



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

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE NINE MONTH PERIOD ENDED  
31 DECEMBER 2017**

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

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

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## *Independent auditor's report to the shareholders of Vodafone Qatar P.Q.S.C.*

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### *REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*

#### *Our opinion*

In our opinion, the financial statements of Vodafone Qatar P.Q.S.C. (the "Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the nine month period then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of income for the nine month period then ended;
- the statement of comprehensive income for the nine month period then ended;
- the statement of changes in equity for the nine month period then ended;
- the statement of cash flows for the nine month period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### *Emphasis of Matter – change of period end*

We draw attention to Note 3 to these financial statements, which refers to the fact that the financial year end of the Company has been changed from 31 March to 31 December to align annual reporting date with companies listed on the Qatar Stock Exchange. Accordingly the financial statements were prepared for the nine months period from 1 April 2017 to 31 December 2017, which makes financial performance and cash flows for the current period not comparable with last year. Our opinion is not modified in respect of this matter.



## *Our audit approach*

### *Overview*

#### **Key Audit Matters**

The areas of focus for our audit, which involved the greatest allocation of our resources and effort, were:

- Revenue recognition
- Assessment of impairment of non-financial assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Key audit matter*

#### *How our audit addressed the Key audit matter*

##### **Revenue recognition**

The total revenue recognised in the statement of income is QR 1,481 million for the nine period ended 31 December 2017.

There is an inherent risk around the accuracy of revenue recorded given the complexity of the revenue process and the number of non-interfaced systems involved. That results in the need for manual entries for revenue to be made to the general ledger, including the performance of a manual deferred revenue calculation and for the reconciliation of those entries back to key systems by management to ensure accuracy.

We focused on these areas because of the materiality of revenues from prepaid and postpaid services and a misstatement, whether due to fraud or error in the manual calculations, if it exists, could have a material impact on the financial statements.

We evaluated the design of IT general controls and manual controls relevant to revenue and tested on a sample basis the operating effectiveness of controls over:

- access to key systems;
- data loading from different revenue source systems to the financial reporting system;
- postpaid revenue to cash receipts and billing system reconciliations; and
- reconciliation of closing deferred revenue balance to source systems.

We also performed substantive testing to obtain a high level of assurance over the accuracy and occurrence of revenue by:

- re-performed key manual reconciliations for pre-paid and postpaid revenues as at 31 December 2017;



#### Key audit matter

#### How our audit addressed the Key audit matter

- reconciling revenue to cash received for prepaid, post-paid and handset revenues;
- using computer assisted audit techniques to identify non-standard revenue entries and corroborating these entries to supporting documentation;
- recalculating prepaid revenue from the deferred revenue balance movement and testing the accuracy and valuation of the deferred revenue balance as at 31 December 2017; and
- agreeing that cash receipts for a sample of customers were accurately applied to the customer's account.

#### Assessment of impairment of non-financial assets

The Company's Property plant & equipment and Intangible assets amounted to QR 1,202 million and QR 4,461 million respectively as at 31 December 2017. These assets are stated at cost less accumulated depreciation/amortization (notes 12 & 13).

As discussed in Note 25, the Company is required under IFRS to undertake a test for impairment of finite lived assets if events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Management has assessed that there is one cash generating unit due to the interdependency of cash flows derived from the mobile and fixed businesses and therefore one test has been performed. Based on the model developed by management and the results of the impairment test, management has concluded that no impairment is required. However, the results are sensitive to changes in the assumptions, including changes in terminal earnings before finance income/costs, tax, depreciation & amortisation, long-term growth rate, pre-tax discount rate, and changes in the discounted cost of license renewal.

We obtained management's impairment model and discussed the critical assumptions used by them with both management and the Audit Committee.

In particular, we focused on the terminal earnings before finance income/costs, tax, depreciation & amortisation used, long-term growth rate, pre-tax discount rate, and the discounted cost of license renewal. We carried out the following audit procedures:

- Our valuation experts assessed the appropriateness of certain key assumptions used in the model in accordance with IAS 36 and considered evidence provided by management to support the assumptions used. They compared the assumptions applied in the model to their own assessment of the Company's financing and capital costs and to external data where possible;
- We have evaluated the appropriateness of using one cash generating unit;
- Assessed the likely reliability of management's forecast through a comparison of actual performance against previous forecasts;
- Assessed the reasonableness and consistency of the calculation of the assumed license renewal cost;



#### *Key audit matter*

#### *How our audit addressed the Key audit matter*

The assumptions used in the model to calculate the net present value of future cash flows are derived from a combination of latest board approved 5 years business plan and management's best estimates and are highly judgemental. Refer to Note 25 for more details about critical accounting estimates and assumptions used.

We focused on this area because of the significant judgments involved in performing the impairment test, including the key assumptions involved and the materiality of the value of tangible and intangible assets together with the network outage event that occurred during the period, which had impacted business. An impairment, if it were to exist, could have a material impact on the financial statements both in terms of the carrying value of such assets in the statement of financial position and in the income statements for the current and future periods.

- Examined the projected cash flows to ensure assumptions only include forecasted cash flows generated from the current asset base as at 31 December 2017;
- Tested the appropriateness of the methodology and mathematical accuracy of the model; and
- Reviewed the disclosures in the financial statements made in relation to the impairment testing and to the description of critical accounting estimates and assumptions.

#### *Other information*

The directors are responsible for the other information. The other information comprises Board of Directors' Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *Responsibilities of management and those charged with governance for the financial statements*

The management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, 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.





In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Company has carried out a physical verification of inventories at 31 December 2017 in accordance with observed principles;
- The Company has maintained proper books of account and the financial statements are in agreement therewith;
- The financial information included in the Board of directors' report is in agreement with the books and records of the Company; and
- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2017.

