# VODAFONE QATAR Q.S.C.

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

## FOR THE SIX MONTH PERIOD ENDED
## 30 SEPTEMBER 2014

# VODAFONE QATAR Q.S.C.

## INTERIM CONDENSED FINANCIAL STATEMENTS
## FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

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**Independent auditor's report on review of interim condensed financial statements to the Shareholders of Vodafone Qatar Q.S.C.**

## Introduction

We have reviewed the accompanying interim condensed statement of financial position of Vodafone Qatar Q.S.C ("the Company") as of 30 September 2014 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.

Mohamed Elmoataz,
**PricewaterhouseCoopers - Qatar Branch**

Auditor's registration number 281
Doha, 3 November 2014

| | Notes | 2014 (Reviewed) QR'000 | 2013 (Reviewed) QR'000 |
|---|---|---|---|
| | | Six months ended 30 September | |
| Revenue | 4 | **1,144,004** | 924,552 |
| Interconnection and other operational expenses | | **(499,331)** | (420,330) |
| Employee expenses | | **(106,748)** | (86,609) |
| Other expenses | | **(242,968)** | (208,054) |
| **Earnings before interest, tax, depreciation and amortisation** | | **294,957** | 209,559 |
| Depreciation | | **(107,723)** | (94,120) |
| Amortisation | | **(258,659)** | (260,962) |
| Other income | | **400** | - |
| **Operating loss** | | **(71,025)** | (145,523) |
| Interest income | | **65** | 144 |
| Financing costs | | **(9,996)** | (14,504) |
| **Loss before income tax** | | **(80,956)** | (159,883) |
| Income tax expense | 5 | **-** | - |
| **Loss for the period** | | **(80,956)** | (159,883) |
| **Basic and diluted loss per share (in QR per share)** | 6 | **(0.10)** | (0.19) |

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements

| | Note | Six months ended 30 September 2014 (Reviewed) QR'000 | Six months ended 30 September 2013 (Reviewed) QR'000 |
|---|---|---|---|
| Loss for the period | | **(80,956)** | (159,883) |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net movement in fair value of cash flow hedges during the period | 9 | **(2,975)** | - |
| **Total comprehensive loss for the period** | | **(83,931)** | (159,883) |

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

| | Notes | 30 September 2014 (Reviewed) QR'000 | 31 March 2014 (Audited) QR'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **1,195,745** | 1,135,687 |
| Intangible assets | 8 | **5,928,409** | 6,136,489 |
| Trade and other receivables | | **18,176** | 9,132 |
| **Total non-current assets** | | **7,142,330** | 7,281,308 |
| **Current assets** | | | |
| Inventories | | **22,175** | 13,724 |
| Trade and other receivables | | **268,081** | 303,576 |
| Cash and cash equivalents | | **162,863** | 97,401 |
| **Total current assets** | | **453,119** | 414,701 |
| **Total assets** | | **7,595,449** | 7,696,009 |
| **Equity** | | | |
| Share capital | | **8,454,000** | 8,454,000 |
| Legal reserve | | **25,403** | 19,382 |
| Hedging reserve | 9 | **(2,975)** | - |
| Distributable profits | | **121,537** | 150,864 |
| Accumulated losses | | **(2,899,856)** | (2,698,488) |
| **Total equity** | | **5,698,109** | 5,925,758 |
| **Non-current liabilities** | | | |
| Long term borrowings | 10 | **1,027,606** | 951,066 |
| Provisions | 11 | **37,091** | 33,933 |
| Trade and other payables | | **40,511** | 40,897 |
| **Total non-current liabilities** | | **1,105,208** | 1,025,896 |
| **Current liability** | | | |
| Trade and other payables | | **792,132** | 744,355 |
| **Total current liability** | | **792,132** | 744,355 |
| **Total liabilities** | | **1,897,340** | 1,770,251 |
| **Total equity and liabilities** | | **7,595,449** | 7,696,009 |

The interim condensed financial statements were approved by the Board of Directors on 3 November 2014 and were signed on its behalf by:

| | | |
|---|---|---|
| **Dr. Khalid bin Thani bin Abdullah Al Thani** | **Kyle David Whitehill** | **Stephen Charles Walters** |
| Chairman | Chief Executive Officer | Chief Financial Officer |

