

# **CBQ Finance Limited**

## **FINANCIAL STATEMENTS**

**31 December 2012**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CBQ FINANCE LIMITED**

### **Report on the Financial Statements**

We have audited the financial statements of CBQ Finance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2012 and the related statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on Other Legal Requirements**

Furthermore, in our opinion proper books of account have been kept by the Company, and the financial statements comply with the Bermuda Companies Act 1981 as amended, and the Company's By-Laws. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the By-Law having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

Ernst & Young

24 January 2013

Doha

**CBQ Finance Limited**

**STATEMENT OF FINANCIAL POSITION**

At 31 December 2012

	<i>Notes</i>	<i>Figures in thousand USD</i>	
		<b>2012</b>	<b>2011</b>
<b>ASSETS</b>			
<b>Non-current asset</b>			
Loans to parent company	4	<u>2,363,637</u>	<u>1,867,051</u>
<b>Current assets</b>			
Due from parent company	7	15,698	11,401
Bank balance		<u>1</u>	<u>1</u>
		<u>15,699</u>	<u>11,402</u>
<b>TOTAL ASSETS</b>		<u><b>2,379,336</b></u>	<u><b>1,878,453</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5	<u>1</u>	<u>1</u>
<b>Total equity</b>		<u>1</u>	<u>1</u>
<b>Non-current liability</b>			
Debts issued	6	<u>2,363,637</u>	<u>1,867,051</u>
<b>Current liability</b>			
Interest payable		<u>15,698</u>	<u>11,401</u>
<b>Total liabilities</b>		<u><b>2,379,335</b></u>	<u><b>1,878,452</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,379,336</b></u>	<u><b>1,878,453</b></u>

Mr. Hussain Ibrahim Alfardan  
Chairman



Mr. A C Stevens  
Deputy Chairman



CBQ Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Note</i>	<i>Figures in thousand USD</i>	
		<i>2012</i>	<i>2011</i>
Finance income		116,041	110,477
Finance costs	3	<u>(116,041)</u>	<u>(110,477)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>-</u>	<u>-</u>

CBQ Finance Limited

---

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2012

	<i>Figures in thousand USD</i>	
	<i>Share capital</i>	<i>Total</i>
Balance at 1 January	<u>1</u>	<u>1</u>
Balance at 31 December 2011	<u>1</u>	<u>1</u>
<b>Balance at 1 January 2012</b>	<u>1</u>	<u>1</u>
<b>Balance at 31 December 2012</b>	<u>1</u>	<u>1</u>

CBQ Finance Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the year	-	-
Adjustments for:		
Finance expense	116,041	110,477
Finance income	<u>(116,041)</u>	<u>(110,477)</u>
Operating cash flows before working capital changes		
Interest payable	15,698	11,401
Amount due from parent company	<u>(15,698)</u>	<u>(11,401)</u>
Net cash used in operating activities	<u>-</u>	<u>-</u>
<b>NET MOVEMENT IN BANK BALANCE</b>	-	-
Bank balance at 1 January	<u>1</u>	<u>1</u>
<b>BANK BALANCE AT 31 DECEMBER</b>	<u><u>1</u></u>	<u><u>1</u></u>

# CBQ Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

CBQ Finance Limited (the "Company") is an exempt company with limited liability incorporated in Bermuda under the Companies Act 1981 on 5 November 2009 (with registration number is 43669). The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is a fully owned subsidiary of The Commercial Bank of Qatar (Q.S.C.) (the "ultimate parent company"), a Qatari Shareholding Company listed on the Qatar Exchange.

The Company is organised as a special purpose entity and consequently will not have any employees or own any physical assets. The Company has been established to raise capital for the ultimate parent company by the issue of debt instruments.

The financial statements of the Company for the year ended 31 December 2012 were authorised for issue by the Chairman on 24 January 2013.

### 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and all values are rounded to the nearest USD thousand except when otherwise indicated. The financial statements are presented in US Dollars (USD) which is the Company's functional and presentation currency.

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the applicable provisions of the Bermuda Companies Act of 1981 (as amended).

#### Standards, amendments and interpretations issued

During the period, the Company has adopted the following standards effective for the annual period beginning on or after 1 January 2012.

#### IFRS 7 Financial Instruments (Disclosures)

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

- Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- Financial assets are not derecognised in their entirety

The amended disclosures are more extensive and onerous than previous disclosures. This amendment did not have any impact on the Company.

#### Standards, amendments and interpretations issued but not adopted

The Company is currently considering the implications of the new standards and amendments to standards which are effective for future accounting periods and has not early adopted any of the new or amended Standards as listed below:

Standards	Content	Effective date
IFRS 9	Financial Instruments: Classification & Measurement (Part 1)	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendment)	1 January 2013
IAS 19	Employee Benefits (Revised)	1 January 2013

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Significant accounting policies

#### Accounts receivable

Accounts receivables are stated at original invoice amount less any allowance uncollectible amounts. An estimate for impaired debts is made when collection of the full amount is no longer probable. Impaired debts are written off when there is no possibility of recovery.

#### Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from past event, and the costs to settle the obligation are both probable and able to be reliably measured.

#### Debts issued

Debts issued are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, debts issued are measured at amortized cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the statement of comprehensive income over the period of borrowings. Amounts due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the statement of comprehensive income when the liabilities are derecognised. Interest relating to interest bearing loans and borrowings is expensed in the year in which it incurs.

### Derecognition of financial assets and liabilities

#### 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 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.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.



# CBQ Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Significant accounting policies (continued)

##### Finance income

Finance income is recognised using the effective interest method.