For and on behalf of PricewaterhouseCoopers – Qatar Branch  
Qatar Financial Market Authority registration number 120155

**Mohamed Elmoataz**

Auditor's registration number 281  
Doha, State of Qatar  
26 February 2018







## STATEMENT OF INCOME

For the nine month period ended 31 December 2017

	Notes	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
Revenue	6	1,481,045	2,058,630
Interconnection and other direct expenses	7	(540,658)	(739,676)
Employee salaries and benefits		(174,600)	(231,777)
Network, rentals and other operational expenses	8	(383,301)	(550,664)
Other income	9	24,942	-
<b>Earnings before financing income/costs, tax, depreciation and amortisation</b>		<b>407,428</b>	<b>536,513</b>
Depreciation	12	(193,067)	(270,062)
Amortisation	13	(371,286)	(509,520)
Loss on disposal of property, plant and equipment and intangibles	12	(4,428)	(62)
<b>Operating loss</b>		<b>(161,353)</b>	<b>(243,131)</b>
Wakala contract cost		(18,344)	(24,621)
Other financing costs	10	(3,942)	(3,661)
Profit from mudaraba		1,479	2,230
<b>Loss for the period</b>		<b>(182,160)</b>	<b>(269,183)</b>
<b>Basic and diluted loss per share (in QR per share)</b>	11	<b>(0.22)</b>	<b>(0.32)</b>

The accompanying notes 1 to 27 form an integral part of these financial statements.



**STATEMENT OF COMPREHENSIVE INCOME**  
For the nine month period ended 31 December 2017

	<b>Nine months ended 31 December 2017</b>	<b>Year ended 31 March 2017</b>
	<b>QR'000</b>	<b>QR'000</b>
Loss for the period	(182,160)	(269,183)
Other comprehensive income	-	-
<b>Total comprehensive loss for the period</b>	<b>(182,160)</b>	<b>(269,183)</b>

The accompanying notes 1 to 27 form an integral part of these financial statements.



STATEMENT OF FINANCIAL POSITION  
As at 31 December 2017

	Notes	31 December 2017 QR'000	31 March 2017 QR'000
<b>Non-current assets</b>			
Property, plant and equipment	12	1,201,978	1,232,878
Intangible assets	13	4,461,427	4,781,947
Trade and other receivables	14	24,932	25,443
<b>Total non-current assets</b>		<b>5,688,337</b>	<b>6,040,268</b>
<b>Current assets</b>			
Inventories	15	35,727	13,165
Trade and other receivables	14	301,966	356,793
Cash and cash equivalents	16	198,558	168,884
<b>Total current assets</b>		<b>536,251</b>	<b>538,842</b>
<b>Total assets</b>		<b>6,224,588</b>	<b>6,579,110</b>
<b>Equity</b>			
Share capital	17	8,454,000	8,454,000
Legal reserve	18	41,400	35,405
Distributable profits	18	247,943	134,045
Accumulated losses		(4,271,729)	(3,969,676)
<b>Total equity</b>		<b>4,471,614</b>	<b>4,653,774</b>
<b>Non-current liabilities</b>			
Wakala contract	19	818,237	945,554
Provisions	20	105,290	114,211
Trade and other payables	21	52,372	49,823
<b>Total non-current liabilities</b>		<b>975,899</b>	<b>1,109,588</b>
<b>Current liability</b>			
Trade and other payables	21	777,075	815,748
<b>Total current liability</b>		<b>777,075</b>	<b>815,748</b>
<b>Total liabilities</b>		<b>1,752,974</b>	<b>1,925,336</b>
<b>Total equity and liabilities</b>		<b>6,224,588</b>	<b>6,579,110</b>

The financial statements were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:

**H.E. Abdullah Bin Nasser Al Misnad**  
Chairman

**Ian Gray**  
Chief Executive Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.



# VODAFONE QATAR P.Q.S.C.

## STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 31 December 2017



	Share Capital	Legal reserve	Distributable profits	Accumulated Losses	Total equity
	QR'000	QR'000	QR'000	QR'000	QR'000
<b>Balance at 1 April 2016</b>	8,454,000	28,727	7,169	(3,566,939)	4,922,957
Total comprehensive loss for the year:					
Loss for the year (note 18)	-	-	-	(269,183)	(269,183)
Total comprehensive loss for the year	-	-	-	(269,183)	(269,183)
Transfer to distributable profits (note 18)	-	-	133,554	(133,554)	-
Transfer to legal reserve (note 18)	-	6,678	(6,678)	-	-
<b>Balance at 31 March 2017</b>	8,454,000	35,405	134,045	(3,969,676)	4,653,774
<b>Balance at 1 April 2017</b>	8,454,000	35,405	134,045	(3,969,676)	4,653,774
Total comprehensive loss for the period:					
Loss for the period (note 18)	-	-	-	(182,160)	(182,160)
Total comprehensive loss for the period	-	-	-	(182,160)	(182,160)
Transfer to distributable profits (note 18)	-	-	119,893	(119,893)	-
Transfer to legal reserve (note 18)	-	5,995	(5,995)	-	-
<b>Balance at 31 December 2017</b>	8,454,000	41,400	247,943	(4,271,729)	4,471,614

The accompanying notes 1 to 27 form an integral part of these financial statements.



