Qtel

Let's Connect

ANNUAL REPORT 2007

A GIANT LEAP FORWARD

CONTENTS

IN THE NAME OF ALLAH

MOST GRACIOUS

MOST MERCIFUL

HIS HIGHNESS

SHEIKH HAMAD BIN KHALIFA AL-THANI
EMIR OF THE STATE OF QATAR

HIS HIGHNESS

SHEIKH TAMIM BIN HAMAD AL-THANI
HEIR APPARENT

"TO BE AMONG THE TOP 20 TELECOMMUNICATIONS COMPANIES IN THE WORLD BY 2020"

WHO WE ARE

A Qatari born company, now with diverse operations in 3 business lines across 16 countries covering in excess of 560 million population with nearly 16 million consolidated subscribers and close to $12 billion enterprise value.

Interests in 16 countries across MENA subcontinent and SE Asia:

Algeria	Cambodia	Indonesia
Iraq	Jordan	Kuwait
Laos	Maldives	Oman
Palestine	Pakistan	Qatar
Saudi Arabia	Singapore	Tunisia
UAE		

Diverse and leading edge products & services:

3.5G Network

Blackberry

Fixed Line

Internet

Mozaic TV+ (Triple Play)

Mobile Broadband

Video Calling

Clear vision and strategy:

3 Business Lines	*3 Geographies*
Consumer Mobile	MENA
Consumer Broadband	The Sub Continent
Corporate managed services	South East Asia

Strong partnerships:

Singapore Technologies Telemedia (STT)

AT&T

TDC

Clearwire

MILESTONES

1987
Qtel established

1993
Qatar Cablevision launched

1994
GSM service inaugurated

1996
Internet services introduced

1998
Qtel IPO on Doha's Securities Market

1999
GDR listed on the London Stock Exchange

2000
ISO 9001 Certification Awarded

2001
Listed on the Bahrain Stock Exchange

2002
Listed on the Abu Dhabi Stock Exchange

2005
Nawras launched in Oman

2006
Equity partnership with AT&T in Navlink

2007

QUARTER ONE

- Partnered with STT and purchased 25% of Asia Mobile Holdings (AMH)
- Purchased 51% of Wataniya

QUARTER TWO

- Closed deal with ATCO Clearwire to enter fixed wireless business
- Acquired stakes in Camshin in Cambodia and LTC in Laos through AMH

QUARTER THREE

- Completed 200 day integration plan of Wataniya acquisition
- Bid successfully for 15 year license in Iraq
- Refinanced loan – took on 5 year $3 billion loan
- Won CommsMEA "Telecom Deal of the Year" for Wataniya
- Won CommsMEA "ME Operator of the Year" for Nawras

QUARTER FOUR

- Won Telecom Finance "Deal of the Year" for Wataniya
- Established firmly the group structure
- Won "Africa Telecom People" award for "Premier Operator - North Africa 2007" for Nedjma

CHAIRMAN'S MESSAGE

Dear Shareholders

The Qtel Board has an ambitious vision for Qtel to be among the top 20 telecommunications companies by the year 2020. This year saw us take a giant leap forward towards our ambition as the Board gave backing for a series of targeted corporate acquisitions; acquisitions which offered value for money, had a compelling strategic fit that brought capabilities to strengthen The Qtel Group internationally.

Our priority is and will always remain to deliver value to our diverse shareholder base. Our strategy to do this is through judicious value extraction of our underlying assets and prudent growth. Our growth is focused on value, ensuring all additions to The Qtel Group increase long term shareholder value. Our growth will come through 3 business platforms – consumer mobile, consumer broadband and corporate managed services - throughout 3 geographies - the Middle East and North Africa, the subcontinent and South East Asia.

In 2007, we executed on this strategy through prudent acquisitions - Qtel completed four transformational transactions with the Asia Mobile Holding (AMH), Wataniya, ATCO Clearwire (wi-tribe) and the Iraqi license deals.

One of the first key transactions was the purchase of 25% stake in AMH for $635 million dollars. Along with our partner, Singapore Technologies Telemedia (STT), we expect to enhance our presence in the consumer mobile markets in the South East Asia region.

Our Wataniya deal, for $3.8 billion, was a landmark deal, instantly giving us access to a diversified set of six operations throughout the Middle East and North Africa, including Kuwait, Algeria, Tunisia, Saudi Arabia, Palestine and the Maldives. At the time of acquisition the total subscriber base of Wataniya group was more than 7 million and solidified The Qtel Group as one of the dominant players in the region.

We cemented our position in Iraq, gaining direct access to considerable future growth by winning a 15 year license for $1.25 billion through Asiacell Communications, the venture established with our Iraqi partners.

We also diversified into consumer broadband with 'wi-tribe', our partnership for the WiMAX investments, acquiring a license in Jordan and purchasing a current operator in Pakistan, Burraq Telecom Limited.

Our increased scale requires that we are even more stringent with regards to governance and transparency. With regards to governance, we have a non-executive and autonomous Board, with Board sub-committees including the Audit Committee, Investment Committee,

Executive Committee and Compensation and Performance Evaluation Committee to ensure efficient and prudent decision making.

In order to manage the enlarged group business going forward, Qtel has established Qtel International. It will provide strategic guidance and management services to The Qtel Group's operations worldwide, while maintaining the national traditions of each of the operating companies. We have already implemented a lean organizational structure and attracted many key resources. Qtel International is now fully focused on deriving tangible value from our newfound scale.

Our 'giant leap forward' is visible in the financial numbers. I am pleased to announce that during 2007 Qtel has delivered increased revenue, increased EBITDA, and greater market share in our core business areas. Key financial metrics have shown growth over 2006 - revenues by 135% at QR 10,373 million, EBITDA by 97% at QR 5,172 million and net profit by 14% at QR 1,878 million. Comprehensive details of our strong financial performance can be found in the subsequent pages of the annual report.

In line with our financial performance and taking into account the potential to capture growth in the future, the Board of Directors is glad to recommend to the General Assembly a full year cash dividend of 40% or QR 4 for each share (2006 QR10 per share) in addition to bonus shares of 10% of the company's capital (one share for each 10 shares). We have made a conscious decision to plough back some of our profits into the business to support its growth which will enhance long term shareholder value.

The transformational growth of the group business in 2007 has been completely financed through bank

loans amounting to US$ 5 billion, without any equity injection in the company. Qtel is currently positioned for significant growth in the future which can be achieved with further investments in the business. In order to achieve the future growth strategy of the company, and to optimize the capital structure, the Board of Directors has decided to recommend to the General Assembly to increase the authorized capital of the company by issuing rights of one for every three shares held, after issuance of bonus shares, for QR 160 per share and to delegate the timing and specific terms of issuing the capital to the Board of Directors subject to necessary regulatory approvals. We believe that the diversified Qtel Group with its growth potential represents a good investment opportunity for its investors.

2007 will be remembered as the year that Qtel took a giant leap forward. Qtel's immediate and long-term future is very exciting. I look forward to 2008 as we continue to drive towards enhancing shareholder value by leveraging our newfound scale and capitalizing on strategic investment opportunities.

Once again, we acknowledge and warmly thank His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, and His Highness Sheikh Tamim Bin Hamad Al-Thani, the Heir Apparent, for their continued support and guidance. I also extend my sincerest thanks and appreciation to all the employees of the enlarged Qtel Group who have done so much to contribute to another successful year for the company. We also want to thank all our shareholders for your continued support in our journey to become a global company. Together, as a family, we will reach our vision.

Abdullah Bin Mohammed Bin Saud Al-Thani
Chairman

CEO'S MESSAGE

Qtel is barely recognisable as the company it was a few years ago. Having joined Qtel since the beginning and as CEO since 2002, I have seen the company grow from its local roots to branch out and become an international force; our global ambitions have risen from a strong national tradition. This growth has been accomplished by executing upon a clear strategy, with the prudent support of the Board of Directors and our valued shareholders.

The Board has entrusted me and The Qtel Group with clear strategic direction – to deliver value to shareholders through the optimization of underlying assets and prudent growth in the 3 business lines and 3 geographies - and in 2007 we have successfully executed on this strategy. Qtel has diversified from operations in two countries in 2006 to 16 countries by the end of 2007, spanning the Middle East and North Africa, the subcontinent and South East Asia, covering a population of 560 million with over 16 million consolidated subscribers. The portfolio of operations now includes cash generating assets as well as growth assets.

