VODAFONE QATAR Q.S.C.

DOHA - QATAR

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED MARCH 31, 2011

VODAFONE QATAR Q.S.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended March 31, 2011

INDEX

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders
Vodafone Qatar Q.S.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Vodafone Qatar Q.S.C. (the "Company"), which comprise the statement of financial position as at March 31, 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about 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 auditor's judgment, 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 in 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 accompanying financial statements give a true and fair view of the financial position of Vodafone Qatar Q.S.C. as of March 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the financial statements provide the information required by the Qatar Commercial Companies' Law No. (5) of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Commercial Companies Law or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

For **Deloitte & Touche**

Midhat Salha
Licence No. 257

Doha – Qatar
May 25, 2011

VODAFONE QATAR Q.S.C.

STATEMENT OF INCOME

For the year ended March 31, 2011

	Notes	**Year ended March 31, 2011**	Year ended March 31, 2010
		QAR '000	QAR '000
Revenue	6	**934,899**	361,522
Direct costs		**(475,042)**	(247,570)
Other expenses	7	**(486,939)**	(339,253)
Earnings before interest, tax, depreciation, and amortisation		**(27,082)**	(225,301)
Depreciation		**(145,844)**	(80,007)
Amortisation of licences		**(402,637)**	(369,265)
Interest income		**5,397**	26,680
Financing costs	8	**(30,551)**	(25,495)
Loss before taxation		**(600,717)**	(673,388)
Income tax expense	9	-	-
Loss for the financial year		**(600,717)**	(673,388)
Basic and diluted loss per share (QAR)	22	**(0.71)**	(0.82)

STATEMENT OF COMPREHENSIVE INCOME

		Year ended March 31, 2011	Year ended March 31, 2010
		QAR '000	QAR '000
Loss for the financial year		**(600,717)**	(673,388)
Gains arising from cash flow hedge during the year	17	**19,784**	-
Total comprehensive loss for the financial year		**(580,933)**	(673,388)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

VODAFONE QATAR Q.S.C.

STATEMENT OF FINANCIAL POSITION

At March 31, 2011

	Notes	2011 QAR '000	2010 QAR '000
Non-current assets			
Property, plant and equipment	10	**1,161,201**	832,283
Intangible assets	11	**6,954,098**	7,346,735
Trade and other receivables	13	**5,668**	4,432
Total non-current assets		**8,120,967**	8,183,450
Current assets			
Inventories	12	**11,496**	21,713
Trade and other receivables	13	**200,314**	118,207
Cash and cash equivalents	14	**83,261**	85,356
Total current assets		**295,071**	225,276
Total assets		**8,416,038**	8,408,726
Equity			
Share capital	15	**8,454,000**	8,454,000
Legal reserve	16	**11,442**	11,442
Hedging reserve	17	**19,784**	-
Accumulated losses		**(1,407,028)**	(806,311)
Total equity		**7,078,198**	7,659,131
Non-current liabilities			
End of employment benefits		**4,707**	1,972
Provisions	18	**8,604**	4,848
Long term borrowings	19	**727,672**	379,083
Total non-current liabilities		**740,983**	385,903
Current liabilities			
Trade and other payables	20	**596,857**	363,692
Total current liabilities		**596,857**	363,692
Total liabilities		**1,337,840**	749,595
Total equity and liabilities		**8,416,038**	8,408,726

The financial statements were approved by the Board of Directors on May 25, 2011 and were signed on its behalf by:

John Tombleson	Matthew Harrison-Harvey
Acting Chief Executive Officer	Director, Regulatory and External Affairs