**VODAFONE QATAR Q.S.C.**

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 September 2014

| | Share capital | Legal reserve | Hedging reserve | Distributable profits | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | | | QR'000 | | |
| Balance at 1 April 2013 (Audited) | 8,454,000 | 11,543 | - | 1,917 | (2,295,751) | 6,171,709 |
| Total comprehensive loss for the period | | | | | | |
| Loss for the period | - | - | - | - | (159,883) | (159,883) |
| *Other comprehensive income:* | | | | | | |
| Net movement in fair value of cash flow hedges | - | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | - | (159,883) | (159,883) |
| Transfer to distributable profits (note 13) | - | - | - | 41,485 | (41,485) | - |
| Transfer to legal reserve (note 13) | - | 2,074 | - | (2,074) | - | - |
| Balance at 30 September 2013 (Reviewed) | 8,454,000 | 13,617 | - | 41,328 | (2,497,119) | 6,011,826 |
| **Balance at 1 April 2014 (Audited)** | **8,454,000** | **19,382** | - | **150,864** | **(2,698,488)** | **5,925,758** |
| Total comprehensive loss for the period | | | | | | |
| Loss for the period | - | - | - | - | **(80,956)** | **(80,956)** |
| *Other comprehensive income:* | | | | | | |
| Net movement in fair value of cash flow hedges | - | - | **(2,975)** | - | - | **(2,975)** |
| Total comprehensive loss for the period | - | - | **(2,975)** | - | **(80,956)** | **(83,931)** |
| Dividend declared for the year ended 31 March 2014 | - | - | - | **(143,718)** | - | **(143,718)** |
| Transfer to distributable profits (note 13) | - | - | - | **120,412** | **(120,412)** | - |
| Transfer to legal reserve (note 13) | - | **6,021** | - | **(6,021)** | - | - |
| **Balance at 30 September 2014 (Reviewed)** | **8,454,000** | **25,403** | **(2,975)** | **121,537** | **(2,899,856)** | **5,698,109** |

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements

| | Note | Six months ended 30 September 2014 (Reviewed) QR'000 | 2013 (Reviewed) QR'000 |
|---|---|---|---|
| **Net cash flows from operating activities** | 12 | **343,963** | 128,637 |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | | **(167,781)** | (67,741) |
| Purchase of intangible assets | | **(50,579)** | (42,464) |
| Proceeds from disposal of property, plant and equipment | | **400** | - |
| Interest received | | **65** | 144 |
| **Net cash flows used in investing activities** | | **(217,895)** | (110,061) |
| **Cash flows used in financing activities** | | | |
| Net proceeds from / (repayment) of borrowings | | **66,544** | (122,806) |
| Dividend paid | | **(127,150)** | - |
| **Net cash flows used in financing activities** | | **(60,606)** | (122,806) |
| **Net increase/ (decrease) in cash and cash equivalents** | | **65,462** | (104,230) |
| Cash and cash equivalents at the beginning of the period | | **97,401** | 161,549 |
| **Cash and cash equivalents at the end of the period** | | **162,863** | 57,319 |

## 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 2014 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 2014.

Earnings before interest, tax, depreciation and amortisation (EBITDA) has been a key external measure used by the Company to explain the financial performance to shareholders and others and has been presented as part of the statement of income.

## 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 2014. There are various new standards and amendments effective for annual period beginning on or after 1 April 2014. These revised and new standards and interpretations have no major impact to the financial statements of the Company. However, there are some amendments and standards that are issued and not effective during the current financial period but have a significant impact in the future periods, which are as follows:

**IFRS 9, Financial Instruments,** addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised costs, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after 1 January 2018.

**IFRS 15, Revenue from contract with customers,** deals with revenue recognition and establishes principles for reporting useful information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier adoption is permitted.

The Company is currently in the process of assessing the impact due to the above changes to the standards.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 2014.

## 4 REVENUE

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Reviewed)**<br>**QR'000** | (Reviewed)<br>QR'000 |
| Revenue from sale of goods and services | **1,133,674** | 920,334 |
| Other revenue | **10,330** | 4,218 |
| | **1,144,004** | 924,552 |

## 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

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Reviewed)**<br>**QR'000** | (Reviewed)<br>QR'000 |
| Loss for the period | **(80,956)** | (159,883) |
| Weighted average number of shares (in thousands) | **845,400** | 845,400 |
| **Basic and diluted loss per share (in QR)** | **(0.10)** | (0.19) |

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

| | **30 September 2014** | 31 March 2014 |
|---|---|---|
| | **(Reviewed)**<br>**QR'000** | (Audited)<br>QR'000 |
| Net book value at the beginning of the period / year | **1,135,687** | 1,094,634 |
| Additions during the period / year | **167,781** | 243,094 |
| Depreciation for the period / year | **(107,723)** | (197,400) |
| De-recognition (net) for the period / year | **-** | (4,641) |
| **Net book value at the end of the period/ year** | **1,195,745** | 1,135,687 |

## 8 INTANGIBLE ASSETS

| | 30 September 2014 (Reviewed) QR'000 | 31 March 2014 (Audited) QR'000 |
|---|---|---|
| Net book value at the beginning of the period / year | **6,136,489** | 6,554,721 |
| Additions during the period / year | **50,579** | 101,006 |
| Amortisation for the period / year | **(258,659)** | (519,238) |
| **Net book value at the end of the period / year** | **5,928,409** | 6,136,489 |

## 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 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 options for its known future commitments in Euro with a notional value of EUR 20 million outstanding as at 30 September 2014, which are expiring by 31 March 2015. The fair value loss amounting to QR 3.0 million has been recognised in statement of comprehensive income.

