

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, 2010

VODAFONE QATAR Q.S.C

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

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010

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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, 2010 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 11, 2010**

**Midhat Salha
License No. 257**

VODAFONE QATAR Q.S.C
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010

	Note	Six months ended September 30,	
		2010	2009
		(Reviewed)	(Reviewed)
		QAR '000	QAR '000
Revenue	4	385,447	39,188
Direct costs		(196,854)	(36,857)
Other expenses		(220,444)	(158,419)
EBITDA		(31,851)	(156,088)
Depreciation		(66,828)	(30,567)
Amortisation of license		(201,269)	(160,750)
Interest income		2,171	11,858
Financing cost		(14,598)	(13,869)
Loss before taxation		(312,375)	(349,416)
Income tax expense	5	-	-
Loss for the period		(312,375)	(349,416)
Basic and diluted loss per share (QAR)	8	(0.37)	(0.44)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended September 30,	
		2010	2009
		(Reviewed)	(Reviewed)
		QAR '000	QAR '000
Loss for the period		(312,375)	(349,416)
Other comprehensive income			
Gains arising from cash flow hedge during the period	10	32,049	-
Total comprehensive loss for the period		(280,326)	(349,416)

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, 2010

	Note	September 30, 2010 (Reviewed) QAR '000	March 31, 2010 (Audited) QAR '000
Non-current assets			
Property, plant and equipment	6	954,205	832,283
Intangible assets	7	7,155,466	7,346,735
Trade and other receivables		6,383	4,432
Total non-current assets		8,116,054	8,183,450
Current assets			
Inventory		13,953	21,713
Trade and other receivables		180,618	118,207
Cash and cash equivalents		92,816	85,356
Total current assets		287,387	225,276
Total assets		8,403,441	8,408,726
Equity			
Share capital		8,454,000	8,454,000
Legal reserve		11,442	11,442
Accumulated other comprehensive income		32,049	-
Retained losses		(1,118,686)	(806,311)
Total equity		7,378,805	7,659,131
Non-current liabilities			
End of employment benefits		3,405	1,972
Provisions		6,184	4,848
Long term borrowings	9	499,894	379,083
Total non-current liabilities		509,483	385,903
Current liabilities			
Trade and other payables		515,153	363,692
Total current liabilities		515,153	363,692
Total liabilities		1,024,636	749,595
Total equity and liabilities		8,403,441	8,408,726

The interim condensed financial statements were approved by the Board of Directors on November 11, 2010 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, 2010

	Share capital QAR '000	Legal reserve QAR '000	Accumulated other comprehensive income QAR '000	Retained losses QAR '000	Total QAR '000
Balance at April 1, 2009 (Audited)	5,072,400	-	-	(132,923)	4,939,477
Issue of shares	3,381,600	-	-	-	3,381,600
Net issuance fees in respect of the IPO	-	11,442	-	-	11,442
Comprehensive loss for the period	-	-	-	(349,416)	(349,416)
Balance at September 30, 2009 (Reviewed)	8,454,000	11,442	-	(482,339)	7,983,103
Balance at April 1, 2010 (Audited)	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
Balance at September 30, 2010 (Reviewed)	8,454,000	11,442	32,049	(1,118,686)	7,378,805

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, 2010

		Six months ended September 30,	
	Note	2010 (Reviewed) QAR '000	2009 (Reviewed) QAR '000
Net cash flows generated/(used in) operating activities	11	23,760	(42,636)
Cash flows from investing activities			
Purchase of property, plant and equipment		(114,684)	(47,906)
Payment for intangible assets		(10,000)	(3,086,400)
Interest received		994	4,002
Net cash flows used in investing activities		(123,690)	(3,130,304)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		-	3,393,042
Proceeds from long term borrowings		109,200	363,911
Repayment of short term borrowings		-	(35,000)
Interest paid		(1,810)	(24,123)
Net cash flows from financing activities		107,390	3,697,830
Net cash flow		7,460	524,890
Cash and cash equivalents at beginning of the period		85,356	554
Cash and cash equivalents at end of the period		92,816	525,444

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, 2010

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. The Company is listed on Qatar Exchange.