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

VODAFONE QATAR Q.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2011

	Share capital QAR '000	Legal reserve QAR '000	Hedging reserve QAR '000	Accumulated losses QAR '000	Total QAR '000
Balance at April 1, 2009	5,072,400	-	-	(132,923)	4,939,477
Issue of shares	3,381,600	-	-	-	3,381,600
Net issuance fee in respect of the IPO	-	11,442	-	-	11,442
Comprehensive loss for the financial year	-	-	-	(673,388)	(673,388)
Balance at March 31, 2010	**8,454,000**	**11,442**	-	**(806,311)**	**7,659,131**
Comprehensive loss for the year					
-Loss for the financial year	-	-	-	(600,717)	(600,717)
-Gains arising from cash flow hedge during the year	-	-	19,784	-	19,784
Balance at March 31, 2011	**8,454,000**	**11,442**	**19,784**	**(1,407,028)**	**7,078,198**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

VODAFONE QATAR Q.S.C.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2011

	Notes	**Year ended March 31, 2011**	Year ended March 31, 2010
		QAR '000	QAR '000
Net cash flows used in operating activities	21	**(28,523)**	(147,863)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(292,698)**	(423,994)
Payment for intangible assets		**(10,000)**	(3,086,400)
Interest received		**5,397**	26,680
Net cash flows used in investing activities		**(297,301)**	(3,483,714)
Cash flows from financing activities			
Issue of ordinary share capital		**-**	3,393,042
Proceeds of long term borrowings		**348,589**	379,083
Net movement in short term borrowing		**-**	(35,000)
Interest paid		**(24,860)**	(20,746)
Net cash flows from financing activities		**323,729**	3,716,379
Net (decrease)/increase in cash and cash equivalents		**(2,095)**	84,802
Cash and cash equivalents at the beginning of the year		**85,356**	554
Cash and cash equivalents at the end of the year	14	**83,261**	85,356

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. INCORPORATION AND ACTIVITIES

Vodafone Qatar Q.S.C. ("the Company") is registered as a Qatari Shareholding Company for a twenty- five year period (which may be extended by a resolution passed at a General Assembly) under article 68 of the Commercial Companies Law Number 5 of 2002.

The Ministry of Business and Trade granted its approval for the incorporation of the Company, as per Ministerial Resolution Number (160) of 2008, dated June 22, 2008. The Company was registered with the Commercial Register of the Ministry of Business and Trade on June 23, 2008 under number 39656. The incorporation of the Company was completed upon the publication in the Official Gazette of Ministerial Resolution Number (160) of 2008. During the prior year, the Company successfully completed the initial public offering of 338,160,000 ordinary shares and was listed on the Qatar Exchange.

The Company is engaged in providing cellular mobile telecommunication services and selling mobile related equipment and accessories.

The Company's head office is located in Doha, Qatar and its registered address is P.O. Box 27727, Doha, Qatar.

The financial statements were approved by the Board of Directors and authorised for issue on May 25, 2011.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting year. For a discussion on the Company's critical accounting estimates see "Critical Accounting Estimates" under note 4. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The amounts in the financial statements are stated in thousands of Qatari Riyals (QAR) unless indicated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared on a historical cost basis, except for certain financial and equity instruments that have been measured at fair value.

Foreign currencies

Foreign currency transactions are translated into Qatari Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Income tax

Corporate income tax is levied on companies that are not wholly owned by Qataris or any GCC nationals, based on the net profit of the Company. The Company is listed on the stock exchange and is not subject to income tax.

Intangible Assets

Identifiable intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits will flow to the Company and the cost of the asset can be reliably measured.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. 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 are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in statement of income in the expense category consistent with the function of the intangible asset.

Licence fees

Licence and spectrum fees are stated at cost less accumulated amortisation. The amortisation period is determined primarily by reference to the unexpired licence period, the conditions for the licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the statement of income on a straight-line basis over the estimated useful lives from the commencement of service of the network. The estimated useful lives of the mobile and fixed line licenses are 20 years and 25 years respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Buildings held for use are stated in the statement of financial position at their cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Equipment, fixtures and fittings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, using the straight- line method, over their estimated useful lives, as follows:

Freehold building	25 – 50 years
Leasehold premises	the term of the lease

Equipment, fixtures and fittings:

Network infrastructure	3 -8 years
Others	2-5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

Property, plant and equipment and finite lived intangible assets

At each end of reporting period date, the Company reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in the statement of income.