Given the magnitude and number of transactions closed in 2007, the capital structure of the company also changed significantly during the course of this year. Bank debt of US$ 5 billion was put in place, which helped in optimizing the capital structure to support our expansion activities. In the last quarter of the year, a $2.5 billion bridge loan was refinanced into a 5 year loan on very favourable terms. The loan syndication was oversubscribed and thus we ended up taking on US $3 billion. For future growth and increased shareholder value, we will continue to investigate options to optimize our capital structure.

Pursuing our strategy, we have extracted value from the underlying assets. For the major acquisition, Wataniya, we successfully executed a structured 200 day integration plan, meeting our targets set. Wherever necessary, we put in place a new management team and set up new long term growth strategies. We closed the Dubai office of Wataniya International and migrated the headquarters to Doha. The integration was swift, effective, and is now complete with the establishment of Qtel International in Doha.

As the CEO, I am proud of the execution of our strategy. The true measure of our success is the recognition we have received by respected entities outside of The Qtel Group. CommsMEA and Telecom Finance have both given us the 2007 award for "Telecoms Deal of the Year" for our Wataniya

acquisition. CommsMEA also recognized our Omani operator, Nawras, as the "Middle East Operator of the Year". Africa Telecom People selected our Algerian, Nedjma, as the "Premier Mobile Operator" - North Africa. Recognizing our efforts towards transparency, Abu Dhabi Securities & Commodities Authority has given Qtel an award for excellence in Issuance and Disclosure.

All these efforts could not have been accomplished without developing our talent base, attracting key resources and deploying organizational and operational excellence. By transforming our people and architecting the right umbrella structure, we are now ready to take advantage of our new scale and continue to grow in a prudent fashion. As we leverage our new scale, there will be significant increase in product and service innovation as well as operational and cost efficiencies.

Our efforts have translated directly into improved overall financial performance. Our consolidated revenues were QR 10,373 million, a growth of 135% over 2006. Sources of revenue were driven by wireless services, representing QR 9,054 m (87%) of our total revenue. Qatar, Kuwait and Algeria contributed 43%, 21% and 10% of our total revenues respectively. Our EBITDA has remained strong in all our operations, and in particular the operations in Qatar, Kuwait, Tunisia and Iraq have contributed 56%, 22%, 8% and 7% respectively to the Group EBITDA.

Consolidated subscribers of 16.4 million and proportionate subscribers of 7 million have also grown

exponentially. Of the consolidated subscribers, Qatar, Algeria, Iraq and Tunisia represent 9%, 28%, 26% and 22% respectively.

While we are proud of our 2007 accomplishments, we will not rest. In order to achieve our vision, we also need to focus on short term objectives. As such we want to focus in 2008 on EBITDA growth in nascent markets, EBITDA protection in Qatar and Kuwait where competition will enter this year, synergies driven by Qatar International and continued prudent expansion.

We now operate internationally in 16 countries as a representative of Qatar. It is a testament to our hard work and dedication that we have enjoyed so much success throughout 2007. Strategies and plans cannot alone deliver the kind of success and transformation that Qtel is experiencing. Only people can do that. Our commitment to become among the top 20 telecom operators by 2020 is achievable because of our committed workforce and the support of our shareholders. I have no doubt whatsoever that we will achieve this goal and continue The Qtel Group's success story well into the future.

Dr. Nasser Marafih
Chief Executive Officer

2008 PRIORITIES

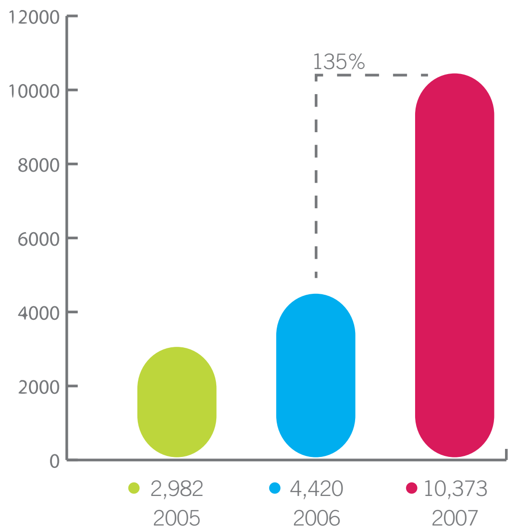
IN 2008, WE WILL CONTINUE TO FOCUS ON:

Accelerating EBITDA in growth markets such as Iraq, Algeria, Tunisia and Oman

Maintaining EBITDA in markets facing competition such as Qatar and Kuwait

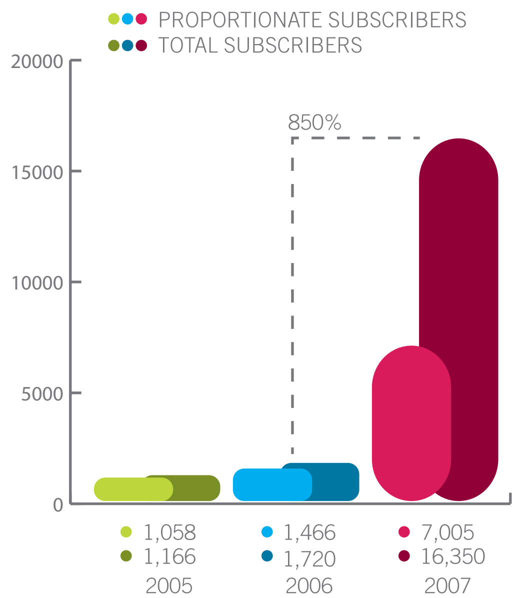
Leveraging newfound scale to capture synergies through Qtel International

Continuing to improve capital structure to position the company for capturing future value-driven growth



CONSOLIDATED REVENUE

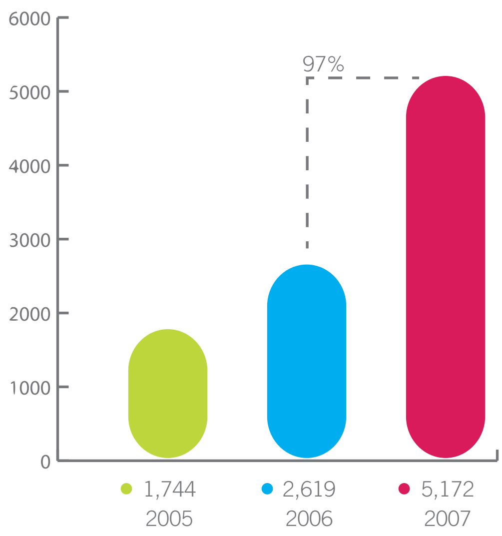
(In million QR)



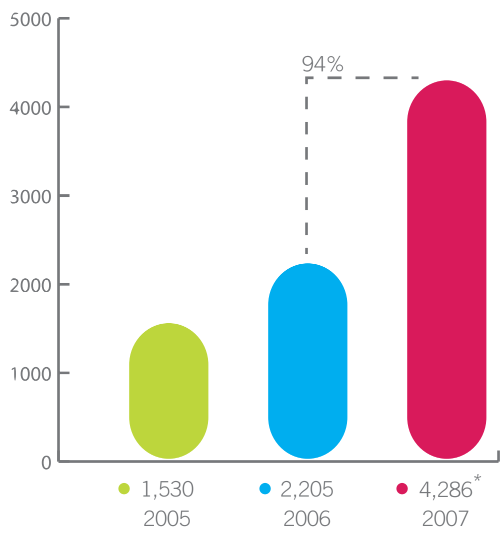
SUBSCRIBERS

(In thousands)

FINANCIAL HIGHLIGHTS



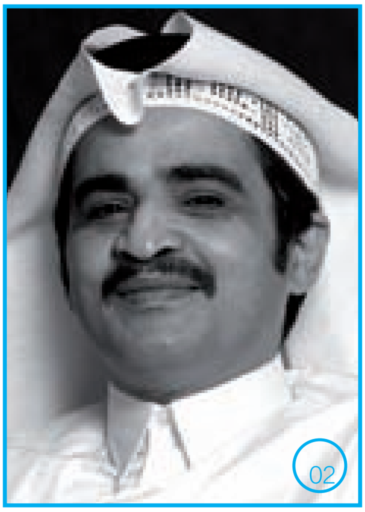
CONSOLIDATED EBITDA
(In million QR)



