



VODAFONE QATAR Q.S.C.

**INTERIM CONDENSED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE SIX MONTH PERIOD ENDED
30 SEPTEMBER 2013**

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Independent auditor's report on our review of the interim condensed financial statements

To
The Shareholders
Vodafone Qatar Q.S.C.
Doha
State of Qatar

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Vodafone Qatar Q.S.C ("the Company") as of 30 September 2013 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim financial reporting' as issued by the International Accounting Standards Board (IASB). Our responsibility is to form 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 IAS 34 as issued by the IASB.

Other matter

The interim condensed financial statements for the period ended 30 September 2012 and annual financial statements for the year ended 31 March 2013 were reviewed and audited respectively by another firm of auditors who expressed an unqualified review conclusion and an unqualified audit opinion in their reports dated 14 November 2012 and 3 June 2013, respectively.

Mohamed Elmoataz,
PricewaterhouseCoopers-Qatar LLC

Auditor's registration number 281
Doha, 14 November 2013

	Notes	Six months ended 30 September	
		2013	2012
		(Reviewed) QR'000	(Reviewed) QR'000
Revenue	4	924,552	695,897
Direct costs		(420,330)	(308,042)
Other expenses		(294,663)	(285,421)
Earnings before interest, tax, depreciation and amortisation		209,559	102,434
Depreciation		(153,024)	(128,216)
Amortisation		(202,058)	(201,368)
Interest income		144	464
Financing costs		(14,504)	(13,303)
Loss before income tax		(159,883)	(239,989)
Income tax expense	5	-	-
Loss for the period		(159,883)	(239,989)
Basic and diluted loss per share (in QR per share)	6	(0.19)	(0.28)

	Note	Six months ended 30 September	
		2013	2012
		(Reviewed) QR'000	(Reviewed) QR'000
Loss for the period		(159,883)	(239,989)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net movement in fair value of cash flow hedges during the period	9	-	4,306
Total comprehensive income for the period		(159,883)	(235,683)

		30 September 2013	31 March 2013
	Notes	(Reviewed) QR'000	(Audited) QR'000
Non-current assets			
Property, plant and equipment	7	1,439,480	1,482,299
Intangible assets	8	5,964,998	6,167,056
Trade and other receivables		11,311	10,598
Total non-current assets		7,415,789	7,659,953
Current assets			
Inventories		13,798	16,623
Trade and other receivables		198,613	217,558
Cash and cash equivalents		57,319	161,549
Total current assets		269,730	395,730
Total assets		7,685,519	8,055,683
Equity			
Share capital		8,454,000	8,454,000
Legal reserve		11,543	11,543
Hedging reserve	9	-	-
Accumulated losses		(2,453,717)	(2,293,834)
Total equity		6,011,826	6,171,709
Non-current liabilities			
Provisions	10	32,745	28,344
Trade and other payables		41,186	36,886
Long term borrowings	11	710,084	1,159,611
Total non-current liabilities		784,015	1,224,841
Current liabilities			
Short term borrowing	11	339,563	-
Trade and other payables		550,115	659,133
Total current liabilities		889,678	659,133
Total liabilities		1,673,693	1,883,974
Total equity and liabilities		7,685,519	8,055,683

The interim condensed financial statements were approved by the Board of Directors on 14 November 2013 and were signed on its behalf by:

Dr. Khaled bin Thani bin Abdullah Al Thani
Chairman

Kyle David Whitehill
Chief Executive Officer

Stephen Charles Walters
Chief Financial Officer

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 September 2013

	Share capital	Legal reserve	Hedging reserve	Accumulated losses	Total equity
	QR '000				
Balance at 1 April 2012 (Audited)	8,454,000	11,442	1,073	(1,893,014)	6,573,501
Total comprehensive loss for the period					
Loss for the period	-	-	-	(239,989)	(239,989)
<i>Other comprehensive income:</i>					
Net movement in fair value of cash flow hedges	-	-	4,306	-	4,306
Total comprehensive loss for the period	-	-	4,306	(239,989)	(235,683)
Balance at 30 September 2012 (Reviewed)	8,454,000	11,442	5,379	(2,133,003)	6,337,818
Balance at 1 April 2013 (Audited)	8,454,000	11,543	-	(2,293,834)	6,171,709
Total comprehensive loss for the period					
Loss for the period	-	-	-	(159,883)	(159,883)
<i>Other comprehensive income:</i>					
Net movement in fair value of cash flow hedges	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(159,883)	(159,883)
Balance at 30 September 2013 (Reviewed)	8,454,000	11,543	-	(2,453,717)	6,011,826