Revenue recognition

Revenue is recognised to the extent the Company has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is measured at the fair value of the consideration received, exclusive of discounts.

The Company principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data broadband services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages.

Revenue from access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Company 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 amount receivable by the Company as commission for facilitating the service.

Revenue from selling the right to use preferred numbers is recognised over a four year period on a straight line basis, which is the expected useful life of the customer. Revenue from money transfer transactions is recognised when earned, upon the transfer of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (Continued)

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the device is delivered to the end customer or to an intermediary when the significant risks associated with the device are transferred.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Commissions

Intermediaries are given cash incentives by the Company to connect new customers and upgrade existing customers, and distribute recharge cards. The cash incentives are accounted for as an expense.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average cost and comprises direct materials and, where applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of Qatar Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The use of financial derivatives is governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement. The Company does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as either:

-hedges of the change of fair value of recognised assets and liabilities ('fair value hedges'); or
-hedges of net investments in foreign operations; or
-cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other gains and losses' line item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, or the Company chooses to end the hedging relationship.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; (ii) default or delinquency in interest or principal payments; or (iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of income.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through the statement of income are not reversed through the statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board, the application of which often requires judgements to be made by management when formulating the Company's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each, below. The discussion below should also be read in conjunction with the Company's disclosure of significant IFRS accounting policies, which is provided in note 3 to the financial statements.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- growth in earnings before interest, tax, depreciation and amortisation ("EBITDA"), calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Company prepares and Vodafone Group approves formal ten year plans for its business and the Company uses these as the basis for its impairment reviews.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment reviews (continued)

In estimating the value in use, the Company uses a discrete period of 20 years where a long term growth rate into perpetuity has been determined as the lower of:

-The nominal GDP rates for the country of operation; and

-The compound annual growth rate in EBITDA in years nine to ten of management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and, hence, results.

Revenue Presentation: gross versus net

When deciding the most appropriate basis for presenting revenue and costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Company's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the Company's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Revenue from selling the right to use preferred numbers is amortised over a four year period which represents the estimated useful life of the customer.

Estimation of useful life

The useful life used to amortise intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

Licences fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost. Using the licence term reflects the period over which the Company will receive economic benefit. For technology specific licences with a presumption of renewal at negligible cost, the estimated useful economic life reflects the Company's expectation of the period over which the Company will continue to receive economic benefit from the licence. The economic lives are periodically reviewed taking into consideration such factors as changes in technology. Historically any changes to economic lives have not been material following these reviews.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the asset base of the Company being 13.8% (2010: 9.9%) of the Company's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the statement of income.

The useful lives and residual values of the Company assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

5. SEGMENT REPORTING

The Company only operates in Qatar and is therefore viewed to operate in one geographical area. Management also views that its mobile business is the only operating segment of the Company. Fixed line and money transfer services are considered to be part of the same operating segment and reported as such internally to management.

6. REVENUE

	Year ended March 31, 2011	Year ended March 31, 2010
	QAR '000	QAR '000
Revenue from sale of goods and services	**916,068**	347,209
Other revenue	**18,831**	14,313
	934,899	361,522

7. OTHER EXPENSES

	Year ended March 31, 2011	Year ended March 31, 2010
	QAR '000	QAR '000
Employee benefits expense	**156,906**	144,891
Operating lease rentals	**121,452**	62,311
Other expenses	**208,581**	132,051
	486,939	339,253

8. FINANCING COSTS

	Year ended March 31, 2011	Year ended March 31, 2010
	QAR '000	QAR '000
Bank guarantee charges on unpaid 40% licence cost	**-**	3,858
Other guarantee charges	**730**	1,345
Interest on short term borrowing	**-**	266
Interest on long term borrowings	**25,635**	17,961
Others	**4,186**	2,065
	30,551	25,495

9. INCOME TAX EXPENSE

	Year ended March 31, 2011	Year ended March 31, 2010
	QAR '000	QAR '000
Income tax expense	**-**	-

Corporate income tax is levied on companies that are not wholly owned by Qatari citizens or GCC nationals, based on the net profit of the Company.