**Excludes QR 2,276m - payable for Iraqi Licence*

OPERATIONAL CASH FLOW
(In million QR)


01


02


03


04


05


06


07


08


09


10

BOARD OF DIRECTORS REPORT

01 **H.E. SHEIKH ABDULLAH BIN MOHAMMED BIN SAUD AL THANI**
CHAIRMAN Date joined: July 2000

02 **SHEIKH MOHAMMED BIN SUHAIM AL THANI**
DEPUTY CHAIRMAN Date joined: March 1999

03 **H.E. MOHAMMED BIN ISA AL MOUHANADI**
MEMBER Date joined: March 1999

04 **H.E. DR. ABDULLAH AL KUBAISI**
MEMBER Date joined: March 1999

05 **H.E. SAAD AL RUMAIHI**
MEMBER Date joined: March 1999

06 **MR. ABDALLAH ZAID AL TALIB**
MEMBER Date joined: March 1999

07 **MR. ALI SHAREEF AL EMADI**
MEMBER Date joined: March 1999

08 **MR. HAREB MASOUD AL DARMAKI**
MEMBER Date joined: March 1999

09 **MR. HAMED ABDULLAH AL SHAMSI**
MEMBER Date joined: March 1999

10 **MR. HAMAD SAEED AL BADI**
MEMBER Date joined: February 2007

CORPORATE GOVERNANCE

Faced with the company's exceptional international growth in 2007, the Board of Directors commissioned a comprehensive review of the corporate governance policies and practices to ensure that Qtel's directors, officers and staff continue to fulfil their responsibilities within the framework of the expanded group.

The report, resulting from that review, validated Qtel's existing structures and controls, while recommending a number of new measures based on international best practices, including:

- Revisions to the Code of Business Conduct and Ethics, and especially improved disclosures of interests and annual certification of compliance
- Creation of an Office of Corporate Governance and a Corporate Governance Committee
- Revisions to certain charters of Board committees
- Production and implementation of a corporate governance manual, which in particular addresses how the foreign businesses controlled by the group are managed for the benefit of shareholders.

THE BOARD OF DIRECTORS

The Board of Directors approves all important new business proposals, including the acquisitions of subsidiaries, major capital projects and the acquisition or disposal of assets. The Board is also responsible for the timely and accurate disclosure of information to Qtel's shareholders. Stock Exchanges in Qatar, Bahrain, Abu Dhabi and London where Qtel's shares are listed, are notified via quarterly reports, full-year financial results and interim dividend announcements.

The Board welcomes the involvement of all shareholders at the Annual General Assembly. Every shareholder has the right to attend and to vote, whether in person or by proxy. The meetings of the General Assembly are chaired by the Chairman of the Board of Directors, his deputy or any member authorized by the Board. Also present are the Board of Directors, CEO and external auditors.

The Qtel Board of Directors affairs are managed by the Chairman of the Board of Directors, who ensures that it functions effectively and meets its obligations and responsibilities. They meet at least six times a year. All Directors are Non-Executive, and represent a wide range of business skills, experience and knowledge.

To ensure that it maintains the proper direction and control of the company, the Board created sub-committees to review and decide on specific matters. The sub-committees have an important role in assisting the Board's decision-making process.

EXECUTIVE COMMITTEE

The Executive Committee authorises expenditure and approves contracts, as delegated by the Board. In 2007, the Executive Committee awarded several major contracts, approved the revised tariff and pricing proposals for various products and services and authorized the write-off of assets and customer debts.

The Executive Committee also reviewed the 2008 Business Plan before it was submitted to the Board of Directors.

INVESTMENT COMMITTEE

The Investment Committee reviews all proposals for strategic investment opportunities. In 2007, the Investment Committee reviewed Qtel's opportunities for growth in the region and initiated and recommended major investment opportunities for the company. It also made recommendations on Qtel's strategic shareholdings and funds management.

AUDIT COMMITTEE

The Audit Committee oversees the company's relationships with its internal and external auditors. The Audit Committee recommended Qtel's external Auditors for 2007 and reviewed the quarterly internal and annual audit reports. It also initiated and reviewed the process of documenting the Company's corporate governance framework and manual.

COMPENSATION AND PERFORMANCE EVALUATION COMMITTEE

The objective of the Compensation and Performance Evaluation Committee is to support and advise the Board in establishing the overall compensation policy for the company, determining the compensation and benefits structure, and evaluating the performance of the Company's CEO, COO and Executive Directors.

INTERNAL AUDIT PROCESS

Qtel's internal auditing process reports directly to the Board and is functionally independent from the Executive Management of the company. Internal Audit ensures that adequate and effective internal control systems are implemented through the provision of an independent evaluation of the company's systems. A quality assurance review of the internal audit function in the Company was completed in 2007 by an independent external professional firm and the results / recommendations arose from that review were presented to the Audit Committee.

WHY INVEST IN QTEL

Invest in one of the strongest emerging telecom companies, with a diversified platform of geographies and business lines. Qtel is about value and growth - with mobile and fixed telephony, corporate managed services and consumer broadband business lines across cash-generating Middle Eastern markets and growing North African, the subcontinent and SE Asian markets. Qtel is well positioned for both stability and upside. The company profile is evolving, from a historically strong dividend yielding stock, to one with a greater focus on growth from the underlying business in emerging markets. Going forward, shareholders can expect to benefit from both immediate income while also participating in the vast upside from growth in value.

We will maintain our momentum and continue to build upon our key pillars for growth:

CASH GENERATING ASSETS IN MATURE MARKETS

Cash-generating positions in wealthy Qatari, Kuwaiti & Omani markets
Positioned to benefit from cash-generating and lucrative Singaporean market

GROWTH ASSETS IN EMERGING MARKETS

Growing positions in Tunisia, Algeria, Iraq and Palestine
1st Middle Eastern 'consolidator' in Asia
Exposure to fast growing Indonesia, Laos and Cambodia

CLEAR STRATEGIC PATH

To be among the top 20 telecommunications companies in the world by 2020
3 business lines – consumer mobile, consumer broadband, and corporate managed services
3 geographies – MENA, the subcontinent and South East Asia

SOLID FINANCIALS

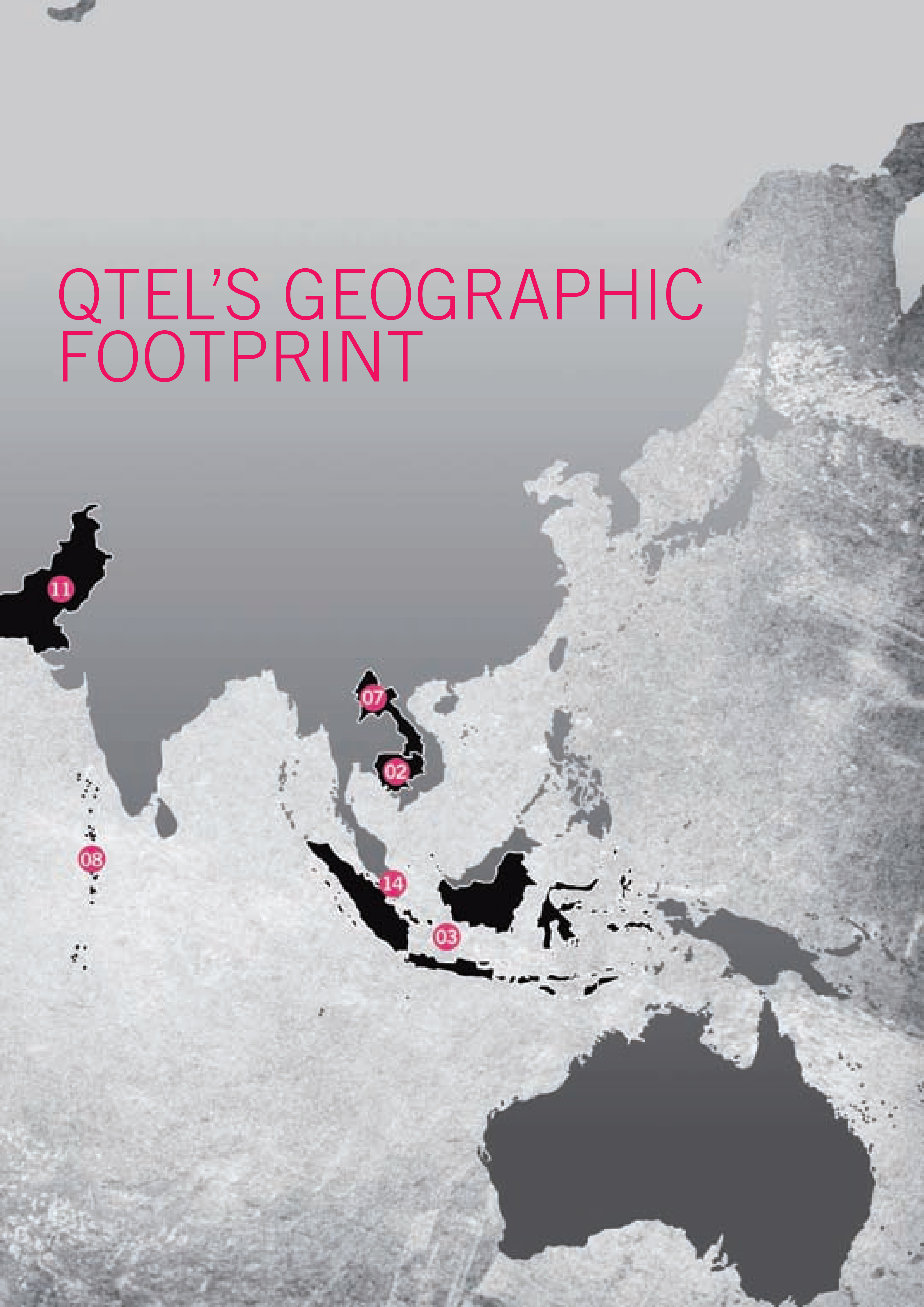
Strong top line growth
High EBITDA margins