## STATEMENT OF CASH FLOWS

For the nine month period ended 31 December 2017

		Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
	Notes		
<b>Cash flows from operating activities</b>			
Net loss for the period		(182,160)	(269,183)
<i>Adjustments for:</i>			
Depreciation	12	193,067	270,062
Amortisation	13	371,286	509,520
Profit from mudaraba		(1,479)	(2,230)
Other financing costs		3,942	3,661
Wakala contract cost		18,344	24,621
Loss on disposal of property, plant and equipment and intangibles		4,428	62
<i>Change in operating assets and liabilities</i>			
(Increase)/ decrease in inventories		(22,562)	261
Decrease /(increase) in trade and other receivables		55,338	(17,609)
Decrease in trade and other payables		(38,907)	(117,587)
(Decrease)/ increase in provisions		(12,201)	5,080
<b>Net cash flows from operating activities</b>		<b>389,096</b>	<b>406,658</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	12	(162,693)	(206,927)
Purchase of intangible assets	13	(51,561)	(56,343)
Proceeds from disposal of property, plant and equipment and intangibles		173	18
Profit received from mudaraba		1,479	2,230
<b>Net cash flows used in investing activities</b>		<b>(212,602)</b>	<b>(261,022)</b>
<b>Cash flows used in financing activities</b>			
Repayment of wakala contract	19	(145,661)	(101,935)
Dividend paid	21.1	(1,159)	(5,226)
<b>Net cash flows used in financing activities</b>		<b>(146,820)</b>	<b>(107,161)</b>
<b>Net increase in cash and cash equivalents</b>		<b>29,674</b>	<b>38,475</b>
Cash and cash equivalents at the beginning of the period		168,884	130,409
<b>Cash and cash equivalents at the end of the period</b>	16	<b>198,558</b>	<b>168,884</b>

The accompanying notes 1 to 27 form an integral part of these financial statements.



**1 INCORPORATION AND PRINCIPAL ACTIVITIES**

Vodafone Qatar P.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 Qatar 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 on the Qatar Exchange.

The Company is licenced by the Ministry of Transport and Communications (formerly 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 primarily regulated by the Communications Regulatory Authority (CRA) pursuant to Law No. 34 of 2006 (Telecommunications Law), the terms of its mobile and fixed licences and applicable regulation.

The Company is engaged in providing cellular mobile telecommunication services, fixed line services and selling mobile related equipment and accessories. The operations and activities of the Company are confirmed as being Sharia compliant. 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.

Qatar Commercial Companies Law No. 11 of 2015 (the “new Commercial Companies Law”) which is applicable to the Company came into effect from 7 August 2015. The Company revised its Articles of Association to achieve compliance with the new Commercial Companies Law which necessitated a number of amendments to the Articles of Association. The relevant amendments to the Articles of Association were approved by the Company’s Extraordinary General Assembly held on 25 July 2016.

The final form of the amended and restated Articles of Association were approved and validated by the Ministry of Economy and Commerce on 24 April 2017 and the Ministry of Justice on 1 June 2017 and published by the Ministry of Economy and Commerce in the Official Gazette on 10 September 2017.

The Company held an Extraordinary General Assembly (“EGA”) on 18 October 2017, where the shareholders approved certain changes to the Articles of Association to more closely align the Company with other listed companies in Qatar, allow the Company to incorporate the recently issued Corporate Governance Rules for listed entities issued by Qatar Financial Markets Authority (QFMA) and to set the Company for future growth. At the EGA, the shareholders approved changing the financial year end of the Company from 31 March to 31 December. The change in financial year end was approved and validated by Ministry of Finance Tax Department on 9 November 2017. Subsequent to 31 December 2017, the amended and restated Articles of Association of the Company were approved by the Ministry of Economy and Commerce on 23 January 2018. The Ministry of Justice also approved the amended and restated Articles of Association, including the change in financial year end, on 31 January 2018. The authenticated and approved Articles of Association have been re-submitted to the Ministry of Economy and Commerce and are currently awaiting publication in the Official Gazette. Other amendments to the Articles of Association approved by the shareholders include changes to the procedures for election of the Chairman, granting permission for the Company to enter into potential financing arrangements and to grant security in respect of such financing arrangements and the introduction of a limit of 5% on individual shareholding in the Company, with certain exceptions.

**2 SUBSEQUENT EVENTS****Mobile licence extension**

Subsequent to 31 December 2017 and before the approval of the financial statements of the Company, the Company was granted a 40 years’ extension to its Public Mobile Telecommunications Network and Services Licence (“Licence”) at no additional cost. As a result of the Licence extension, the term of the Licence will expire on 28 June 2068. The Licence was originally granted to the Company on 29 June 2008 for a period of 20 years. The extension of the Licence and its useful economic life will result in a substantial reduction in the yearly amortisation charge in the future.



**2 SUBSEQUENT EVENTS (CONTINUED)****Capital reduction**

At the Board Meeting of Vodafone Qatar P.Q.S.C. held on 26 February 2018, the Board of Directors of the Company resolved to undertake a capital reduction to reduce the par value of the Company's share capital from QAR 10 per share to QAR 5 per share. The effect of the capital reduction will be to reduce both the share capital and accumulated losses of the Company by QAR 4,227 million. The capital reduction has no impact on the total equity, cash position or financial liquidity of the Company.

**3 BASIS OF PREPARATION****Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

**Accounting convention**

The financial statements are prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value.

**Functional and presentation currency**

These financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency. All the financial information presented in Qatari Riyals has been rounded off to the nearest thousand (QR'000) unless indicated otherwise.

**Change in financial year end**

The financial year end of the Company has been changed from 31 March to 31 December to publish annual financial statements of the Company in line with annual reporting norms of companies listed on Qatar Stock Exchange. Accordingly, the current financial statements are prepared for the nine-month period from 1 April 2017 to 31 December 2017 and as a result, the comparative figures stated in the statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes are not comparable.

**Use of estimates and judgments**

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 25. 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.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies are consistently applied in the preparation of the financial statements:

**Revenue**

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.

Revenue from access charges, airtime usage and messaging by contract customers is recognised as services are performed. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Revenue (continued)**

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

**Interconnection and other direct expenses**

Interconnection and other expenses include interconnection charges, commissions and dealer charges, regulatory costs, cost of equipment sold, bad debt costs and other direct and access costs.