##### Fair values

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

##### Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income.

### 3 FINANCE COST

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
Interest expense	111,743	107,480
Amortisation of financing costs	<u>4,298</u>	<u>2,997</u>
	<u>116,041</u>	<u>110,477</u>

### 4 LOANS TO PARENT COMPANY

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
Loan (i)	1,000,000	1,000,000
Loan (ii)	600,000	600,000
Loan (iii)	282,776	282,776
Loan (iv)	<u>500,000</u>	<u>-</u>
	2,382,776	1,882,776
Less: Deferred financing costs	<u>(19,139)</u>	<u>(15,725)</u>
	<u>2,363,637</u>	<u>1,867,051</u>

#### Notes:

The above loans were granted to the parent company using the proceeds of the following debts issued by the Company:

- (i) This loan represents the proceeds from the issue of USD 1 billion Senior Notes due on 18 November 2014 and carries a fixed interest rate of 5% per annum;
- (ii) This loan represents the proceeds from the issue of USD 600 million Subordinated Notes due on 18 November 2019 and carries a fixed interest rate of 7.5% per annum;
- (iii) This loan represents the proceeds from the issue of CHF 275 million Bonds due on 7 December 2015 and carried a fixed interest rate of 3% per annum;
- (iv) This loan represents the proceeds from the issue of USD 500 million EMTN Notes Programme –due on 11 April 2017 and carries a fixed interest rate of 3.375% per annum

**CBQ Finance Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**5 SHARE CAPITAL**

The issued share capital of the Company is comprised of 1,000 common shares of USD 1.00 each.

**6 DEBTS ISSUED**

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
Senior Notes due 18 November 2014 (i)	995,421	993,157
Subordinated Notes due 18 November 2019 (i)	592,288	591,467
CHF Bonds due 7 December 2015(ii)	282,515	282,427
EMTN Programme – Senior unsecured notes (iii)	493,413	-
	<u>2,363,637</u>	<u>1,867,051</u>

Movements in debt issued are analysed as follows

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
Balance at beginning of the year	1,867,051	1,864,054
EMTN Programme – Senior unsecured notes	492,288	-
Amortisation of financing cost	4,298	2,997
	<u>2,363,637</u>	<u>1,867,051</u>

The table below shows the maturity profile of debts issued:

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
Up to 1 year	-	-
Between 1 and 3 years	1,277,936	995,421
Over 3 years	1,085,701	871,630
	<u>2,363,637</u>	<u>1,867,051</u>

*Notes:*

- (i) On 18 November 2009, the Company completed the issuance of the following debt instruments:

**Senior Notes:** USD 1,000 million five-year Senior Notes paying a fixed coupon of 5.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of five years. The estimated fair value of the Senior Notes as at 31 December 2012 was USD 1.058 billion (2011: USD 1.042 billion).

**Subordinated Notes:** USD 600 million ten-year Subordinated Notes paying a fixed coupon of 7.50% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of ten years. The estimated fair value of the Subordinated Notes as at 31 December 2012 was USD 736 million (2011: USD 693 million). The above debt instruments have been irrevocably guaranteed by the ultimate parent company and are listed and traded on the London Stock Exchange.

## CBQ Finance Limited

### NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

#### 6 DEBTS ISSUED (continued)

(ii) On 7 December 2010, the Company completed the issuance of the following debt instrument:

**CHF denominated Bonds:** CHF 275 million five years bond paying a fixed coupon of 3.0% per annum. Interest is payable annually in arrears and the principal is payable in full at maturity on 7 December 2015. This bond has been irrevocably guaranteed by the ultimate parent company and are listed and traded on the SIX Swiss Exchange AG, Zurich. The fair value of the CHF denominated Bonds as at 31 December 2012 was USD 310 million (2011: USD 303 million).

(iii) **EMTN Programme – Senior unsecured notes:** On 11 April 2012, the Company completed an issuance of USD 500 Million five years unsecured fixed rate notes under its USD 5 billion European Medium Term Note (“EMTN”) Programme that it established in 2011. The notes carry a fixed coupon of 3.375% per annum with interest payable semi-annually and are listed on the London Stock Exchange. Estimated fair value of the EMTN notes as of 31 December was USD 520 million.

#### 7 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company’s management.

##### Related party transactions

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>Figures in thousand USD</i>	
	<i>2012</i>	<i>2011</i>
Finance income	<u>116,041</u>	<u>110,477</u>
Amounts due from parent company	<u>15,698</u>	<u>11,401</u>

#### 8 FINANCIAL RISK MANAGEMENT

The Company’s principal financial liabilities comprise debts issued and interest payable. The main purpose of these financial liabilities is to raise capital for the ultimate parent company through the issue of debt instruments. The Company’s financial asset comprises of loans to parent company and amounts due from parent company.

The main risks arising from the Company’s financial instruments are market risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Company’s income or the value of its holdings of financial instruments. As the Company is a special purpose entity as discussed in Note 1 to these financial statements, all the risks arising from the financial instruments are managed and absorbed by the ultimate parent company.

##### Capital management

The primary objective of the Company’s capital management is to ensure that it complies with local regulatory requirements. There are no externally imposed capital requirements. Capital comprises share capital only and is measured at USD 1,000 at 31 December 2012.

**9 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of loans to parent company and amounts due from parent company. Financial liabilities consist of debts issued and interest payable.

The fair values of financial instruments are not materially different from their carrying values.

**10 KEY SOURCES OF ESTIMATION UNCERTAINTY**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.