

**VODAFONE QATAR Q.S.C**  
**DOHA - QATAR**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011**

# VODAFONE QATAR Q.S.C

## INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To The Shareholders  
Vodafone Qatar Q.S.C  
Doha - Qatar**

### **Introduction**

We have reviewed the accompanying interim condensed financial statements of Vodafone Qatar Q.S.C (the "Company"), which comprise the interim condensed statement of financial position as of September 30, 2011 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard No. (34), "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

**For Deloitte & Touche**

**Doha – Qatar  
November 2, 2011**

**Midhat Salha  
License No. 257**

**VODAFONE QATAR Q.S.C**

**INTERIM CONDENSED STATEMENT OF INCOME**

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

	<b>Notes</b>	<b>Six months ended September 30,</b>	
		<b>2011</b>	<b>2010</b>
		<b>(Reviewed)</b>	<b>(Reviewed)</b>
		<b>QAR '000</b>	<b>QAR '000</b>
Revenue	4	<b>590,310</b>	385,447
Direct costs		<b>(275,925)</b>	(196,854)
Other expenses		<b>(249,208)</b>	(220,444)
<b>EBITDA</b>		<b>65,177</b>	(31,851)
Depreciation		<b>(86,930)</b>	(66,828)
Amortisation of license		<b>(201,920)</b>	(201,269)
Interest income		<b>3,481</b>	2,171
Financing cost		<b>(17,114)</b>	(14,598)
<b>Loss before taxation</b>		<b>(237,306)</b>	(312,375)
Income tax expense	5	-	-
<b>Loss for the period</b>		<b>(237,306)</b>	(312,375)
<b>Basic and diluted loss per share (QAR)</b>	8	<b>(0.28)</b>	(0.37)

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended September 30,</b>	
		<b>2011</b>	<b>2010</b>
		<b>(Reviewed)</b>	<b>(Reviewed)</b>
		<b>QAR '000</b>	<b>QAR '000</b>
Loss for the period		<b>(237,306)</b>	(312,375)
<b>Other comprehensive income</b>			
Loss/gain arising from cash flow hedge during the period	10	<b>(18,235)</b>	32,049
<b>Total comprehensive loss for the period</b>		<b>(255,541)</b>	(280,326)

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

VODAFONE QATAR Q.S.C

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AT SEPTEMBER 30, 2011

	Notes	September 30, 2011 (Reviewed) QAR '000	March 31, 2011 (Audited) QAR '000
<b>Non-current assets</b>			
Property, plant and equipment	6	1,195,574	1,161,201
Intangible assets	7	6,752,178	6,954,098
Trade and other receivables		5,728	5,668
<b>Total non-current assets</b>		<u>7,953,480</u>	<u>8,120,967</u>
<b>Current assets</b>			
Inventory		15,651	11,496
Trade and other receivables		153,480	200,314
Cash and cash equivalents		87,255	83,261
<b>Total current assets</b>		<u>256,386</u>	<u>295,071</u>
<b>Total assets</b>		<u>8,209,866</u>	<u>8,416,038</u>
<b>Equity</b>			
Share capital		8,454,000	8,454,000
Legal reserve		11,442	11,442
Accumulated other comprehensive income	10	1,549	19,784
Accumulated losses		(1,644,334)	(1,407,028)
<b>Total equity</b>		<u>6,822,657</u>	<u>7,078,198</u>
<b>Non-current liabilities</b>			
End of employment benefits		6,354	4,707
Provisions		9,743	8,604
Long term borrowings	9	405,718	727,672
<b>Total non-current liabilities</b>		<u>421,815</u>	<u>740,983</u>
<b>Current liabilities</b>			
Short term borrowings	9	395,064	-
Trade and other payables		570,330	596,857
<b>Total current liabilities</b>		<u>965,394</u>	<u>596,857</u>
<b>Total liabilities</b>		<u>1,387,209</u>	<u>1,337,840</u>
<b>Total equity and liabilities</b>		<u>8,209,866</u>	<u>8,416,038</u>