*Interconnection and roaming costs*

Costs of network interconnection and roaming with other domestic and international telecommunications operators are recognised in the statement of income on an accrual basis based on the actual recorded traffic usage.

*Commissions and dealer costs*

Intermediaries are given cash incentives by the Company to connect new customers, upgrade existing customers and distribute recharge cards. These cash incentives are recognised in statement of income on an accrual basis.

*Regulatory costs*

The annual licence fee, spectrum charges and numbering charges are accrued as other direct expenses based on the terms of the Licence Fee Agreement and relevant applicable regulatory framework issued by the CRA.

**Operating leases**

Rentals payable under operating leases are charged to statement of income on a straight line basis over the term of the relevant lease.

**Foreign currencies**

Transactions in foreign currencies are initially recorded by the Company at the currency rate prevailing at the date of the transaction. Any differences on settlement of the transaction are immediately recognised in the statement of income. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation (at reporting period-end exchange rates) of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

**Borrowing costs**

The borrowing costs (wakala contract costs) incurred on funding construction of qualifying assets are capitalised as being part of cost of construction. All other borrowing costs are recognised on an accrual basis using the effective yield method in the statement of income during the year in which they arise.

**Income tax**

As per Income Tax Law No. 21 of 2009, 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. As per the provisions of the law, the Company is not subject to corporate income tax as it is listed on the Qatar Exchange.

**Property, plant and equipment***Recognition and measurement*

Furniture and fixtures and network, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Assets in the course of construction are carried at cost, less any recognised impairment losses.





#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. The costs of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable for bringing the assets to a working condition for their intended use, capitalised borrowing costs and estimated discounted costs for dismantling and restoration of the sites, where the Company has an obligation to restore the sites.

##### *Depreciation*

Depreciation of these assets commences when the assets are ready for use as intended by the management. Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives using the straight line method as follows:

Leasehold improvements	During the period of the lease
Network infrastructure	4 - 25 years
Other equipment	1 - 5 years
Furniture and fixtures	4 - 8 years
Others	3 - 5 years

##### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

##### **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. Intangible assets include licence fees, software and indefeasible rights of use (IRU's). Intangible assets with finite useful lives are subsequently carried at cost less accumulated amortization and impairment loss, if any.

##### *Licence fees*

Licence 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 licences are 20 years and 25 years respectively.

##### *Indefeasible rights of use ("IRU")*

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Company has the indefeasible right to use a specific asset, generally specific optical fibres or dedicated wavelengths on specific cables, and the duration of the right is for the major part of the underlying asset's economic life. IRU's are considered as intangible assets with finite lives (15 years).

##### *Finite lived intangible assets (including software)*

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 on a straight line basis (3 to 5 years).



**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of assets***Property, plant and equipment and finite lived intangible assets*

At the end of each reporting period, 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. Recoverable amount is the higher of value in use and fair value less cost of disposal. 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.

**Inventories**

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.

**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.

**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.

**Non-derivative financial instruments**

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

**Financial assets**

Financial assets recognised by the Company include:

*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, bank balances and Mudaraba deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.



#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Cash and cash equivalents (continued)*

Mudaraba is a short term bank deposit made by the Company under the terms of Sharia principles. The profit from such deposits is accrued in the statement of income on periodic basis.

##### *Derecognition of financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### **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.

##### *Trade payables*

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

##### *Wakala contract*

The Company entered into a wakala contract in the capacity of a wakil. Wakala is an agreement between two parties whereby one party (the "Muwakkil") provides funds ("Investment Amount") to an agent (the "Wakil"), to invest on their behalf in accordance with the principles of Sharia. The Investment Amount is available for unrestricted use for capital expenditure, operational expenses and for settlement of liabilities. If profits are made, the Wakil will pay an agreed-upon share of these profits to the Muwakkil. The Investment Amount is repaid back at the end of the investment period along with any accumulated profits. Hence the wakala contract is stated at amortised cost in the statement of financial position. The attributable profits are recognised as wakala contract costs in the statement of income on a time apportionment basis, taking account of the anticipated profit rate and the balance outstanding.

##### *Equity instruments*

Ordinary shares issued by the Company are classified as equity.

##### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

##### **Derivative financial instruments**

The Company uses derivative financial instruments to reduce its financial risks due to 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.





#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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, 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.

##### Dividend on ordinary share capital

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividend is approved by the shareholders. Dividend for the year that is approved after the statement of financial position date is dealt with as a non-adjusting event after the balance sheet date.

#### 5 SEGMENT REPORTING

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance of the components. The functions of the CODM are performed by the Board of Directors of the Company.

##### *(a) Description of products and services from which each reportable segment derives its revenue and factors that management used to identify the reportable segments*

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 insignificant to the overall business. The Company does not have customers with the revenues exceeding 10% of the total revenue of the Company.

##### *(b) Measurement of operating segment profit or loss, assets and liabilities*

The CODM reviews financial information prepared based on IFRS adjusted to meet the requirements of internal reporting. Such financial information does not significantly differ from that presented in these financial statements.

#### 6 REVENUE

	Nine months ended 31 December	Year ended 31 March
	2017	2017
	QR'000	QR'000
Revenue from pre-paid mobile services	706,400	1,172,410
Revenue from post-paid mobile services	530,793	603,844
Sale of equipment and other revenue	243,852	282,376
	<b>1,481,045</b>	<b>2,058,630</b>





## 7 INTERCONNECTION AND OTHER DIRECT EXPENSES

	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
Interconnection and roaming costs	321,746	464,550
Equipment and other direct costs	116,201	120,934
Commissions and dealer costs	67,365	102,862
Regulatory costs	25,463	33,756
Provision for impairment of receivables	9,883	17,574
	<u>540,658</u>	<u>739,676</u>

Provision for impairment is net of collections from previously written off balances of QR 0.7 million (31 March 2017: QR 2.3 million).

