)	-	-	-	-	(891,827)
Balance as at 1 January 2007 (restated)	-	5,319,348	83,014,681	269,497,416	16,660,104	147,877	23,970,583	-	398,610,009
Charge for the year	-	1,414,139	10,351,536	53,897,690	2,517,375	163,782	5,644,683	-	73,989,205
Relating to disposals	-	-	-	-	-	-	(69,901)	-	(69,901)
Balance at 31 December 2007 (restated)	-	6,733,487	93,366,217	323,395,106	19,177,479	311,659	29,545,365	-	472,529,313
Net carrying values:									
At 31 December 2007 (restated)	5,462,026	34,556,510	187,152,614	262,345,866	5,996,266	1,141,400	27,934,402	42,716,239	567,305,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

6 INTANGIBLE ASSETS

	<i>Goodwill</i> <i>USD</i>	<i>Software</i> <i>costs</i> <i>USD</i>	<i>License</i> <i>costs</i> <i>USD</i>	<i>Staff -</i> <i>car scheme *</i> <i>USD</i>	<i>Total</i> <i>USD</i>
Cost:					
At 1 January 2008	1,009,849	5,699,068	573,371,392	12,721,480	592,801,789
Additions	17,512,000	4,159,707	26,084,756	76,950	47,833,413
Additions in relation to the acquisition of a subsidiary	-	-	50,130,000	-	50,130,000
Disposals	-	-	-	(666,049)	(666,049)
Balance at 31 December 2008	<u>18,521,849</u>	<u>9,858,775</u>	<u>649,586,148</u>	<u>12,132,381</u>	<u>690,099,153</u>
Amortisation:					
At 1 January 2008	-	1,273,340	20,116,215	3,571,006	24,960,561
Charge for the year	-	1,393,277	21,705,940	2,419,703	25,518,920
Relating to disposals	-	-	-	(194,716)	(194,716)
Balance at 31 December 2008	<u>-</u>	<u>2,666,617</u>	<u>41,822,155</u>	<u>5,795,993</u>	<u>50,284,765</u>
Net book values:					
At 31 December 2008	<u>18,521,849</u>	<u>7,192,158</u>	<u>607,763,993</u>	<u>6,336,388</u>	<u>639,814,388</u>

* 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 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.

Amortisation charges are included under operating expenses (note 19).

Sudatel Telecom Group Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

6 INTANGIBLE ASSETS

	<i>Formation costs USD</i>	<i>Brand costs USD</i>	<i>Re- structuring costs USD</i>	<i>Goodwill USD</i>	<i>Software costs USD</i>	<i>License costs USD</i>	<i>Customer acquisition costs USD</i>	<i>Staff - car scheme USD</i>	<i>Total 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
Transferred from deferred expenses *	1,141,938	-	-	-	-	103,354,675	-	-	104,496,613
Remeasurements arising from changes in accounting policies and estimates	(10,311,716)	(1,700,066)	(28,255,744)	(1,896,859)	-	-	(39,643,077)	-	(81,807,462)
Balance as at 1 January 2007 (restated)	-	-	-	-	1,713,841	333,354,675	-	12,821,593	347,890,109
Additions	-	-	-	1,009,849	3,207,012	240,016,717	-	2,355,793	246,589,371
Addition in relation to acquisition of a subsidiary	-	-	-	-	778,215	-	-	-	778,215
Disposals	-	-	-	-	-	-	-	(2,455,906)	(2,455,906)
Balance at 31 December 2007 (restated)	-	-	-	1,009,849	5,699,068	573,371,392	-	12,721,480	592,801,789
Amortisation:									
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
Remeasurements arising from changes in accounting policies and estimates	(1,567,117)	(122,289)	(8,174,852)	-	-	-	(3,964,308)	-	(13,828,566)
Balance as at 1 January 2007 (restated)	-	-	-	-	299,794	6,388,889	-	1,282,159	7,970,842
Amortisation	-	-	-	-	973,546	13,727,326	-	2,532,746	17,233,618
Relating to disposals	-	-	-	-	-	-	-	(243,899)	(243,899)
Balance at 31 December 2007 (restated)	-	-	-	-	1,273,340	20,116,215	-	3,571,006	24,960,561
Net book values:									
At 31 December 2007 (restated)	-	-	-	1,009,849	4,425,728	553,255,177	-	9,150,474	567,841,228

During 2007 Sudatel Telecommunications Group Limited obtained an extension of three years for its unified telecommunication license life which expires in 2027.

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

Amortisation charges are included under operating expenses.

31 December 2008

7 INVESTMENT 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	
		2008	2007
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	47.15%	45.72%
Electronic Banking Services	Sudan	30%	30%
Intercellular Nigeria Plc.	Nigeria	20%	-

During the year, the Expresso Telecom Group Limited acquired a 20% shareholding in Intercellular Nigeria Plc for a consideration of USD 60 Million. Intercellular Nigeria is involved in the business of provision of telecommunication services.