The interim condensed financial statements were approved by the Board of Directors on November 2, 2011 and were signed on its behalf by:

John Tombleson  
Chief Financial Officer

Matthew Harrison-Harvey  
Director, Regulatory and  
External Affairs

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

VODAFONE QATAR Q.S.C

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Accumulated other comprehensive income</u>	<u>Accumulated losses</u>	<u>Total</u>
	QAR '000	QAR '000	QAR '000	QAR '000	QAR '000
<b>Balance at April 1, 2010 (Audited)</b>	8,454,000	11,442	-	(806,311)	7,659,131
<u>Comprehensive loss for the period</u>					
-Loss for the period	-	-	-	(312,375)	(312,375)
-Other comprehensive income	-	-	32,049	-	32,049
<b>Balance at September 30, 2010 (Reviewed)</b>	<b>8,454,000</b>	<b>11,442</b>	<b>32,049</b>	<b>(1,118,686)</b>	<b>7,378,805</b>
<b>Balance at April 1, 2011 (Audited)</b>	8,454,000	11,442	19,784	(1,407,028)	7,078,198
<u>Comprehensive loss for the period</u>					
-Loss for the period	-	-	-	(237,306)	(237,306)
-Other comprehensive loss	-	-	(18,235)	-	(18,235)
<b>Balance at September 30, 2011 (Reviewed)</b>	<b>8,454,000</b>	<b>11,442</b>	<b>1,549</b>	<b>(1,644,334)</b>	<b>6,822,657</b>

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

**VODAFONE QATAR Q.S.C**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

	<b>Note</b>	<b>Six months ended September 30,</b>	
		<b>2011</b> <b>(Reviewed)</b> <b>QAR '000</b>	<b>2010</b> <b>(Reviewed)</b> <b>QAR '000</b>
<b>Net cash flows generated from operating activities</b>	11	<b>65,820</b>	23,760
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(121,303)	(114,684)
Payment for intangible assets		-	(10,000)
Interest received		3,481	994
<b>Net cash flows used in investing activities</b>		<b>(117,822)</b>	(123,690)
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings		58,072	109,200
Interest paid		(2,076)	(1,810)
<b>Net cash flows from financing activities</b>		<b>55,996</b>	107,390
<b>Net increase in cash and cash equivalents</b>		<b>3,994</b>	7,460
Cash and cash equivalents at beginning of the period		83,261	85,356
<b>Cash and cash equivalents at end of the period</b>		<b>87,255</b>	92,816

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

# VODAFONE QATAR Q.S.C

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

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### 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 (“inception date”) 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 financial year ended March 31, 2010, the Company successfully completed the initial public offering of 338 million ordinary shares and was listed on Qatar Exchange.

At the Extraordinary General Assembly convened on June 28, 2010, the shareholders approved the amendments to the Memorandum of Association and Articles of Association to enable the Company to provide fixed telecommunication services in accordance with the second Public Fixed Telecommunications Networks and Services license granted by the Supreme Council of Information and Communication Technology (“ictQatar”) on April 29, 2010.

The Company is engaged in providing fixed and mobile telecommunication services.

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

### 2. BASIS OF PREPARATION

The interim Condensed Financial Statements for the six month period ended September 30, 2011:

- were prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (‘IAS 34’).
- were prepared on the going concern basis as set out in the Company’s Financial Statements for the year ended March 31, 2011;
- are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the 2011 annual report;
- apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Company’s annual financial statements for the year ended March 31, 2011 except as stated otherwise;
- include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented; and
- do not constitute statutory accounts and were approved by the Board of Directors on November 2, 2011.



# VODAFONE QATAR Q.S.C

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

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### 2. BASIS OF PREPARATION (CONTINUED)

The preparation of the interim condensed financial statements 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 end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

During the financial period, the Company has updated its accounting estimate in relation to the right to use preferred numbers which has resulted in revenue recognition of QAR 25 million.