## 8 NETWORK, RENTALS AND OTHER OPERATIONAL EXPENSES

	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
Operating lease rentals	110,204	174,401
Network and other operational expenses	273,097	376,263
	<u>383,301</u>	<u>550,664</u>

## 9 OTHER INCOME

This represents compensation from a network vendor on account of network outage experienced by the Company in July 2017.

## 10 OTHER FINANCING COSTS

Other financing costs include withholding tax payable on previous financing arrangement and unwinding of discounted portion of asset retirement obligations. This does not include any interest payments to third parties.

## 11 BASIC AND DILUTED LOSS PER SHARE

	Nine months ended 31 December 2017	Year ended 31 March 2017
Loss for the period (QR '000)	<u>(182,160)</u>	<u>(269,183)</u>
Weighted average number of shares (in thousands)	<u>845,400</u>	<u>845,400</u>
Basic and diluted loss per share (QR)	<u>(0.22)</u>	<u>(0.32)</u>

There is no dilutive element and hence basic and diluted loss per share are the same.


**12 PROPERTY, PLANT AND EQUIPMENT**

	Network and equipment	Furniture and fixtures	Total
	QR'000	QR'000	QR'000
<b>Cost:</b>			
At 1 April 2016	1,898,274	234,597	2,132,871
Additions	245,628	8,748	254,376
Disposals	(78,109)	(20,325)	(98,434)
At 31 March 2017	2,065,793	223,020	2,288,813
Additions	165,973	-	165,973
Disposals	(19,108)	(125)	(19,233)
<b>At 31 December 2017</b>	<b>2,212,658</b>	<b>222,895</b>	<b>2,435,553</b>
<b>Accumulated depreciation:</b>			
At 1 April 2016	735,798	148,429	884,227
Charge for the year	240,462	29,600	270,062
Disposals	(78,030)	(20,324)	(98,354)
At 31 March 2017	898,230	157,705	1,055,935
Charge for the period	182,888	10,179	193,067
Disposals	(15,302)	(125)	(15,427)
<b>At 31 December 2017</b>	<b>1,065,816</b>	<b>167,759</b>	<b>1,233,575</b>
<b>Net book value:</b>			
<b>At 31 December 2017</b>	<b>1,146,842</b>	<b>55,136</b>	<b>1,201,978</b>
At 31 March 2017	1,167,563	65,315	1,232,878

The net book value of property, plant and equipment includes assets in the course of construction amounting to QR 30.39 million (31 March 2017: QR 40.57 million), which are not depreciated.

The Company sold network equipment and other assets during the period and recognised a loss on disposal of QR 3.6 million (31 March 2017: QR 0.062 million).

**13 INTANGIBLE ASSETS**

	<u>Licence fee</u>	<u>Software</u>	<u>Indefeasible</u>	<u>Total</u>
	<u>QR'000</u>	<u>QR'000</u>	<u>right to use</u>	<u>QR'000</u>
			<u>QR'000</u>	
<b>Cost:</b>				
At 1 April 2016	7,726,000	872,576	20,712	8,619,288
Additions	-	56,343	-	56,343
Disposals	-	(10,998)	-	(10,998)
At 31 March 2017	7,726,000	917,921	20,712	8,664,633
Additions	-	51,561	-	51,561
Disposals	-	(2,319)	-	(2,319)
<b>At 31 December 2017</b>	<b>7,726,000</b>	<b>967,163</b>	<b>20,712</b>	<b>8,713,875</b>
<b>Accumulated amortisation:</b>				
At 1 April 2016	2,787,793	591,699	4,672	3,384,164
Charge for the year	402,737	105,345	1,438	509,520
Disposals	-	(10,998)	-	(10,998)
At 31 March 2017	3,190,530	686,046	6,110	3,882,686
Charge for the period	302,053	68,155	1,078	371,286
Disposals	-	(1,524)	-	(1,524)
<b>At 31 December 2017</b>	<b>3,492,583</b>	<b>752,677</b>	<b>7,188</b>	<b>4,252,448</b>
<b>Net book value:</b>				
<b>At 31 December 2017</b>	<b>4,233,417</b>	<b>214,486</b>	<b>13,524</b>	<b>4,461,427</b>
<b>At 31 March 2017</b>	<b>4,535,470</b>	<b>231,875</b>	<b>14,602</b>	<b>4,781,947</b>

The net book value of software includes software under development amounting to QR 4.66 million (31 March 2017: QR 29.63 million), which are not amortised.

**14 TRADE AND OTHER RECEIVABLES**

	<u>31 December</u>	<u>31 March</u>
	<u>2017</u>	<u>2017</u>
	<u>QR'000</u>	<u>QR'000</u>
<b>Non-current assets:</b>		
Prepayments	24,932	25,443
<b>Current assets:</b>		
Trade receivables – net	217,220	252,440
Prepayments	27,595	52,797
Due from related parties (note 21)	4,322	5,432
Accrued revenue receivables	25,582	35,742
Other receivables	27,247	10,382
	<b>301,966</b>	<b>356,793</b>

Trade and other receivables are net of provision for impairment amounting to QR 60.9 million (31 March 2017: QR 50.3 million).