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements

	Note	Six months ended 30 September	
		2013	2012
		(Reviewed) QR'000	(Reviewed) QR'000
Net cash flows from operating activities	12	<u>128,637</u>	<u>138,660</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment		(110,205)	(161,142)
Interest received		<u>144</u>	<u>464</u>
Net cash flows used in investing activities		<u>(110,061)</u>	<u>(160,678)</u>
Cash flows used in financing activities			
Net repayment of borrowings		<u>(122,806)</u>	<u>522</u>
Net cash flows (used in) / from financing activities		<u>(122,806)</u>	<u>522</u>
Net decrease in cash and cash equivalents		(104,230)	(21,496)
Cash and cash equivalents at the beginning of the period		<u>161,549</u>	<u>100,338</u>
Cash and cash equivalents at the end of the period		<u><u>57,319</u></u>	<u><u>78,842</u></u>

1 INCORPORATION AND PRINCIPAL 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 Company was registered with the Commercial Register of the Ministry of Business and Trade on 23 June 2008 under Commercial Registration No: 39656. The shares of the Company are listed in Qatar Exchange.

The Company is licensed by the Supreme Council of Information and Communication Technology (ictQATAR) to provide both fixed and mobile telecommunications services in the state of Qatar. The conduct and activities of the Company are regulated by ictQATAR pursuant to Law No. 34 of 2006 (Telecommunications Law) and the Applicable Regulatory Framework.

The Company is engaged in providing cellular mobile telecommunication services, fixed line services and selling mobile related equipment and accessories. The Company’s head office is located in Doha, State of Qatar and its registered address is P.O. Box 27727, Qatar Science and Technology Park, Doha, State of Qatar.

2 BASIS OF PREPARATION

The interim condensed financial statements for the six month period ended 30 September 2013 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (‘IAS 34’).

All amounts in the interim condensed financial statements are stated in thousands of Qatari Riyals (QR ‘000) unless indicated otherwise. These interim condensed financial statements 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 annual financial statements for the year ended 31 March 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 March 2013, except for the following revised and new standards and interpretations which became effective and relevant after 31 March 2013:

- IAS 1 – Presentation of items of other comprehensive income (amendment)
- IAS 19 – Employee benefits (amendment)
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities (amendment)
- IFRS 13 – Fair value measurement

These changes have had no material effect on the reported results or financial position of the Company.

Risk management, judgements and estimates

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.

The Company’s financial risk management objectives and policies, judgments and estimates are consistent with those disclosed in the annual financial statements as at and for the year ended 31 March 2013.

4 REVENUE

	<u>Six months ended 30 September</u>	
	<u>2013</u>	<u>2012</u>
	(Reviewed)	(Reviewed)
	QR'000	QR'000
Revenue from sale of goods and services	920,334	693,158
Other revenue	4,218	2,739
	924,552	695,897

5 INCOME TAX

Corporate income tax is levied on companies in accordance with Income Tax Law no: 21 of 2009. Deferred tax assets and income tax liability has not been recognised as the Company is exempt from paying income tax under its listed company status.

6 BASIC AND DILUTED LOSS PER SHARE

	<u>Six months ended 30 September</u>	
	<u>2013</u>	<u>2012</u>
	(Reviewed)	(Reviewed)
	QR'000	QR'000
Loss for the period	(159,883)	(239,989)
Weighted average number of shares (in thousands)	854,400	854,400
Basic and diluted loss per share (in QR)	(0.19)	(0.28)

There were no potentially dilutive shares outstanding at any time during the period and therefore the diluted loss per share equals basic loss per share.