Details of the acquisition and the accounting for associate's share of profit are as follows:

	2008 USD	Restated 2007 USD
At 1 January	15,217,613	10,745,563
Adjustment arising from changes in accounting policies and estimates [note 3 (i) (c)]	-	2,089,056
At 1 January (restated)	15,217,613	12,834,619
Additional investments made during the year	60,605,000	1,370,000
Share of (loss) profit during the year	(1,789,924)	1,811,259
Dividends received during the year	(1,130,928)	(798,265)
At 31 December	72,901,761	15,217,613

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

	2008 USD	2007 USD
Current assets	10,305,223	8,866,320
Non-current assets	15,115,123	8,982,874
Current liabilities	(5,162,116)	(1,668,435)
Non-current	(4,710,834)	(963,146)
Net assets	15,547,396	15,217,613

Share of associates' revenue and results:

Revenue	4,105,212	3,953,375
(Loss) profit	(1,789,924)	1,811,259
Carrying amount of the investments	72,901,761	15,217,613

31 December 2008

8 NON-TRADING INVESTMENTS**Non-current investments**

	2008			2007		
	<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>
Investments						
Quoted	279,360,395	28,118,739	307,479,134	306,982,218	22,000,000	328,982,218
Unquoted	-	18,322,110	18,322,110	-	76,258,467	76,258,467
	279,360,395	46,440,849	325,801,244	306,982,218	98,258,467	405,240,685

Current investments

	2008			2007		
	<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>
Investments						
Quoted	80,128,164	-	80,128,164	72,817,131	45,836,885	118,654,016

Current held-to-maturity investments comprises Shihama certificates which mature in a 12 month period and earn 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 the acquisition of equipment. Both Shihama and government bonds have no predetermined profit rate and their current market value approximates their cost.

Quoted available for sale investments are carried at current market value determined based on quoted prices. However 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.

Non-current unquoted available for sale investments include investments in Al Thuraya, Rascom, Zidna financing fund and Sudan Finance House of USD 1,000,000, USD 1,194,120, USD 14,652,008 and nil respectively (2007: USD 1,000,000, USD 1,194,120, USD 24,354,593 and USD 49,500,000) in addition to investment funds which have no specific maturity date. These funds are expected to achieve a 12% return on investment.

Cumulative changes in fair value for quoted available for sale investments

	2008 USD	2007 USD
Cost	30,335,592	22,000,000
Cumulative changes in fair value	(2,216,853)	-
	28,118,739	22,000,000

31 December 2008

8 NON-TRADING INVESTMENTS (continued)

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

	2008 USD	2007 USD
At 1 January	1,019,204	928,886
Charge for the year	-	90,318
At 31 December	1,019,204	1,019,204

9 BUSINESS COMBINATION**Acquisitions in 2008**

Kasapa Telecom Limited:

On 11 July 2008, the Group acquired from Hutchison Telecommunications International (Cayman) Holdings Limited, a 100% interest in the share capital and loan interest in Kasapa Telecom Limited (KTL), a company providing cellular phone services. The consideration for the acquisition of the 100% interest in share capital and loan interest, was HKD 583.50 million. Consideration of HKD 583.50 million was settled by a cash payment of USD 74.96 million.

The 100% fair values of the identifiable assets and liabilities of KTL on completion of the acquisition are analysed below:

	Previous carrying amounts USD	Fair value recognised on acquisition USD
Property , plant and equipment	14,183,000	14,183,000
Cash and cash equivalents	662,000	662,000
Trade receivables	6,566,000	6,566,000
Tax credit receivable	32,000	32,000
Intangible assets	7,466,000	50,130,000
Inventories	3,446,000	3,446,000
	32,355,000	75,019,000
Trade payables		(15,609,000)
Provisions and other liabilities		(1,960,000)
Fair value of net assets acquired		57,450,000
Goodwill arising from acquisition		17,512,000
Total consideration paid		74,962,000
Cash outflow on acquisition:		
Net cash acquired with the subsidiary		662,000
Cash paid		(74,962,000)
Net cash outflow		(74,300,000)

The goodwill is attributable to the high potential profitability of the acquired business, access to telecommunication opportunities in Ghana and the significant synergies expected to arise. No acquisition provisions were created. The goodwill reported above is provisional and may be modified within a period of twelve months after the acquisition date.