**15 INVENTORIES**

	31 December 2017	31 March 2017
	QR'000	QR'000
Handsets	33,812	11,233
Scratch cards and accessories	1,915	1,932
	<u>35,727</u>	<u>13,165</u>

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

	31 December 2017	31 March 2017
	QR'000	QR'000
Balance at beginning of the period	4,013	7,708
Amounts credited to statement of income	(576)	(3,566)
Inventory written off	-	(129)
Balance at period end	<u>3,437</u>	<u>4,013</u>

**16 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows are as follows:

	31 December 2017	31 March 2017
	QR'000	QR'000
Mudaraba deposits	85,000	100,000
Cash at bank	113,458	68,784
Cash on hand	100	100
	<u>198,558</u>	<u>168,884</u>

**17 SHARE CAPITAL**

	31 December 2017		31 March 2017	
	Number	QR'000	Number	QR'000
<b>Ordinary shares authorised, allotted, issued and fully paid:</b>				
Ordinary shares of QAR 10 each	<u>845,400,000</u>	<u>8,454,000</u>	<u>845,400,000</u>	<u>8,454,000</u>

**18 LEGAL RESERVE AND DISTRIBUTABLE PROFITS**

The Company is public joint stock company having been incorporated pursuant to Article 68 of the Qatar Commercial Companies' Law No. 5 of 2002 and amended its status in accordance with Qatar Commercial Companies Law No.11 of 2015 as approved by the Company's Extraordinary General Assembly dated 25 July 2016. The amended and restated Articles of Association were approved and validated by the Ministry of Economy and Commerce on 24 April 2017 and the Ministry of Justice on 1 June 2017 and published by the Ministry of Economy and Commerce in the Official Gazette on 10 September 2017.

*Legal reserve:*

The excess of issuance fees collected over the issuance cost during the initial public offering of the ordinary shares has been transferred to the legal reserve as required by Article 154 of Qatar Commercial Companies Law No. 5 of 2002. Further, as per the Articles of Association of the Company, 5% of annual distributable profits should be transferred to the legal reserve. The General Assembly may discontinue this deduction if the legal reserve reaches 10% of the paid up capital.

**18 LEGAL RESERVE AND DISTRIBUTABLE PROFITS (CONTINUED)***Distributable profits:*

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

The above provision of Article of Association was impacted by the new Commercial law however, the Company amended its Articles of Association which were approved by the Ministry of Economy and Commerce as described in note 1.

	Nine months ended 31 December 2017		Year ended 31 March 2017	
	QR'000	QR'000	QR'000	QR'000
Balance at beginning of the period		134,045		7,169
Net loss for the period	(182,160)		(269,183)	
Amortisation of licence fee	302,053		402,737	
Distributable profits		119,893		133,554
Transfer to legal reserve		(5,995)		(6,678)
Balance at period end		247,943		134,045

**19 WAKALA CONTRACT**

	31 December 2017	31 March 2017
	QR'000	QR'000
Balance at beginning of the period	945,554	1,022,868
Investments during the period	-	-
Wakala profit accumulation for the period	18,344	24,621
Settlement of wakala	(145,661)	(101,935)
Balance at period end	818,237	945,554

The Company entered into a Sharia compliant wakala contract with Vodafone Finance Limited for USD 330 million on 18 November 2014. The facility has a tenure of five years at an agreed profit share based on six month LIBOR plus a margin of 0.75%. The facility was availed on 15 December 2014.

The wakala contract is renewed on 31 March and 30 September every year to reset the profit rates without cash settlement. The accumulated profits are then reinvested by the Muwakkil. The wakala contract will be due for repayment five years from the origination date unless early termination is initiated by management. Based on management's plans, these liabilities are classified as non-current.

**20 PROVISIONS**

	31 December 2017	31 March 2017
	QR'000	QR'000
Asset retirement obligations (note 20.1)	59,961	54,121
Employees' end of service benefits (note 20.2)	31,009	28,269
Other provisions (note 20.3)	14,320	31,821
	105,290	114,211

**20.1 Asset retirement obligations**

During the period, the Company recorded an additional provision of QR 5.8 million (31 March 2017: QR 47.4 million) on account of new sites added and unwinding of discount for liability. Out of additional provision, an amount of QR 3.3 million (31 March 2017 QR 47.4 million) capitalized as additions of property, plant and equipment was excluded from the purchase of property, plant, and equipment in statement of cash flows.

**20 PROVISIONS (CONTINUED)****20.2 Employees' end of service benefits**

	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
Balance at beginning of the period	28,269	25,448
Charge for the period	7,332	8,957
Payments during the period	(4,592)	(6,136)
Balance at period end	<u>31,009</u>	<u>28,269</u>

**20.3 Other provisions**

This mainly comprises of estimated amounts for liabilities relating to ongoing disputes on commercial arrangements.

**21 TRADE AND OTHER PAYABLES**

	31 December 2017 QR'000	31 March 2017 QR'000
<b>Non-current liabilities:</b>		
Supplier retentions	<u>52,372</u>	<u>49,823</u>
<b>Current liabilities:</b>		
Trade payables	159,722	400,431
Accruals and deferred income	532,879	312,207
Other payables	22,384	20,559
Dividend payable (note 21.1)	11,950	13,109
Due to related parties (note 22)	<u>50,140</u>	<u>69,442</u>
	<u>777,075</u>	<u>815,748</u>

**21.1 Dividend payable**

	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
Balance at beginning of the period	13,109	18,335
Dividend paid in cash	<u>(1,159)</u>	<u>(5,226)</u>
Balance at period end	<u>11,950</u>	<u>13,109</u>

**22 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:



**22 RELATED PARTY TRANSACTIONS (CONTINUED)**

	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
<i>Sales of goods and services</i>		
Vodafone Group Plc controlled entities	2,931	4,132
<i>Purchases of goods and services</i>		
Vodafone Group Plc controlled entities	110,922	157,869
<i>Wakala contract costs</i>		
Vodafone Finance Limited	18,344	24,621

Goods and services are bought from related parties at prices approved by management, as being on an arm's length basis. Balances arising from sales/purchases of goods/services are as follows:

	31 December 2017 QR'000	31 March 2017 QR'000
<i>Receivables from related parties:</i>		
Vodafone Group Plc controlled entities	4,322	5,432
<i>Payables to related parties:</i>		
Vodafone Group Plc controlled entities	50,140	69,442
<i>Wakala contract:</i>		
Wakala contract from Vodafone Finance Limited	818,237	945,554

The receivables from related parties arise mainly from sale transactions which are unsecured in nature and bear no interest. No impairment losses were recognised for balances due from related parties during the period (31 March 2017: Nil). The payables to related parties arise mainly from purchase transactions and bear no interest. The wakala contract has an anticipated profit rate as described in Note 19.