TOP MANAGEMENT TEAM

Experienced Board and proven track record
Mix of local and international talent
Corporate governance above and beyond requirements

01 Algeria - Nedjma
02 Cambodia - Camshin
03 Indonesia - Indosat
04 Iraq - Asiacell
05 Jordan - wi-tribe
06 Kuwait - Wataniya
07 Laos - Lao Telecom
08 Maldives - Wataniya
09 Oman - Nawras
10 Palestine - Wataniya
11 Pakistan - wi-tribe
12 Qatar - Qtel
13 Saudi Arabia - Bravo
14 Singapore - Starhub
15 Tunisia - Tunisiana
16 UAE - Navlink

QTEL'S GEOGRAPHIC FOOTPRINT



Country:	Qatar
Population:	0.92 million
Population Growth:	5%
GDP:	69 billion USD
GDP per capita:	71,100 USD
No. of Operators:	1

2006
Population: 0.88mn **Market Penetration:** 106%

2007
Population: 0.92mn **Market Penetration:** 126%

Operation name:	Qtel
Operation:	Integrated
Qtel effective stake:	100%
Position:	#1/1
Subscriber growth:	31%

2006
Subs ('000): 1,148 **Revenue (Mil):** 1,085 USD

2007
Subs ('000): 1,502 **Revenue (Mil):** 1,221 USD

Notes: Qtel, 2007 Earnings Release. Conversion rate 3.6415 QR/USD

QATAR QTEL

Qtel, officially established in 1987, is the incumbent mobile, fixed, cable and internet provider in Qatar, a country with one of the highest per capita GDPs and fastest growing economies in the world. For over 20 years, Qtel has been effectively serving the Qatari population with all their communication needs.

2007 marked another excellent performance. Qtel has seen growth in all key financial metrics. The mobile subscriber base has grown to 1.26 million, an increase of 37% over 2006, a significant evolution aided by further mobile market penetration. Revenues from Qatar operations have grown by 13% to QR 4.4 billion thanks to our continually innovative service offerings to a rising population. Qtel's EBITDA margins remain strong and have resulted in an EBITDA of QR 2.9 billion, with a growth of 13% over last year. We continue to grow despite a market that is already well penetrated due to the exceptional growth in Qatar's economy. The Qatar operations, driven by the wireless and data products, remain the largest contributor of revenues and EBITDA even within the enlarged Qtel Group.

These excellent financials are the result of our singular pursuit of focusing on our customer. We have provided our customers with a diverse set of 'communication' products including basic and value-added wireline

services, satellite television, dial-up, wi-fi and ADSL, and mobile (GSM). Within the dominant mobile business line, Qtel has launched leading edge telecommunications services and continues to drive innovation into the market by launching such services as 3G video calling, Mozaic – our world class entertainment gateway, mobile email and internet, and a host of enterprise productivity enablers. Qtel also provided our customers with service enablers such as e-payment and top-up service machines, spread throughout Qatar for convenience. Our diverse and advanced product set as well as our knowledge and focus on the customer, positions us well for the future.

Our employees have worked hard to ensure Qtel is a company that Qatar can be proud of. We actively seek out the best and brightest young Qatari's and enroll them in the Qatari Graduate Development Program (QGDP) to cultivate them into future Qtel executives. We also seek and attract senior telecom resources, who apply their years of deep and diverse experience to the unique telecom landscape of Qatar. Once here, our senior management have worked hard to ensure our talent base have the opportunities to enjoy a fulfilling career with us.

While we have been witnesses to and participants in the global ambitions of our company through the international mergers and acquisitions, the management in Qatar understands the importance of remaining true to our national traditions; the Qatari market remains at the heart of the company.

We have always been a prominent part of Qatar, giving back to the country and community that has made our growth possible. Qtel has sponsored and been involved with many activities that foster a society that is both prosperous and peaceful. Qtel strives to have its brand be known for both telecommunications excellence and involvement in society.

Going forward, Qtel welcomes both mobile and fixed competition into our market. While we foresee changes to the trajectory of our market share and EBITDA margins, we believe that competition will only benefit our customers. We expect to see developments in the regulatory area as a result of competition. These changes will bring opportunities for Qtel and our customers. We believe our strong understanding of our customers and our years of building our business from the ground up provide us with strong platform for the future. Additionally, we feel that our strong mobile infrastructure has an expanding services platform that can also help offset the effects of competition.

Country:	Kuwait
Population:	3.4 million
Population Growth:	3%
GDP:	103.8 billion USD
GDP per capita:	30,500 USD
No. of Operators:	2

2006
Population: 3.3mn **Market Penetration:** 78%

2007
Population: 3.4mn **Market Penetration:** 81%

Operation name:	Wataiya
Operation:	GSM
Qtel effective stake:	51%
Position:	#2/2
Subscriber growth:	12%

2006
Subs ('000): 1,069 **Revenue (Mil):** 614 USD

2007
Subs ('000): 1,198 **Revenue (Mil):** 773 USD

2006: Full year, prior to acquisition. Conversion rate: 0.29069 KWD/USD
2007: Full year. Became part of the Qtel family March 15th 2007. Conversion rate: 0.27455 KWD/USD.

KUWAIT WATANYA

NMTC, branded as Wataniya, launched in 1999 as the second operator in Kuwait, a country with one of the highest per capita GDPs in the world.

In this economically powerful and highly penetrated market, Wataniya, the Red Carpet Company, has once again produced strong business results and achieved excellent growth. Kuwait is the second largest contributor to The Qtel Group revenues and EBITDA.

Innovation is at the heart of these results. Wataniya continues its leadership with innovative services within the mobile telecommunications sector in Kuwait. The company launched Wataniya Net (WNet), mobile or laptop wireless internet, and has gained a strong position in the internet service market. Additional services include the Mobile TV offering (WTV), special tones, and the Wataniya Pro (WPro), business efficiency tools targeted at enterprise customers. The early introduction of the high speed data services has enabled Wataniya to take the lead in this market area. The expansive portfolio of leading edge services, combined with a populace that has the propensity for adopting new technologies, has contributed to improving the revenue and profitability.

Wataniya continues to invest in network technologies to ensure the best coverage and quality of services in Kuwait. The high-speed data network (HSDPA) has been built out nationwide. The company's deployment of advanced data services over this network has been rapid and successful. Further developments in this investment programme will be evident in the activities of 2008 as we prepare for additional competition from the license of a third operator to provide mobile telecommunications in the Kuwait market.