Deferred tax assets have not been recognised on the basis that the Company has a five year tax holiday following its incorporation and is exempt from paying income tax under its listed Company status.

10. PROPERTY, PLANT AND EQUIPMENT

	IT, furniture, fixtures and fittings	Network, plant and equipment	Total
	QAR'000	QAR'000	QAR'000
Cost:			
At March 31, 2009	79,627	309,642	389,269
Additions	24,776	498,997	523,773
At March 31, 2010	104,403	808,639	913,042
Additions	249,591	225,171	474,762
At March 31, 2011	**353,994**	**1,033,810**	**1,387,804**
Accumulated Depreciation:			
At March 31, 2009	752	-	752
Charge for the year	15,966	64,041	80,007
At March 31, 2010	16,718	64,041	80,759
Charge for the year	70,572	75,272	145,844
At March 31, 2011	**87,290**	**139,313**	**226,603**
Net book value:			
At March 31, 2011	**266,704**	**894,497**	**1,161,201**
At March 31, 2010	87,685	744,598	832,283

The net book value of furniture, fixtures and fittings and network and IT equipment includes assets in the course of construction, which are not depreciated. This amounts to QAR 238 million (2010: QAR 103 million).

11. INTANGIBLE ASSETS

	Total
	QAR '000
Licences – Cost:	
At March 31, 2009	**7,716,000**
Additions	-
At March 31, 2010	**7,716,000**
Additions	10,000
At March 31, 2011	**7,726,000**
Licences – Accumulated amortisation:	
At March 31, 2009	-
Amortisation charge for the year	369,265
At March 31, 2010	**369,265**
Amortisation charge for the year	402,637
At March 31, 2011	**771,902**
Licences – Net book value:	
At March 31, 2011	**6,954,098**
At March 31, 2010	7,346,735

During the financial year, the Company commenced amortisation of its Public Fixed Telecommunications Network and Service Licence granted from ictQatar during the year. The licence will expire in April 2035.

12. INVENTORIES

	2011	2010
	QAR '000	QAR '000
Goods held for resale	**11,496**	21,713

Inventory is reported net of allowance for obsolescence, an analysis of which is as follows:

At April 1	**943**	-
Amounts charged to statement of income	**2,682**	943
At March 31	**3,625**	943

13. TRADE AND OTHER RECEIVABLES

	2011	2010
	QAR '000	QAR '000
Included within non-current assets:		
Prepayments	**5,668**	4,432
Included within current assets:		
Trade receivables	**141,047**	77,839
Prepayments	**30,863**	30,307
Due from related parties (note 23)	**205**	765
Other receivables	**28,199**	9,296
	200,314	118,207

14. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and term deposits with original maturities of three months of less, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	2011	2010
	QAR '000	QAR '000
Cash at bank and on hand	**83,261**	85,356

15. SHARE CAPITAL

	2011		2010	
	Number	**QAR'000**	Number	QAR'000
Ordinary shares authorised, allotted, issued and fully paid:				
Ordinary shares of QAR 10 each	**845,400,000**	**8,454,000**	845,400,000	8,454,000

16. LEGAL RESERVE

During the financial year ended March 31, 2010, the Company successfully completed an initial public offering of 338,160,000 ordinary shares. The offer price was QAR 10 per share and QAR 0.25 per share was charged to cover the cost of the share issue. All the shares were fully subscribed. The excess of issuance fees of QAR 0.25 per share over the issuance cost has been transferred to the legal reserve.