**Compensation of key management personnel**

Key management personnel include the Board of Directors, Chief Executive Officer (CEO) and the executive managers who directly report to the CEO. Compensation paid to key management personnel, which does not include any remuneration to the Board of Directors, is as follows:

	Nine months ended 31 December 2017 QR'000	Year ended 31 March 2017 QR'000
Salaries and short-term benefits	11,118	15,704
Employees' end of service benefits	465	514
	11,583	16,218



## 23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Capital management

The following table summarises the capital structure of the Company:

	31 December 2017 QR'000	31 March 2017 QR'000
Wakala contract	818,237	945,554
Cash and cash equivalents	(198,558)	(168,884)
<b>Net debt</b>	<b>619,679</b>	<b>776,670</b>
<b>Total equity</b>	<b>4,471,614</b>	<b>4,653,774</b>
<b>Gearing ratio</b>	<b>13.9%</b>	<b>16.7%</b>

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.

### Categories of financial instruments

	31 December 2017 QR'000	31 March 2017 QR'000
<b>Loans and receivables:</b>		
Cash and cash equivalents	198,558	168,884
Trade and other receivables (excluding prepayments)	274,371	303,996
<b>Other financial liabilities at amortised cost:</b>		
Trade and other payables (excluding accruals and deferred income)	296,568	553,364
Wakala contract	818,237	945,554

### Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies and hence exposed to risks on exchange rate fluctuations. The Company uses currency forwards to mitigate its financial risks on foreign exchange rates. The use of financial derivatives is governed by the Company's policies, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

### Interest rate risk management

The Company has no interest bearing loans or receivables being a Sharia compliant business.

### Profit rate on the wakala contract

The Company is liable to pay profit on the wakala contract at an anticipated profit rate which is computed based on six month LIBOR. Every one percent rise or fall in LIBOR rates would increase or reduce the total loss of the Company for the financial period by QR 6.3 million (31 March 2017: QR 9.5 million).



## 23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Credit risk management

Credit risk refers to the risk that the 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.

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

	31 December 2017	31 March 2017
	QR'000	QR'000
Balance at beginning of the period	50,279	30,395
Amounts charged to income statement	10,590	19,884
<b>Balance at period end</b>	<b>60,869</b>	<b>50,279</b>

The following table presents ageing of trade receivables (gross):

	31 December 2017	31 March 2017
	QR'000	QR'000
0 – 30 days	150,040	121,251
31 – 60 days	29,681	52,190
61 – 90 days	12,649	14,392
Over 90 days	85,719	114,886
	<b>278,089</b>	<b>302,719</b>

### 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 is:

	Carrying amount	
	31 December 2017	31 March 2017
	QR'000	QR'000
Cash and cash equivalents	198,558	168,884
Trade and other debit balances (excluding prepayments)	274,371	303,996
	<b>472,929</b>	<b>472,880</b>

### 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.





## 23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Liquidity risk management (continued)

The Company manages liquidity risk by maintaining adequate reserves and adequate wakala contracts, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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.

At 31 December 2017	Less than 1 Year QR'000	More than 1 year QR'000
Trade and other payables excluding deferred income	651,018	52,372
Wakala contract	-	818,237
At 31 March 2017	Less than 1 Year QR'000	More than 1 year QR'000
Trade and other payables excluding deferred income	682,838	49,823
Wakala contract	-	945,554

### Fair value of financial instruments

Fair value measurements are analysed by levels in the fair value hierarchy as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobserved inputs)

Financial assets or liabilities were measured at fair value based on level 3 input. The carrying value of financial assets and financial liabilities classified as current assets or current liabilities in the statement of financial position at year-end approximates its fair value due to its shorter maturities.

## 24 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. Future lease payments comprise:



## 24 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### Commitments (continued)

	31 December 2017	31 March 2017
	QR'000	QR'000
Within one year	154,106	109,143
In more than one year but less than two years	66,966	64,587
In more than two years but less than three years	61,464	54,825
In more than three years but less than four years	53,858	53,129
In more than four years but less than five years	49,509	49,667
In more than five years	312,776	319,572
	<u>698,679</u>	<u>650,923</u>

### Other commitments

	31 December 2017	31 March 2017
	QR'000	QR'000
Contracts placed for future capital expenditure not provided for in the financial statements	<u>64,364</u>	<u>43,022</u>

### Contingent liabilities

	31 December 2017	31 March 2017
	QR'000	QR'000
Performance bonds	<u>52,679</u>	<u>51,732</u>
Credit guarantees – third party indebtedness	<u>2,000</u>	<u>2,000</u>

### 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.

## 25 CRITICAL ACCOUNTING JUDGMENTS 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 provide 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.





## 25 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 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 financing income/costs, tax, depreciation and amortisation, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long term growth rates;
- expected costs to renew the licence; and
- the selection of discount rates to reflect the risks involved.

The Company prepares and the Board of Directors approves formal five year plans for its business and the Company uses these as the basis for its impairment reviews. In estimating the value in use, the Company uses a discrete period of 5 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 earnings before financing income/ costs, tax, depreciation and amortisation.