Wataniya has differentiated itself from its competitor in the Kuwaiti market as the Red Carpet Company, delivering the best network, best services and best support. In 2008, we will continue to reinforce our key pillars. We will invest in these pillars to ensure we continue to be well positioned against our current competitor and the new competition of a third operator. Given our capture of nearly half the Kuwaiti market within seven years, we feel we are well positioned to compete. We look forward to the challenge.

Country:	Oman
Population:	2.9 million
Population Growth:	1%
GDP:	42.4 billion USD
GDP per capita:	14,600 USD
No. of Operators:	2

2006
Population: 2.9mn **Market Penetration:** 66%

2007
Population: 2.9mn **Market Penetration:** 84%

Operation name:	Nawras
Operation:	GSM
Qtel effective stake:	56%
Position:	#2/2
Subscriber growth:	78%

2006
Subs ('000): 572 **Revenue (Mil):** 129 USD

2007
Subs ('000): 1,017 **Revenue (Mil):** 246 USD

Notes: Qtel, 2007 Earnings Release. Conversion rate 3.6415 QR/USD

OMAN NAWRAS

Nawras was launched in 2005 as the second operator in the Sultanate of Oman, a country reaping the benefits of an extensive modernization program.

Capitalizing on this environment, Nawras has seen tremendous uptake since launch in the Sultanate of Oman in 2005 – confirming the increasing popularity of Nawras and its core values of being pleasingly different, caring and providing excellent services to its customers.

Subscribers have surpassed 1 million during only the third year of operations. Year on year growth on all top line figures has been phenomenal. 2007 yielded further excellent financial results, bearing the fruit of three years of a customer focused effort. By the end of 2007, Nawras could for the first time measure a higher operator preference compared with its competition. Also in 2007, Nawras became the first operator in the Sultanate to launch 3G+ services, allowing it to deliver video calling, video surveillance and 1 Mbit/sec Internet access. Nawras now has the platform for continued success.

The success story of Nawras is recognized not only in the Sultanate of Oman, but throughout the whole region. In October Nawras was awarded the prestigious Comms MEA award "Middle East Operator of the Year" and later in November the "Middle East Business Achievement Award for Corporate Social Responsibility" during the Leaders in Dubai conference.

Serving the people of Oman is the foundation upon which Nawras was built. Tropical cyclone Gonu brought upheaval to the Sultanate. Not only did Nawras manage to operate the majority of its network successfully but Nawras also embarked on a Goodwill Journey providing supplies and humanitarian relief to many individuals and communities in the affected areas.

The year ahead provides for increasing challenges to Nawras and its operations. New competition in both mobile and fixed is expected in 2008. Nawras will continue to invest in its mobile as well as 3G+ coverage and also plans to invest considerably in its own fibre. This investment will not only provide Nawras with increased resilience, but also provide an opportunity to offer tailor-made solutions for the corporate market. With the progress already made and the technological platform well entrenched, Nawras is very well positioned to meet the challenges ahead.

Country:	Iraq
Population:	27 million
Population Growth:	3%
GDP:	55.4 billion USD
GDP per capita:	2,000 USD
No. of Operators:	3 National - 1 Regional

2006
Population: 26.1mn **Market Penetration:** 33%

2007
Population: 27.0mn **Market Penetration:** 43%

Operation name:	Asiacell
Operation:	GSM
Qtel effective stake:	30%
Position:	#2/3
Subscriber growth:	57%

2006
Subs ('000): 2,740 **Revenue (Mil):** 360 USD

2007
Subs ('000): 4,290 **Revenue (Mil):** 455 USD

2006: Full year, prior to acquisition. Conversion rate: 0.29069 KWD/USD
2007: Full year, in USD. Became part of the Qtel family August 13th 2007

IRAQ
ASIACELL

In August of 2007, Qtel, through participation in the Asiacell consortium, obtained a 15-year license for $1.25 billion to operate and further build out a public GSM telecommunications network for both 900 MHZ and 1800 MHz spectrum in Iraq. Iraq is a country with one of the largest populations (27 million) and one of the lowest penetration rates in the region – a combination that makes Iraq well positioned for growth.

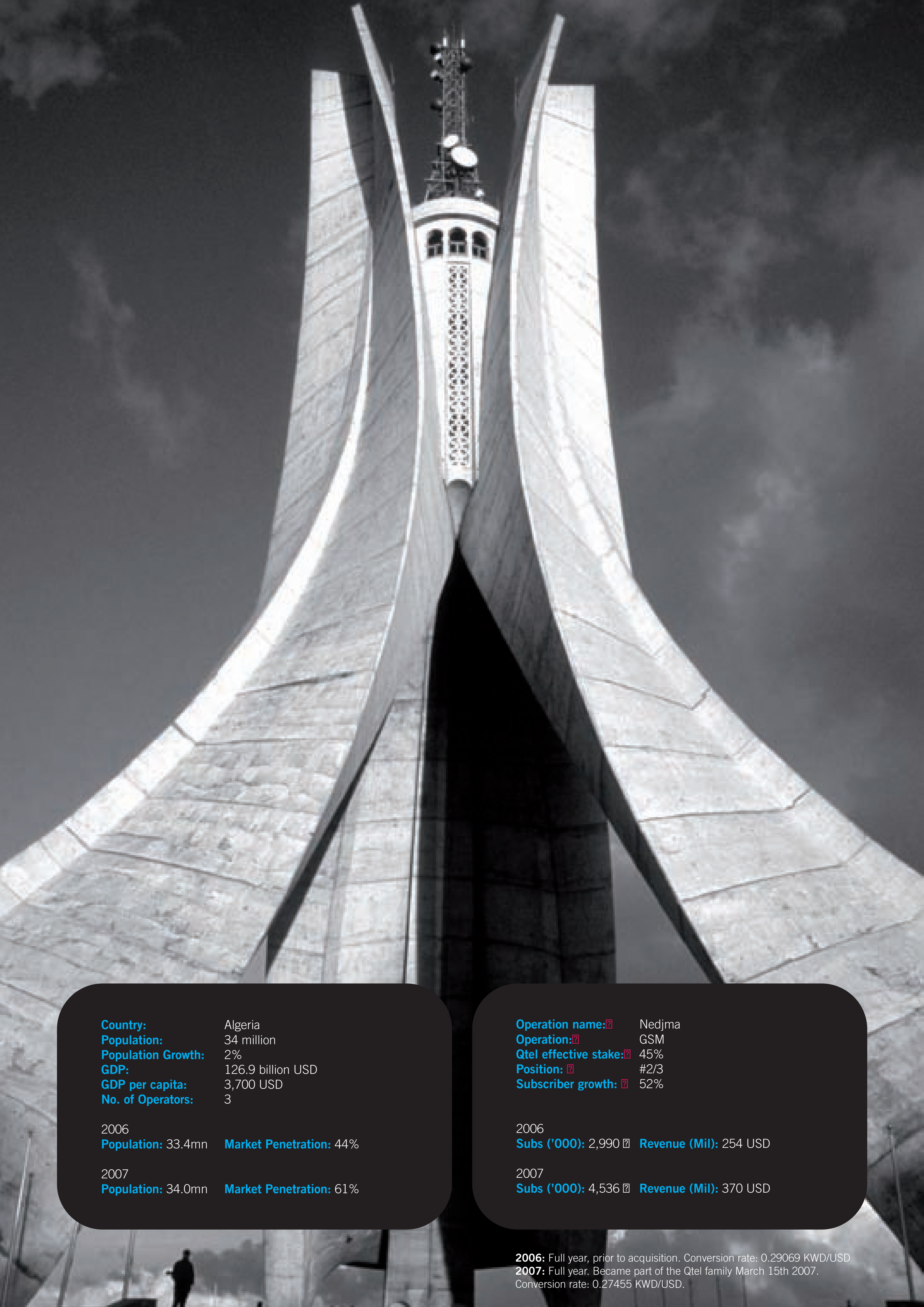
The Asiacell Consortium, majority owned by Iraqi nationals, is comprised of Qtel and strong Iraqi partners including Asiacell Iraq - the first GSM mobile company ever established in Iraq with history of very successful mobile operations.