31 December 2008

9 BUSINESS COMBINATION (continued)**Acquisitions in 2007**

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>

31 December 2008

10 INVENTORIES

	2008	<i>2007</i>
	USD	<i>USD</i>
Handsets and accessories	39,483,724	20,585,276
Spare parts and other materials	2,048,151	1,291,372
Transmission cables and materials	16,264,728	13,586,893
Goods in transit	4,588,414	19,184,532
Other equipment	2,790,090	4,652,508
Less:		
Provision for slow moving and obsolete stock	(2,516,000)	(2,360,000)
	62,659,107	56,940,581

The amount provided for in the current year in connection with slow moving and obsolete stock is USD 156,000 (2007:USD 2,360,000) which is included in general and administrative expenses (note 22).

11 TRADE AND OTHER RECEIVABLES

	2008	<i>2007</i>
	USD	<i>USD</i>
Gross customers' accounts	126,738,782	109,696,926
Less:		
Impairment allowance	(57,504,302)	(58,844,593)
Customers' accounts, net	69,234,480	50,852,333
Advances paid to suppliers and staff loans (net)	44,685,676	33,464,072
Prepaid expenses	8,628,537	5,668,314
Amounts due from a shareholder	32,244,743	41,122,478
Accrued profit on investments	60,823,220	91,983,224
Other receivables (net)	22,731,352	27,451,741
	238,348,008	250,542,162

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.

As at 31 December 2008, trade receivables with a gross value of USD 57,504,302 (2007: USD 58,844,593) were impaired and fully provided for.

31 December 2008

11 TRADE AND OTHER RECEIVABLES (continued)

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

	2008	<i>Restated</i>
	USD	<i>2007</i>
		<i>USD</i>
At 1 January	58,844,593	5,489,551
Adjustment arising from changes in accounting policies and estimates [note 3 (ii) (a)]	-	52,723,075
At 1 January (restated)	58,844,593	58,212,626
Charge for the year	98,589	1,616,554
Amounts written back during the year	(1,438,880)	(984,587)
At 31 December	57,504,302	58,844,593

12 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 185,126,881 (2007 : USD 177,706,772) are pledged under credit facilities obtained from various financial institutions.

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

31 December 2008

13 SHARE CAPITAL AND OTHER RESERVES

	<i>2008</i> USD	<i>2007</i> USD
Authorised (Ordinary shares of USD 1 each)	2,500,000,000	750,000,000
Issued and fully paid up (Ordinary shares of USD 1 each)		
At 1 January	744,929,500	744,929,500
Issued during the year	148,985,900	-
At 31 December 2008	893,915,400	744,929,500

Proposed bonus share issue

The Board of Directors has proposed a bonus share issue in the ratio of 1:10 (2007: in the ratio 1:5) totalling to USD 89,391,540 (2007: USD 148,985,900) which is subject to the approval of the shareholders at the Annual General Meeting.

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 the Company, 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 fulfil any of the Group's needs or to finance its investments.

On 29 March 2009, Board of Directors has proposed, for approval by shareholders, an appropriation of USD 43,070,892 (2007: USD 108,962,977) to the general reserve in connection with the year ended 31 December 2008.

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".

Dividends paid and proposed

The Board of Directors has proposed a cash dividend of USD 0.05 per share totalling to USD 44,695,770 (2007: USD 0.20 per share totalling to USD 148,985,900) which is subject to the approval of the shareholders at the Annual General Meeting.

Dividend paid in 2008 relating to 2007 was USD 0.20 per share totalling to USD 148,985,900 (2007: USD 0.41 per share totalling to USD 305,104,290).

31 December 2008

14 ISLAMIC FINANCE

	<i>Effective profit rate %</i>	<i>Maturity</i>	Total 2008 USD	<i>Restated Total 2007 USD</i>
Current				
Murabaha finance (*)	Libor + (1-2%)	1 year	94,397,572	92,789,298
Non-current				
Murabaha finance (*)	Libor + (1-2%)	5 years	181,485,121	95,923,071
Finance from Al Salam Bank (**)	Libor +2%	3 years	240,000,000	240,000,000
Non-current portion of Islamic Finance (restated)			421,485,121	335,923,071
Total borrowings			515,882,693	428,712,369

* Murabaha finance has been 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 323,705,784 (2007: USD 248,267,294).

** This finance is repayable in six equal half-yearly instalments 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 185,126,881 (2007: USD 177,706,772) have been pledged against this loan.