7 PROPERTY, PLANT AND EQUIPMENT

	<u>30 September</u>	<u>31 March</u>
	<u>2013</u>	<u>2013</u>
	(Reviewed)	(Audited)
	QR'000	QR'000
Net book value at the beginning of the period / year	1,482,299	1,363,974
Additions during the period / year	110,205	378,665
Depreciation for the period / year	(153,024)	(254,719)
De-recognition (net) for the period / year	-	(5,621)
Net book value at the end of the period/ year	1,439,480	1,482,299

8 INTANGIBLE ASSETS

	<u>30 September</u>	<u>31 March</u>
	<u>2013</u>	<u>2013</u>
	(Reviewed)	(Audited)
	QR'000	QR'000
Net book value at the beginning of the period / year	6,167,056	6,550,258
Additions during the period / year	-	20,684
Amortisation for the period / year	(202,058)	(403,886)
Net book value at the end of the period / year	5,964,998	6,167,056

9 HEDGING RESERVE

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

The fair value change in the interim condensed 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 Company had short term forward currency contracts for its future Euro liability with a notional value of EUR 7.33 million outstanding as at 30 September 2013. The fair value gain amounting to QR 0.29 million has been recognised in statement of income.

10 PROVISIONS

	<u>30 September 2013</u>	<u>31 March 2013</u>
	(Reviewed) QR'000	(Audited) QR'000
Asset retirement obligations	19,222	17,678
Employees' end of services benefits	<u>13,523</u>	<u>10,666</u>
	<u><u>32,745</u></u>	<u><u>28,344</u></u>

11 BORROWINGS

	<u>30 September 2013</u>	<u>31 March 2013</u>
	(Reviewed) QR'000	(Audited) QR'000
Long term loans from Vodafone Investments SARL	710,084	1,159,611
Short term loan from Vodafone Investment SARL	<u>339,563</u>	<u>-</u>
	<u><u>1,049,647</u></u>	<u><u>1,159,611</u></u>

The Company repaid loans amounting to QR 127.47 million during the period. The Company's second revolving credit facility of QR 339.56 million is due for repayment on 3 May 2014 and accordingly has been classified as a currently liability. The company expects to extend the credit facility before it falls due.

12 NET CASH FLOWS FROM OPERATING ACTIVITIES

	<u>Six months ended 30 September</u>	
	<u>2013</u>	<u>2012</u>
	(Reviewed) QR'000	(Reviewed) QR'000
Loss for the period	(159,883)	(239,989)
Adjustments for:		
Depreciation and amortisation	355,082	329,584
Finance costs	14,504	13,303
Interest income	(144)	(464)
Decrease/(increase) in inventories	2,825	(609)
Decrease/(increase) in trade and other receivables	18,232	(18,626)
(Decrease)/increase in trade and other payables	(104,718)	52,875
Increase in provisions	<u>2,739</u>	<u>2,586</u>
Net cash flow from operating activities	<u><u>128,637</u></u>	<u><u>138,660</u></u>

13 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).

Goods and services are bought from related parties at prices approved by management. The following transactions were carried out with related parties:

	<u>Six months ended 30 September</u>	
	<u>2013</u>	<u>2012</u>
	(Reviewed) QR'000	(Reviewed) QR'000
<i>Sale of goods and services</i>		
Vodafone Group Plc controlled entities	<u>3,815</u>	<u>1,863</u>
<i>Purchase of goods and services</i>		
Vodafone Group Plc controlled entities	<u>39,553</u>	<u>31,304</u>
<i>Interest and commitment fees on related party borrowings</i>		
Interest charged on related party loans	<u>13,419</u>	<u>12,795</u>
Balances arising from purchases of goods/services are as follows:		
	<u>30 September</u> <u>2013</u>	<u>31 March</u> <u>2013</u>
	(Reviewed) QR'000	(Audited) QR'000
Receivables from related parties		
Vodafone Group Plc controlled entities	<u>5,714</u>	<u>16,149</u>
Payables to related parties:		
Vodafone Group Plc controlled entities	<u>28,961</u>	<u>46,649</u>

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 and are repayable on demand. Loans from related parties bear interest at variable rates.

14 SEGMENT INFORMATION

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 main operating segment of the Company. Fixed line services are reported in the same operating segment as they are currently immaterial to the overall business.

15 COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2013	31 March 2013
	(Reviewed) QR'000	(Audited) QR'000
Operating lease commitments	829,405	820,094
Capital commitments	100,310	76,593
Contingent liabilities	25,469	25,469

16 RECLASSIFICATION OF COMPARATIVE FIGURES

Asset retirement obligation has been reclassified from trade and other payables and presented under provisions along with employees' end of service benefits (Refer note 10). Corresponding figures during comparative period have been reclassified, to preserve comparability with the current period presentation. However, this reclassification does not have an impact on the net profits or total equity of the Company reported during the previous periods.