17. CASH FLOW HEDGE

Under the Company's foreign exchange management policy, the Company hedges foreign exchange risk in external transactions by using the forward foreign exchange market.

During the period, the Company entered into a number of forward foreign exchange contracts. The fair value gain in the statement of comprehensive income represents the difference between the fair value of the foreign exchange forwards at contract date and at the reporting date. The notional amount of the hedge contracts as at March 31, 2011 amounts to USD 40 million.

18. PROVISIONS

	2011	2010
	QAR '000	QAR '000
Asset retirement obligation	**8,604**	4,848

Asset Retirement Obligations

In the course of the Company's activities, a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are generally expected to occur at the dates of exit of the assets to which they relate, which are long term in nature.

19. BORROWINGS

	2011	2010
	QAR '000	QAR '000
Loan from Vodafone Investment SARL	**727,672**	379,083

During the financial year, the Company obtained a second revolving credit facility of USD $120 million from Vodafone Investments Luxembourg SARL. The loan bears interest at a variable rate, and is repayable on May 3, 2014. During the year, the Company has drawn down USD $96 million.

The Company's first credit facility of USD$ 110 million was also obtained from Vodafone Investments Luxembourg SARL and also bears interest at a variable rate. This credit facility is repayable on April 2, 2012.

20. TRADE AND OTHER PAYABLES

	2011	2010
	QAR '000	QAR '000
Trade payables	**66,336**	36,119
Accruals and deferred income	**398,319**	310,971
Other payables	**54,869**	11,273
Due to related parties (note 23)	**77,333**	5,329
	596,857	363,692

21. RECONCILIATION OF NET CASH FLOWS USED IN OPERATING ACTIVITIES

	2011	2010
	QAR '000	QAR '000
Operating loss for the year before interest income and finance cost	**(575,563)**	(674,573)
Adjustments for:		
Depreciation and amortisation	**548,481**	449,272
Finance costs	**(5,691)**	(4,749)
Decrease/(increase) in inventory	**10,217**	(16,929)
Increase in trade and other receivables	**(63,559)**	(91,586)
Increase in trade and other payables	**51,101**	184,524
Increase in end of employment benefits	**2,735**	1,580
Increase in provisions	**3,756**	4,598
Net cash flows used in operating activities	**(28,523)**	(147,863)

22. BASIC AND DILUTED LOSS PER SHARE

	Year ended March 31, 2011	Year ended March 31, 2010
Loss for the year (QAR'000)	**(600,717)**	(673,388)
Weighted average number of shares (in thousands)	**845,400**	817,220
Basic and diluted loss per share (QAR)	**(0.71)**	(0.82)

There is no dilutive element and basic and diluted shares are the same.

23. RELATED PARTY TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and companies controlled, jointly controlled or significantly influenced by those parties.

The following transactions were carried out with related parties:

	Year ended March 31, 2011	Year ended March 31, 2010
	QAR '000	QAR '000
Sales of goods and services		
Vodafone Group Plc controlled entities	**153**	717
Purchases of goods and services		
Vodafone Group Plc controlled entities	**25,819**	30,754
Interest on Guarantee		
Qatar foundation for Education, Science and Community Development	**-**	3,858
Interest on Long Term Borrowing		
Vodafone Group Plc controlled entities	**25,635**	17,961

Goods and services are bought from related parties at prices approved by management.