With the consortium solidified, Asiacell developed a comprehensive and long term business plan to capture the telecom market, continued aggressive customer acquisition and expanded the network spanning from the Northern borders through to the South of the country (from Dhok to Basra). With the commitment inherent in a 15-year license, Asiacell was able to address the market with renewed vigour.

Despite the challenging environment, Asiacell continues to provide reliable mobile telephony services, with a wide range of services including GPRS, SMS, MMS, voice mail and more, to its 4.3 million customers (from approximately 2.8 million customers at the end of 2006). With the only fully integrated ‘North-South’ network in place, Asiacell has solidified its position as a truly national provider of mobile communications.

In the future, the Iraqi mobile communications market is expected to enjoy a period of sustained growth. With mobile networks substituting the compromised fixed line infrastructure, mobile phones stand to capture the majority of the ‘communications’ market and stand to benefit from the recovery of the Iraq economy and political landscape.

Asiacell, with a long term commitment to Iraq, looks forward to capturing a significant share of the growth in the Iraqi market.



Country:	Algeria
Population:	34 million
Population Growth:	2%
GDP:	126.9 billion USD
GDP per capita:	3,700 USD
No. of Operators:	3

2006
Population: 33.4mn **Market Penetration:** 44%

2007
Population: 34.0mn **Market Penetration:** 61%

Operation name:	Nedjma
Operation:	GSM
Qtel effective stake:	45%
Position:	#2/3
Subscriber growth:	52%

2006
Subs ('000): 2,990 **Revenue (Mil):** 254 USD

2007
Subs ('000): 4,536 **Revenue (Mil):** 370 USD

2006: Full year, prior to acquisition. Conversion rate: 0.29069 KWD/USD
2007: Full year. Became part of the Qtel family March 15th 2007. Conversion rate: 0.27455 KWD/USD.

ALGERIA NEDJMA

Wataniya Telecom's operation in Algeria, Nedjma, launched in 2004 as the third operator in this burgeoning and expansive North African market. Since that time, Nedjma has driven penetration and risen to become an effective and attractive second operator, steadily challenging the entrenched incumbent.

For the year 2007, Nedjma was able to maintain solid and sustainable growth in order to reinforce its market position. During the course of the year, Nedjma continued to invest in the network infrastructure and support platforms in anticipation of continued growth. In fact, by the end of 2007, Nedjma's network coverage exceeded 87% of the Algerian population. Other important achievements realized in 2007 included increasing brand recognition, enhancing the competencies of the employee base and expanding the distribution network. With respect to brand recognition, the company continued to focus these efforts, reaching a recognition level of 98%. For Nedjma employees, an extensive training program was put in place to ensure that we have the best team in the market, creating efficiencies necessary to serve this dynamic market. And for distribution through this vast country, more distributors were added to the team while a number of direct, Nedjma branded own-shops have been added to increase overall capability.

All of this hard work did not go un-noticed, and as a testament to our successes, Africa Telecom People awarded Nedjma with the award for the 'Premier Mobile Operator – North Africa – 2007'.

We are extremely proud of the accomplishments in our business and believe Nedjma is well positioned to enjoy continued success in this market which we see as a growth market for some time to come. We expect 2008 to be another year of sustained growth in the Algerian telephony market, and believe Nedjma will carry momentum of success well into the future.

Country:	Tunisia
Population:	10 million
Population Growth:	2%
GDP:	36.8 billion USD
GDP per capita:	3,700 USD
No. of Operators:	2

2006
Population: 9.9mn **Market Penetration:** 60%

2007
Population: 10.0mn **Market Penetration:** 77%

Operation name:	Tunisiana
Operation:	GSM
Qtel effective stake:	25%
Position:	#2/2
Subscriber growth:	19%

2006
Subs ('000): 3,070 **Revenue (Mil):** 461 USD

2007
Subs ('000): 3,652 **Revenue (Mil):** 588 USD

2006: Full year, prior to acquisition. Conversion rate: 0.29069 KWD/USD
2007: Full year. Became part of the Qtel family March 15th 2007.
Conversion rate: 0.27455 KWD/USD.
50/50 split with Orascom

TUNISIA TUNISIANA

Tunisiana launched in 2002 as the second operator (the first private operator) in Tunisia, a stable North African country with a population over 10 million and a very high living standard relative to the region.

Since its launch, Tunisiana has acquired over 3.6 million subscribers, capturing nearly half the market, a 19% year on year increase in this dynamic two-player market.

In the past five years, the company has become one the most successful and recognizable companies in Tunisia.

2007 was an important year for new customer centric service solutions. Some of the most significant product deployments include the Personal Ring Back Tone, Push eMail service for Business Customers, and new Internet bundles. Additionally, recognizing the diverse needs of our customer base, Tunisiana implemented Automated Teller Machine credit recharging capacity for the pre-paid customer base.

In line with other service improvements for the customer base, Tunisiana undertook a project to improve and simplify the outbound roaming plan. These changes have resulted in a new zone based tariffs, which offers the company's customers simplicity and cost certainty while travelling abroad.

The company has also invested in augmenting the sales and distribution network in order to better serve its customers. Tunisiana opened one new owned store in 2007, bringing the total to twenty, while increasing the number of franchised points of sale from two to eleven. The continued success of growing the customer base and market share would not have been possible without the increased capacity of the sales and distribution network.

Tunisiana continues to invest in its network infrastructure, in order to keep up with the increased needs of a growing subscriber base, offering voice, GPRS and EDGE data services, with coverage in all of Tunisia's populated areas. The company continuously monitors market growth and needs in order to ensure a best in class network for the customers.

Tunisiana's performance has been driven through innovative and exclusive services, a robust network, competitive pricing and a customer centric sales and distribution network. This strategy has yielded strong financial results for the company, and with much more room to grow, we expect to see Tunisiana deliver strong results well into the future.

MALDIVES

Wataniya Telecom launched in August 2005 as the second operator in the Maldives, a series of Indian Ocean islands with an economy centered on tourism. Today, Wataniya Telecom has the widest reach with an EDGE capable network covering all inhabited islands.

Two time winner of the Voice and Data SAARC innovation award for 'Mobile Operator with the Best Consumer Pull in the Maldives' in 2006 and 2007, the operator is recognized as the reliable telecom provider that delivers innovative products and services with the most unique advertising mediums in the country.

Moving forward, Wataniya Telecom Maldives is positioned well to capitalize on the resort economy, providing the high quality services that the hospitality industry demands.

SAUDI ARABIA

Bravo was established in 2005 as the sole Push-to-talk (PTT) provider in the Kingdom of Saudi Arabia, the largest country in the Arabian Peninsula. In addition to PTT, Bravo offers mobile telephony, messaging, data services and GPS location tracking to primarily the Saudi enterprise segment. With a rich suite of offers and services, Bravo continues to solidify its position in the business segment.

Bravo's core technology, PTT, is ideally suited for key fleet user segments and Bravo's network can grow and support this large and important community.

Bravo plans to continue its steady expansion in 2008 by introducing cost efficient communication solutions and innovative services to a broad base of businesses and groups.

PALESTINE

Palestine is a place of great potential and significance and thus Wataniya pursued and won the tender to operate the second mobile operator in late 2006.

Since then, the company has undertaken major steps towards ushering in a new era of competition in the Palestinian telecommunications sector.

Throughout 2007 the team worked hard to prepare for the company's commercial launch in 2008, which included acquiring the company's Ramallah headquarters and recruiting the core team. The timing and complete deployment depends on finalization of spectrum and other requirements with the relevant authorities.

Wataniya Mobile will be bringing the latest mobile telecommunications technologies and first class customer care to Palestine, which is expected to see significant growth going forward.

WI-TRIBE

In March 2007, Qtel entered into a regional broadband wireless joint venture with ATCO, a leading Middle Eastern conglomerate, and Clearwire International, one of the world's leading wireless broadband services providers. The joint venture, branded wi-tribe in the beginning of 2008, was formed to create demand and establish WiMAX networks in the Middle East, Asia and Africa. Qtel has a 78% stake in this overall venture.

wi-tribe intends to leverage Qtel's regional operating experience and multinational footprint, ATCO's network of investors, and Clearwire's broadband wireless experience to rapidly capture WiMAX spectrum, establish a solid brand, roll out excellent quality networks and services in targeted areas, and develop a strong platform for distribution of broadband content.