31 December 2008

15 EMPLOYEES' END OF SERVICE BENEFITS

	2008	2007
	USD	USD
The movement in the employees' end of service benefits was as follows:		
At 1 January 2008	5,638,307	2,908,457
Charge for the year	2,303,759	2,835,056
Paid during the year 2008	(40,672)	(105,206)
At 31 December	7,901,394	5,638,307

16 TRADE PAYABLES AND ACCRUALS

	2008	2007
	USD	USD
Trade accounts payable	13,991,798	10,743,097
Amounts due to international operators	5,755,331	13,783,165
Advances received from customers	24,342,474	18,195,239
Social contributions	5,597,744	7,029,134
Social development tax (note 17)	5,687,511	7,269,521
Staff bonus	29,305,825	26,805,775
Tax, customs and duties payable	22,528,292	23,367,543
Unclaimed dividends	14,433,514	23,939,642
Provisions	5,201,982	7,835,522
Accrued expenses and other payable	137,966,911	21,860,134
	264,811,382	160,828,772

17 ZAKAT AND TAX PROVISIONS

	2008		2007	
	USD		USD	
	Zakat	Tax	Zakat	Tax
Balance at 1 January 2008	40,149,688	7,269,521	44,259,185	294,852
Charge for the year	11,512,786	6,916,635	12,198,000	7,269,521
Paid during the year	(38,360,988)	(8,498,645)	(16,307,497)	(294,852)
Balance at 31 December 2008	13,301,486	5,687,511	40,149,688	7,269,521

18 OPERATING REVENUES

	2008	2007
	USD	USD
Telephone and other services revenues	620,244,899	617,892,984
Other operating revenues	33,276,553	3,209,908
	653,521,452	621,102,892

31 December 2008

19 OPERATING EXPENSES

	2008	<i>Restated</i>
	USD	<i>2007</i>
		<i>USD</i>
Out payments and interconnect charges	79,157,151	90,272,996
Cost of sales of equipment and other services	98,219,249	146,769,812
Leased circuit rentals	1,494,230	6,585,345
License fee amortisation	10,196,978	7,385,962
Employee salaries and associated costs	31,067,479	33,468,919
Repairs and maintenance	60,567,360	25,015,028
Commissions and fees	41,818,798	40,954,203
Depreciation (note 5)	78,511,600	66,766,601
Amortisation (note 6)	25,518,920	17,233,618
	426,551,765	434,452,484

20 PROFIT FROM INVESTMENTS AND DEPOSITS

	2008	<i>2007</i>
	USD	<i>USD</i>
Profit from:		
Term islamic deposits	48,368,894	45,430,404
Held to maturity investments	28,232,822	47,984,656
Available-for-sale investments	6,626,528	8,968,621
Revenue from Murabaha	5,390,000	2,253,704
	88,618,244	104,637,385

21 OTHER INCOME

	2008	<i>Restated</i>
	USD	<i>2007</i>
		<i>USD</i>
Discounts received	765,651	1,295,368
Gain on sale of property, plant and equipment	16,562,748	4,805,583
Loan no longer payable	-	261,783
Miscellaneous	10,100,789	1,088,860
	27,429,188	7,451,594

31 December 2008

22 GENERAL AND ADMINISTRATION

	2008	<i>Restated</i>
	USD	<i>2007</i>
		<i>USD</i>
Depreciation (note 5)	7,643,832	7,222,604
Employee salaries and associated costs	30,218,801	23,213,258
Marketing costs and donations	29,322,214	25,976,087
Rentals and utilities	18,821,944	12,968,915
Other expenses	39,575,712	23,325,360
Provision for bad and doubtful debts	94,427	1,616,554
Legal and professional	10,723,753	3,154,348
Repairs and maintenance	1,645,472	3,746,241
Provision for obsolete and slow moving stock (note 10)	156,000	2,360,000
Stock written off	464,000	-
Foreign exchange loss	2,425,840	3,055,626
Investment portfolio expenses	-	1,602,626
Provision for decrease in value of investments	-	90,318
Goodwill written off	-	1,049,033
Board of directors' remuneration	802,628	624,355
	141,894,623	110,005,325

23 BASIC AND DILUTED EARNINGS PER SHARE

	2008	<i>Restated</i>
	USD	<i>2007</i>
		<i>USD</i>
Net profit attributable to ordinary equity holders of the parent from continuing operations	169,125,046	170,888,923
	2008	<i>2007</i>
Number of ordinary shares in issue at end of year	893,915,400	744,929,500
Earning per share (US Dollars)	0.19	0.23

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.

24 COMMITMENTS AND CONTINGENCIES**Commitments****Capital expenditure**

Estimated capital expenditure contracted for at the balance sheet date amounted to USD 55,000,000 (2007: USD 80,000,000).

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2008 were USD 14,948,181 (2007: USD 13,338,681).

Letters of guarantee

The commitments on outstanding letters of guarantee as at 31 December 2008 were USD 26,974,166 (2007: USD nil).

31 December 2008

25 POST BALANCE SHEET EVENTS

As of 1 January 2009, the Board approved the structuring of Sudatel as follows:

- (a) **Suda - Fix**
This division will provide the Wireline services.
- (b) **Sudani**
This division will provide the Wireless services.
- (c) **Suda - Trans**
This division will provide the Transmission services.
- (d) **Sudatel Group**
This will be the holding company for all subsidiaries.

26 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the current year's presentation.