2. BASIS OF PREPARATION

The unaudited Condensed Financial Statements for the six months ended September 30, 2010:

- were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ('IAS 34') as issued by the International Accounting Standards Board ('IASB');
- were prepared on the going concern basis as set out in the Company's Financial Statements for the year ended March 31, 2010;
- 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 2010 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, 2010 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 8, 2010.

Certain prior period comparatives have been reclassified to conform with the presentation adopted in the current period.

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.

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

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risk of changes in foreign exchange rates.

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:

- Cash flow hedges;
- Fair value hedges;

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.

3. SEGMENT REPORTING

Vodafone Qatar only operates in Qatar and is therefore viewed to operate in one geographical area. Management also views that its mobile telecommunication services is the only operating segment of the Company. The fixed line services are at a development stage.

4. REVENUE

	Six months ended September 30,	
	2010	2009
	(Reviewed)	(Reviewed)
	QAR '000	QAR '000
Revenue from rendering of services	342,116	27,940
Revenue from sale of goods	33,846	5,576
Other revenue	9,485	5,672
	<u>385,447</u>	<u>39,188</u>

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. The Company is exempt from paying tax in the first five years following its incorporation.

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.

6. PROPERTY, PLANT AND EQUIPMENT

During the period, the Company spent approximately QAR189 million on its network infrastructure, IT, office premises and retail store fitout.

7. INTANGIBLE ASSETS

On April 29, 2010, the Company was issued a Public Fixed Telecommunications Networks and Services License ("fixed line license") from ictQatar for QAR 10 million. The license is for a period of 25 years. During the period, the Company started to amortise its fixed license over its expected useful life.

The Company also continued to amortise its Public Mobile Telecommunications Network and Services License granted from ictQatar over its expected useful life. The total amortisation expense for the six months ended September 30, 2010 amounted to QAR 201 million.

8. BASIC AND DILUTED LOSS PER SHARE

	Six months ended September 30,	
	2010 (Reviewed) QAR '000	2009 (Reviewed) QAR '000
Loss for the period	(312,375)	(349,416)
Weighted average number of shares (in thousands)	854,400	789,040
Basic and diluted loss per share (QAR)	(0.37)	(0.44)

9. BORROWINGS

During the period, the Company obtained a second long term revolving credit facility of US\$ 120 million from Vodafone Investments Luxembourg SARL. The loan bears interest at variable rates and is repayable by May 3, 2014. The Company has drawn down US\$ 30 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, 2010 the Company has drawn down US\$107 million.

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.

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

	Six months ended September 30,	
	2010	2009
	(Reviewed)	(Reviewed)
	QAR '000	QAR '000
Loss for the period	(312,375)	(349,416)
Adjustments for:		
Depreciation and amortisation	268,096	191,317
Interest income	(2,170)	(11,858)
Financing costs	14,598	13,869
(Increase)/decrease in inventory	7,760	(22,177)
Increase in trade and other receivables	(32,314)	(20,897)
Increase in trade and other payables	80,165	156,526
Net cash flows generated/(used in) operating activities	23,760	(42,636)

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).

VODAFONE QATAR Q.S.C**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010

12. RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

	Six months ended September 30,	
	2010	2009
	(Reviewed)	(Reviewed)
	QAR '000	QAR '000
<i>Purchases of goods and services</i>		
Vodafone Group Plc controlled entities	<u>30,705</u>	<u>14,555</u>
<i>Interest on Guarantee</i>		
Qatar foundation for Education, Science and Community Development	<u>-</u>	<u>3,858</u>
<i>Interest on Related Party Borrowings</i>		
Interest charged on related party loans	<u>12,716</u>	<u>8,195</u>

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

	Six months ended September 30,	
	2010	2009
	(Reviewed)	(Reviewed)
	QAR '000	QAR '000
<i>Balances arising from purchases of goods/services</i>		
Payables to related parties:		
Vodafone Group Plc controlled entities	<u>52,131</u>	<u>2,321</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.