	2011	2010
	QAR '000	QAR '000
Balances arising from sales/purchases of goods/services		
Receivables from related parties:		
Vodafone Group Plc controlled entities	**205**	765
Payables to related parties:		
Vodafone Group Plc controlled entities	**77,333**	5,329

23. RELATED PARTY TRANSACTIONS (CONTINUED)

	2011	2010
	QAR '000	QAR '000
Loan from a related party:		
Loan from Vodafone Investment SARL	**727,672**	379,083

The receivables from related parties arise mainly from sale transactions which are unsecured in nature and bear no interest. The payables to related parties arise mainly from purchase transactions and bear no interest. Loans from related parties bear interest at variable rates.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
	QAR '000	QAR '000
Salaries and short-term benefits	**31,113**	20,126
Employees' end of service benefits	**149**	81
	31,262	20,207

24. FINANCIAL INSTRUMENTS

Capital risk management

The following table summarises the capital structure of the Company:

	2011	2010
	QAR '000	QAR '000
Cash and cash equivalents	**(83,261)**	(85,356)
Borrowings	**727,672**	379,083
Net debt	**644,411**	293,727
Equity	**7,078,198**	7,659,131
	7,722,609	7,952,858

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company's policy is to borrow long term facilities from its related party to meet anticipated funding requirements.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	2011	2010
	QAR '000	QAR '000
Financial assets		
Cash and cash equivalents	**83,261**	85,356
Trade and other receivables	**205,982**	122,639
Financial liabilities		
Trade and other payables	**596,857**	363,692
Long term borrowings	**727,672**	379,083

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

During the year the Company has entered into a number of foreign exchange contracts, to hedge its exposure to currency fluctuations.

Interest rate risk management

Under the Company's interest rate management policy, interest rates on monetary assets and liabilities are maintained on a floating rate basis. For every one percent rise or fall in market interest rates in which the Company had borrowings at March 31, 2011 there would be an increase or reduction in the total loss for the financial year before tax of QAR 1.4 million (2010: increase or reduction by QAR 1 million).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

The following table presents the movement in the provision for doubtful receivables:

	2011	2010
	QAR '000	QAR '000
At April 1	-	-
Amounts charged to income statement	**20,911**	-
At March 31	**20,911**	-

24. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents ageing of receivables that are past due and are presented net of provisions for doubtful receivables that have been established:

	2011	2010
	QAR '000	QAR '000
31 – 60 days	**19,844**	1,126
61 – 90 days	**3,655**	13,238
91–120 days	**801**	11,646
Over 120 days	**2,040**	82
	26,340	26,092

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011	2010
	QAR '000	QAR '000
Cash and cash equivalents	**83,261**	85,356
Trade and other receivables	**205,982**	122,639
	289,243	207,995

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. During the financial year, the Company secured additional borrowing of USD $120 million from Vodafone Investments Luxembourg SARL which the Company has at its disposal to further reduce liquidity risk.

The table below analyses the Company's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

24. FINANCIAL INSTRUMENTS (CONTINUED)

At March 31, 2011	**Less than 1 year**	**Between 1 and 2 years**
	QAR'000	**QAR '000**
Trade and other payables	**596,857**	-
Long term borrowings	-	**727,672**

At March 31, 2010	Less than 1 year	Between 1 and 2 years
	QAR'000	QAR '000
Trade and other payables	363,692	-
Long term borrowings	-	379,083

Fair value of financial instruments

Fair value is not materially different from the carrying amount.

25. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Operating lease commitments

The Company has entered into commercial leases on certain properties, network infrastructure, motor vehicles, and items of equipment. The leases have various terms, escalation clauses, and renewal rights, none of which are individually significant to the Company. Future lease payments comprise:

	2011	2010
	QAR '000	QAR '000
Within one year	**102,272**	48,765
In more than one year but less than two years	**46,764**	43,228
In more than two years but less than three years	**45,592**	40,213
In more than three years but less than four years	**42,876**	38,228
In more than four years but less than five years	**42,738**	29,001
In more than five years	**365,744**	222,551
	645,986	421,986

25. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Capital commitments

	2011	2010
	QAR '000	QAR '000
Contracts, placed for future capital expenditure not provided for in the financial statements	**55,993**	64,693

Contingent liabilities

	2011	2010
	QAR '000	QAR '000
Performance bonds	**115,000**	220,000
Credit guarantees – third party indebtedness	**1,152**	700

Performance bonds

Performance bonds require the Company to make payments to third parties in the event that the Company does not perform what is expected of it under the terms of any related contracts.