In Jordan, wi-tribe has acquired a license in an auction and is getting ready to launch in 2008. The Jordan market has a high potential for the wireless broadband service and wi-tribe is well positioned to capture the growth in this market.

In Pakistan, wi-tribe acquired a 75% stake in Burraq Telecom which has licenses for WiMAX as well as international long distance. Pakistan is an exciting market for broadband with very low penetration rates and huge potential for growth.

ASIA MOBILE HOLDINGS

On 15 January 2007, Qtel announced the acquisition of a 25% shareholding in Asia Mobile Holdings Pte. Ltd. (“AMH”) for $635 million. Singapore Technologies Telemedia (“STT”) owns the remaining 75% of AMH.

AMH, incorporated in Singapore, is the preferred investment vehicle for STT and Qtel to invest in mobile operations in the Asia Pacific region.

AMH has investments in the following companies in the Asia Pacific region:

(1) StarHub Ltd, 49% owned by AMH, is Singapore’s second largest info - communication company.

(2) Indosat Tbk (which is 41% owned by AMH) is a leading telecommunications and information service provider in Indonesia.

(3) Shenington Investments Pte. Ltd. - On July 25th 2007, AMH completed the acquisition of a 49% stake in Shenington Investments.

Shenington has a 100% shareholding in Cambodia Shinawatra Company Limited (“CamShin”), the second largest GSM operator in Cambodia, and a 49% shareholding in Lao Telecommunications Company Limited (“LTC”), the largest telecom operator in Laos.

CSR ACTIVITIES

The Qtel Group recognizes the importance of social and environmental considerations in both its strategic and operational decision making processes. It regards its Corporate Social Responsibility (CSR) strategy as part of its core business, as a brand that is not associated with the society it operates in is a brand that will never be accepted by society. The Qtel Group recognizes that business is about balancing the economic, social and environmental issues over the short and longer-term. The company aims, through its sincere promotion of its business activities, to contribute to the sustainable development of a society that is both prosperous and peaceful.

Some key CSR highlights from Group Companies:

QATAR

- Partnering with the Qatar Foundation by donating US $1.5m for several education initiatives
- Platinum sponsor of the His Highness the Emir's and Heir Apparent Football Championships
- Qtel support of free medical camps in Doha
- Qtel initiated a Fun and Traffic Safety Festival for children
- Qtel is providing material support for the construction of The Qatar Dialysis Centre

OMAN

- Following the tropical cyclone that hit Oman last year, Nawras established an annual "Goodwill Journey" providing supplies and humanitarian relief
- In recognition of the community service, Nawras won the "Middle East Business Achievement Award for CSR" during the Leaders in Dubai conference in November 2007

KUWAIT

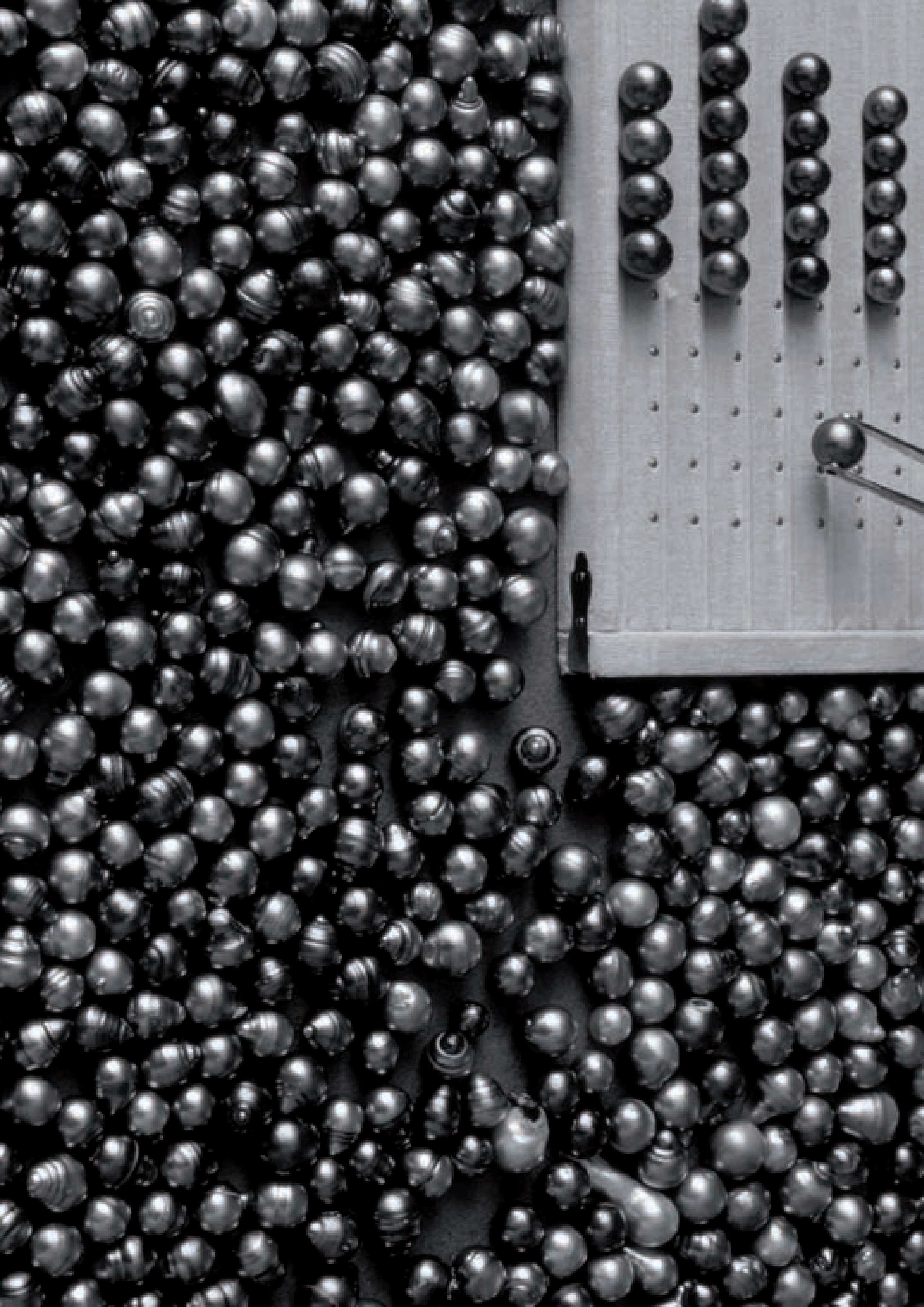
- Wataniya Kuwait is renovating and equipping facilities at Kuwait University
- Wataniya Kuwait support for the Annual Teacher Recognition Ceremony sponsoring the Kuwait national football team
- Wataniya Kuwait sponsors national recycling initatives in Engineering and Oil Faculties- Kuwait University

TUNISIA

- Tunisiana has completed a 12 home-extension project at a village close to Tunis to protect its inhabitants from rain and floods
- Tunisiana supports charities helping autistic and disabled children, and offers free annual medical checks, and supports the Basma Association for the Promotion of Employment of Disabled Persons

ALGERIA

- Nedjma Algeria donated 10,000 school bags to underprivilidged children
- Nedjma Algeria donated 100 tonnes of food products for families Iftar during the holy month of Ramadan
- Nedjma Algeria's employees visited childrens hospitals for Eid El Fitr



QATAR TELECOM (QTEL) Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

CONTENTS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR TELECOM (QTEL) Q.S.C.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis of Qualified Opinion paragraph below, 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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR TELECOM (QTEL) Q.S.C. (continued)

BASIS OF QUALIFIED OPINION

The financial information of Asia Cell for Communications L.L.C. ("ACL") one of the Group's subsidiaries which was acquired on 15 August 2007, were not audited and is included in the consolidated financial statements based on the financial statements reviewed by an independent auditor. The total assets, total revenues and profits of ACL, Iraq included in the accompanying consolidated financial statements amounted to QR 6,151,966,000, QR 732,088,000 and QR 130,554,000 respectively.

QUALIFIED OPINION

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had the financial information of Asia Cell for Communications L.L.C. ("ACL") been audited by an independent auditor, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company. 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 Articles of Association having occurred during the year which might have a material effect on the business of the Company or on its financial position.