The fair value of this cash flow hedge is classified as Level 2 for fair value hierarchy classification purposes.

## 10 LONG TERM BORROWINGS

| | 30 September 2014 (Reviewed) QR'000 | 31 March 2014 (Audited) QR'000 |
|---|---|---|
| Long term loans from Vodafone Investments SARL | **1,027,606** | 951,066 |
| | **1,027,606** | 951,066 |

## 11 PROVISIONS

| | 30 September 2014 (Reviewed) QR'000 | 31 March 2014 (Audited) QR'000 |
|---|---|---|
| Asset retirement obligations | **6,048** | 5,902 |
| Employees' end of services benefits | **18,377** | 15,365 |
| Other provisions | **12,666** | 12,666 |
| | **37,091** | 33,933 |

## 12 NET CASH FLOWS FROM OPERATING ACTIVITIES

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Reviewed) QR'000** | (Reviewed) QR'000 |
| Loss for the period | **(80,956)** | (159,883) |
| Adjustments for: | | |
| Depreciation and amortisation | **366,382** | 355,082 |
| Finance costs | **9,996** | 14,504 |
| Interest income | **(65)** | (144) |
| (Increase)/ decrease in inventories | **(8,451)** | 2,825 |
| Decrease in trade and other receivables | **27,377** | 18,232 |
| Increase/ (decrease) in trade and other payables | **26,922** | (104,718) |
| Increase in provisions | **3,158** | 2,739 |
| Gain on disposal of property, plant and equipment | **(400)** | - |
| **Net cash flow from operating activities** | **343,963** | 128,637 |

## 13 DISTRIBUTABLE PROFITS

As per Article 69 of the Articles of Association of the Company, distributable profits are defined as the net profit/loss for the financial period plus amortisation of license fees for the period. Undistributed profits are carried forward and are available for distribution in future periods.

| | Six months ended 30 September | | | |
|---|---|---|---|---|
| | **2014** | | 2013 | |
| | **QR'000** | **QR'000** | QR'000 | QR'000 |
| Balance at beginning of the period | | **150,864** | | 1,917 |
| Dividend declared | | **(143,718)** | | - |
| Net loss for the period | **(80,956)** | | (159,883) | |
| Amortisation of license fee | **201,368** | | 201,368 | |
| Distributable profits | | **120,412** | | 41,485 |
| Transfer to legal reserve | | **(6,021)** | | (2,074) |
| Balance at period end | | **121,537** | | 41,328 |

## 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 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:

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Reviewed) QR'000** | (Reviewed) QR'000 |
| ***Sale of goods and services*** | | |
| Vodafone Group Plc controlled entities | **1,558** | 3,815 |
| ***Purchase of goods and services*** | | |
| Vodafone Group Plc controlled entities | **42,872** | 39,553 |
| ***Interest and commitment fees on related party borrowings*** | | |
| Interest charged on related party loans | **9,749** | 13,419 |

Balances arising from purchases of goods/services are as follows:

| | **30 September 2014** | 31 March 2014 |
|---|---|---|
| | **(Reviewed) QR'000** | (Audited) QR'000 |
| ***Receivables from related parties*** | | |
| Vodafone Group Plc controlled entities | **13,941** | 114,720 |
| ***Payables to related parties:*** | | |
| Vodafone Group Plc controlled entities | **39,635** | 55,320 |
| ***Loans availed from related parties:*** | | |
| Vodafone Group Plc controlled entities | **1,027,606** | 951,066 |

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.

## 16 COMMITMENTS AND CONTINGENT LIABILITIES

| | **30 September 2014** | 31 March 2014 |
|---|---|---|
| | **(Reviewed) QR'000** | (Audited) QR'000 |
| Operating lease commitments | **805,108** | **800,084** |
| Capital commitments | **79,200** | **196,481** |
| Contingent liabilities | **15,486** | **25,466** |

## 17 RECLASSIFICATION OF COMPARATIVE FIGURES

The below amounts reported during the comparative period have been reclassified, to preserve comparability with the current period presentation:

(a) The presentation of the statement of income has been enhanced to further conform with requirements of IAS 1 and the comparative amounts have been reclassified accordingly.

(b) Software and related amortisation, which were classified as property, plant and equipment has been reclassified to intangible assets.

(c) Statement of changes in equity has been reclassified for the presentation of distributable profits as per note 13.

These reclassifications do not have an impact on the net profits or total equity of the Company reported during the previous period.