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

### 3. 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.

### 4. REVENUE

	Six months ended September 30,	
	2011 (Reviewed) QAR '000	2010 (Reviewed) QAR '000
Revenue from sale of goods and services	554,953	375,962
Other revenue	35,357	9,485
	<b>590,310</b>	<b>385,447</b>

### 5. INCOME TAX

Corporate income tax is levied on companies that are not wholly owned by Qataris 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.

## VODAFONE QATAR Q.S.C

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

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#### 6. PROPERTY, PLANT AND EQUIPMENT

During the period, the Company spent QAR 121 million on its network infrastructure, IT, office premises and retail store fitout.

#### 7. INTANGIBLE ASSETS

The Company continued to amortise both its Public Mobile and Fixed Telecommunications Network and Services Licenses granted from ictQatar over their expected useful life. The total amortisation expense for the six months ended September 30, 2011 amounted to QAR 202 million.

#### 8. BASIC AND DILUTED LOSS PER SHARE

	<u>Six months ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
	<u>QAR '000</u>	<u>QAR '000</u>
Loss for the period	<u>(237,306)</u>	<u>(312,375)</u>
Weighted average number of shares (in thousands)	<u>854,400</u>	<u>854,400</u>
Basic and diluted loss per share (QAR)	<u><u>(0.28)</u></u>	<u><u>(0.37)</u></u>

#### 9. BORROWINGS

During the period, the Company obtained a third long term revolving credit facility of US\$ 100 million from Vodafone Investments Luxemburg SARL. The loan bears interest at variable rates and is repayable by June 1, 2018. The Company has drawn down US\$ 16 million.

The Company also has a second long term revolving credit facility of US\$ 120 million from Vodafone Investments Luxemburg SARL. The loan bears interest at variable rates and is repayable by May 3, 2014. The Company has drawn down US\$ 96 million.

The Company's first long term revolving credit facility of US\$110 million was also obtained from Vodafone Investments Luxembourg SARL. The loan also bears interest at variable rates and is repayable by April 2, 2012. As at September 30, 2011 the Company has drawn down US\$108 million. Management anticipates that this credit facility will be refinanced, and will be non-current in nature at the next reporting date.

#### 10. ACCUMULATED OTHER COMPREHENSIVE INCOME

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 the reporting date.

**VODAFONE QATAR Q.S.C**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

**11. NET CASH FLOWS GENERATED/ (USED IN) OPERATING ACTIVITIES**

	Six months ended September 30,	
	2011	2010
	(Reviewed)	(Reviewed)
	QAR '000	QAR '000
Loss for the period	(237,306)	(312,375)
Adjustments for:		
Depreciation and amortisation	288,850	268,096
Interest income	(3,481)	(2,170)
Financing costs	17,114	14,598
(Increase)/decrease in inventory	(4,155)	7,760
Decrease/(increase) in trade and other receivables	28,537	(32,314)
Decrease/increase in trade and other payables	(23,739)	80,165
Net cash flows generated from operating activities	<u>65,820</u>	<u>23,760</u>

**12. 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 Company is controlled by Vodafone and Qatar Foundation LLC, which owns 45% of the Company shares. The ultimate parent of the Company is Vodafone Group Plc (incorporated in England).

The following transactions were carried out with related parties:

	Six months ended September 30,	
	2011	2010
	(Reviewed)	(Reviewed)
	QAR '000	QAR '000
<i>Purchases of goods and services</i>		
Vodafone Group Plc controlled entities	<u>30,636</u>	<u>30,705</u>
<i>Interest on Related Party Borrowings</i>		
Interest charged on related party loans	<u>15,759</u>	<u>12,716</u>

VODAFONE QATAR Q.S.C

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2011

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**12. RELATED PARTY TRANSACTIONS (CONTINUED)**

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

	<u>Six months ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
	(Reviewed)	(Reviewed)
<i>Balances arising from purchases of goods/services</i>	QAR '000	QAR '000
Payables to related parties:		
Vodafone Group Plc controlled entities	<u>98,751</u>	<u>52,131</u>

The payables to related parties arise mainly from purchase transactions and bear no interest.

**13. COMMITMENTS AND CONTINGENT LIABILITIES**

There have been no material changes to the Company's commitments or contingent liabilities during the period.