Credit guarantees – third party indebtedness

Credit guarantees comprise guarantees and indemnity of bank or other facilities.

26. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

26.1 Standards and Interpretations effective in the current period

At the date of authorization of these financial statements, the following standards and interpretations were effective:

(i) Revised standards:

- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards*
- IFRS 2 (Revised) — *Share-based Payment*
- IFRS 3 (Revised) — *Business combinations*
- IFRS 5 (Revised) — *Non Current assets Held for Sale & Discontinued Operations*
- IFRS 8 (Revised) — *Operating Segments*
- IAS 1 (Revised) — *Presentation of Financial Statements.*
- IAS 7 (Revised) — *Statement of cashflows*
- IAS 17 (Revised) — *Leases*
- IAS 27 (Revised) — *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) — *Investment in associates*
- IAS 31 (Revised) — *Interests in joint ventures*
- IAS 36 (Revised) — *Impairment of Assets*
- IAS 38 (Revised) — *Intangible Assets*
- IAS 39 (Revised) — *Financial Instruments : Recognition and Measurement*

26. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

26.1 Standards and Interpretations effective in the current period (continued)

(ii) Revised Interpretations

- IFRIC 9 — *Reassessment of Embedded Derivatives*
- IFRIC 16 — *Hedges of Net Investment in Foreign Operations*

(iii) Withdrawn Interpretations

- IFRIC 8 — *Scope of IFRS 2*
- IFRIC 11 — *Group and Treasury Share Transactions*

(iv) New Interpretations

- IFRIC 17 — *Distributions of Non-cash Assets to Owners*
- IFRIC 18 — *Transfers of Assets from Customers*

The adoption of these standards and interpretations had no significant effect on the financial statements of the Company for the year ended March 31, 2011, other than certain presentation and disclosure changes.

26.2 Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective:

(i) Revised Standards

Effective for annual periods beginning on or after February 1, 2010

- IAS 32 (Revised) — *Financial Instruments : Presentation*

Effective for annual periods beginning on or after July 1, 2010

- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards.*
- IFRS 3 (Revised) — *Business combinations*
- IAS 27 (Revised) — *Consolidated and Separate Financial Statements*

26. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

26.2 Standards and Interpretations in issue not yet effective (continued)

(i) Revised Standards (continued)

Effective for annual periods beginning on or after January 1, 2011

- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards*
- IFRS 7 (Revised) — *Financial Instruments disclosures* IAS 1 (Revised) – *Presentation of Financial Statements*
- IAS 24 (Revised) — *Related Party Disclosures*
- IAS 34 (Revised) — *Interim Financial Reporting.*

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed so long as the revisions to IAS 27, IAS 28 and the new standards IFRS 10, IFRS 11 and IFRS 12 are all applied early).

- IAS 27 — *Separate Financial Statement*
- IAS 28 — *Investments in Associates and Joint Ventures*

(ii) New Standards:

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 9 — *Financial Instruments –Classification and Measurement*
- IFRS 13 — *Fair Value Measurement*

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed so long as the revisions to IAS 27, IAS 28 and the new standards IFRS 10, IFRS 11 and IFRS 12 are all applied early).

- IFRS 10 — *Consolidated Financial Statements*
- IFRS 11 — *Joint Arrangements(supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers*
- IFRS 12 — *Disclosure of Involvement with Other Entities*

26. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

26.2 Standards and Interpretations in issue not yet effective (continued)

(iii) Revised Interpretations

Effective for annual periods beginning on or after January 1, 2011

- IFRIC 14 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

(iv) New Interpretations

Effective for annual periods beginning on or after July 1, 2010

- IFRIC 19 — *Extinguishing Financial Liabilities with Equity Instruments*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.