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. The discount rate used in the most recent value in use calculation for the period ended 31 December 2017 was 9.9% (31 March 2017: 9.7%) and the long-term growth rate was 2.5% (31 March 2017: 3.0%). The management has considered the renewal costs of licence as percentage of the future expected revenues.

Based on the results of the test, the management has concluded that no impairment is required. The results are sensitive to changes in the following assumptions. With all individual inputs constant, an increase in pre-tax discount rate by 2.00 pps or decrease in terminal EBITDA growth by 6.80 pps or decrease in long term growth rate by 2.70 pps or increase in discounted cost of licence renewal by 531%, would bring the headroom to zero. Any further decline would suggest an impairment, since recoverable amount would be lower than carrying amount of long term assets net of working capital (excluding cash) of the Company.

### 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. Transit revenue is recognised on a gross basis as the Company assumes credit risk and acts as a principal in the transactions.





## 25 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### **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:

#### *Licence 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.

#### *Property, plant and equipment*

Property, plant and equipment represent a significant proportion of the asset base of the Company being 19.3% (31 March 2017: 18.7%) 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.

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's 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.

### **Provision for receivables**

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time the amount has been due.

### **Impairment of inventories**

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. Inventories which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

### **Asset retirement obligation**

A Provision for asset retirement obligation exists where the Company has a legal or constructive obligation to remove an infrastructure asset and restore the site. Asset retirement obligation is recorded at the present value of expected costs to settle the obligation using estimated cash flows and is recognised as part of the particular asset. The cash flows are discounted at the rate that reflects the risk specific to the asset retirement obligation.

Subsequent to initial recognition, an unwinding expense relating to the provision is periodically recognised as a financing cost.

While the provision is based on the best estimate of future costs and the useful lives of infrastructure assets, there is uncertainty regarding both the amount and timing of incurrence of these costs. Any subsequent change in the present value of the estimated cost due to changes in the gross removal costs or discount rates, is dealt with prospectively as a change in accounting estimate and reflected as an adjustment to the provision and a corresponding adjustment to the infrastructure assets.

**26 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS****New and amended standards adopted by the Company**

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2017:

- Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

**New accounting standards and IFRIC interpretations that are not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company does not plan to early adopt these standards.

- IFRS 9, 'Financial Instruments' (Annual periods beginning on or after 1 January 2018) addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has reviewed its financial assets and liabilities and is expecting that the potential impact of the new standard for the Company is expected to be as follows:

- The contractual cash flows of trade receivables and contract assets of the Company comprise solely payment of principal and interest and the Company is holding to collect these contractual cash flows. These financial assets of the Company will continue to be classified at amortized cost and adoption of IFRS 9 will have no impact on classification and measurement model of the Company.  
The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company expects the loss allowance for trade receivables to increase by an immaterial amount.
- The new standard also introduces expanded disclosure requirements and changes in presentation. The Company has finalized its assessment of the impact of IFRS 9 on the financial statements which is not expected to be significant.





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

### New accounting standards and IFRIC interpretations that are not yet adopted (continued)

- *IFRS 15 'Revenue from Contracts with Customers' (Annual periods beginning on or after 1 January 2018):* The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption.

The Company has assessed the effects of applying the new standard on the Company's financial statements, the potential impact of the revenue standard for the Company is expected to be as follows:

- Accounting for acquisition revenue will require to be deferred and amortized over the contract period. However, since the Company is using maximum lock in period as the contract period therefore, adoption of IFRS 15 will result in reduction of revenue by an immaterial amount.
- Accounting for contract costs for the year ending 31 December 2018: Incremental contract costs to be incurred to obtain and fulfil a contract to provide goods or services to the customer are required to be capitalised under IFRS 15, if those costs are expected to be recovered. These costs are to be amortised over expected contract period and tested for impairment regularly. The Company expects to have an immaterial reduction in its acquisition cost considering the very short term contract period upon adoption of IFRS 15.
- Accounting for bundled products: The Company has reviewed its existing products portfolio and determined that any bundling of products was performed during promotion periods which are very short term in nature. IFRS 15 requires the allocation of sale price of the bundled product to its components e.g. handset and data, based on their standalone selling prices. The Company expects the impact of re-allocation of revenue within existing revenue streams will be immaterial due to very short term nature of promotions.
- Accounting for financing component: The Company does not have payments terms which do not match with the timing of delivery of services or equipment to the customers, there will be no impact on the Company's financial statements in this regard.
- Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract assets and contract liabilities which are currently included in other balance sheet line items. Since the amounts of contract assets and contract liabilities involved are not significant, the Company has concluded that there is no material impact on balance sheet of the Company.
- *IFRS 16 'Leases' (Annual periods beginning on or after 1 January 2019):* The International Accounting Standards Board (IASB) has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.



**26 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)****New accounting standards and IFRIC interpretations that are not yet adopted (continued)**

IFRS 16 is expected to have a significant impact on the financial statements of the Company by increasing the reported assets and liabilities for the existing operating leases, particularly relating to leased network assets (base stations, leased lines), IT network (data centers) and property leases (stores and offices). The Company is currently in the process of finalising the impact assessment.

- IFRIC 22 '*Foreign Currency Transactions and Advance Consideration*' (*Annual periods beginning on or after 1 January 2018*) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The adoption of this interpretation doesn't have any impact on the current period or any prior period and is not likely to affect future periods.

**27 SHARIA COMPLIANCE****Governance**

The sharia advisor of the Company is a scholar who is specialised in sharia principles and ensures the Company's compliance with general Islamic principles and work in accordance with issued Fatwas and guiding rules. The advisor's review includes examining the evidence related to documents and procedures adopted by the Company in order to ensure that the activities are according to principles of Islamic sharia.

**Zakah**

Zakah is directly borne by the shareholders. The Company does not collect or pay Zakah on behalf of its shareholders.