FIRAS QOUSSOUS
OF ERNST & YOUNG
AUDITOR'S REGISTRATION NO. 236

DATE: 21 FEBRUARY 2008
DOHA

	Notes	2007 QR'000	2006 QR'000
Revenue	7	**10,373,430**	4,420,437
Other income	8	**222,231**	144,246
General and administrative expenses	9	**(4,542,514)**	(1,570,325)
Other operating expenses	10	**(2,757,931)**	(732,871)
Finance costs	11	**(993,791)**	(19,740)
Share of results of associates	16	**92,237**	(1,520)
Deferred tax income	19	**91,968**	3,698
Royalties	12	**(607,637)**	(597,509)
PROFIT FOR THE YEAR		**1,877,993**	1,646,416
Attributable to:			
Equity holders of the parent		**1,674,310**	1,692,140
Minority interests		**203,683**	(45,724)
		1,877,993	1,646,416
BASIC AND DILUTED EARNINGS PER SHARE (attributable to equity holders of the parent) (expressed in QR per share)	13	**16.74**	16.92

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	Notes	2007 QR'000	2006 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**9,462,192**	3,043,280
Intangible assets	15	**26,547,074**	353,658
Investment in associates	16	**2,523,960**	100,253
Available-for-sale investments	17	**2,333,384**	1,753,026
Other financial assets	18	**143,848**	142,840
Deferred tax asset	19	**380,602**	3,405
		41,391,060	5,396,462
Current assets			
Inventories	20	**127,616**	27,244
Accounts receivable and prepayments	21	**2,105,184**	961,563
Amounts due from liquidator	5	**389,640**	-
Bank balances and cash	22	**3,250,092**	1,416,683
		5,872,532	2,405,490
TOTAL ASSETS		**47,263,592**	7,801,952
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent			
Share capital	23	**1,000,000**	1,000,000
Legal reserve	24	**1,000,000**	888,761
Fair value reserve	25	**600,759**	327,185
Translation reserve		**743,675**	90
Retained earnings		**3,555,462**	2,767,651
		6,899,896	4,983,687
Minority interests		**9,605,706**	60,783
Total equity		**16,505,602**	5,044,470

The attached notes 1 to 41 form part of these consolidated financial statements

	Notes	**2007 QR'000**	2006 QR'000
Non-current liabilities			
Interest bearing loans and borrowings	26	**20,904,031**	648,177
Employee benefit liabilities	27	**191,075**	117,911
Other liabilities	28	**66,454**	25,781
		21,161,560	791,869
Current liabilities			
Accounts payable and accruals	29	**7,381,874**	1,263,413
Current account with State of Qatar		**1,134,786**	569,827
Deferred income		**358,624**	132,373
Interest bearing loans and borrowings	26	**721,146**	-
		9,596,430	1,965,613
Total liabilities		**30,757,990**	2,757,482
TOTAL EQUITY AND LIABILITIES		**47,263,592**	7,801,952

ABDULLAH BIN MOHAMMED BIN SAUD AL THANI
CHAIRMAN

ALI SHAREEF AL EMADI
BOARD MEMBER

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2007

			Attributable to ...
	Share capital	Legal reserve	Fair value reserve
	QR'000	QR'000	QR'000
At 1 January 2007	1,000,000	888,761	327,185
Net fair value reserve movement in available-for-sale investments	-	-	282,986
Net loss on cash flow hedge	-	-	(9,406)
Net movement in translation reserve	-	-	-
Total income and expenses for the year recognised directly in equity	-	-	273,580
Profit for the year	-	-	-
Total income and expenses for the year	-	-	273,580
Final dividend paid for 2006 (Note 30)	-	-	-
Contributions	-	-	-
Acquisition of minority interests	-	-	-
Equity adjustments to minority interests	-	-	(6)
Net movement in minority interests	`-	-	-
Transfer to legal reserve	-	111,239	-
Interim dividend paid for 2007 (Note 30)	-	-	-
At 31 December 2007	**1,000,000**	**1,000,000**	**600,759**

The attached notes 1 to 41 form part of these consolidated financial statements

... equity holders of the parent

Translation reserve	Retained earnings	Total	Minority interests	Total equity
QR'000	QR'000	QR'000	QR'000	QR'000
90	2,767,651	4,983,687	60,783	5,044,470
-	-	282,986	(4,031)	278,955
-	-	(9,406)	(7,518)	(16,924)
743,585	-	743,585	(4,121)	739,464
743,585	-	1,017,165	(15,670)	1,001,495
-	1,674,310	1,674,310	203,683	1,877,993
743,585	1,674,310	2,691,475	188,013	2,879,488
-	(575,000)	(575,000)	-	(575,000)
-	-	-	36,455	36,455
-	-	-	9,286,740	9,286,740
-	(260)	(266)	266	-
-	-	-	33,449	33,449
-	(111,239)	-	-	-
-	(200,000)	(200,000)	-	(200,000)
743,675	**3,555,462**	**6,899,896**	**9,605,706**	**16,505,602**

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year Ended 31 December 2007

			Attributable to ...
	Share capital	Legal reserve	Fair value reserve
	QR'000	QR'000	QR'000
At 1 January 2006	1,000,000	713,199	380,683
Net fair value reserve movement in available-for-sale investments	-	-	(49,443)
Net loss on cash flow hedge	-	-	(4,055)
Net movement in translation reserve	-	-	-
Total expenses for the year recognised directly in equity	-	-	(53,498)
Profit for the year	-	-	-
Total income and expenses for the year	-	-	(53,498)
Final dividend paid for 2005 (Note 30)	-	-	-
Contributions	-	-	-
Equity adjustments to minority interests	-	-	-
Transfer to legal reserve	-	175,562	-
Interim dividend paid for 2006 (Note 30)	-	-	-
At 31 December 2006	1,000,000	888,761	327,185

The attached notes 1 to 41 form part of these consolidated financial statements

... equity holders of the parent

Translation reserve	Retained earnings	Total	Minority interests	Total equity
QR'000	QR'000	QR'000	QR'000	QR'000
150	2,161,260	4,255,292	25,555	4,280,847
-	-	(49,443)	-	(49,443)
-	-	(4,055)	(3,251)	(7,306)
(60)	-	(60)	-	(60)
(60)	-	(53,558)	(3,251)	(56,809)
-	1,692,140	1,692,140	(45,724)	1,646,416
(60)	1,692,140	1,638,582	(48,975)	1,589,607
-	(485,000)	(485,000)	-	(485,000)
-	-	-	84,016	84,016
-	(187)	(187)	187	-
-	(175,562)	-	-	-
-	(425,000)	(425,000)	-	(425,000)
90	2,767,651	4,983,687	60,783	5,044,470

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

Year Ended 31 December 2007

	Notes	2007 QR'000	2006 QR'000
OPERATING ACTIVITIES			
Operating profit before working capital changes	31	**4,372,033**	2,089,503
Inventories		**108,801**	(3,375)
Receivables		**(468,858)**	(340,888)
Payables		**3,527,569**	483,478
Cash from operations		**7,539,545**	2,228,718
Finance costs paid	11	**(976,602)**	(17,857)
Employees' end of service benefits paid	27	**(390)**	(4,267)
Net cash from operating activities		**6,562,553**	2,206,594
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	**(2,062,225)**	(1,028,203)
Additions to intangible assets	15	**(4,603,465)**	(13)
Acquisition of subsidiaries, net of cash acquired	4.1,4.2, 4.3 & 4.4	**(13,490,902)**	-
Acquisition of minority interests	4.4	**(364,150)**	-
Investment in associates		**(2,331,470)**	(101,827)
Purchase of available-for-sale investments		**(205,767)**	(633,304)
Proceeds from disposal of plant and equipment		**90,211**	1,270
Proceeds from sale of available-for-sale investments		**367,703**	16,636
Net movement in other financial assets		**60**	(47,923)
Dividend and interest income		**145,300**	111,197
Net cash used in investing activities		**(22,454,705)**	(1,682,167)

The attached notes 1 to 41 form part of these consolidated financial statements

	Notes	2007 QR'000	2006 QR'000
FINANCING ACTIVITIES			
Net movements in interest bearing loans and borrowings		**17,717,992**	72,881
Additions to deferred financing costs	26	**(119,779)**	-
Dividends paid to equity holders of the parent	30	**(775,000)**	(910,000)
Minority interest holders' contributions		**36,455**	84,016
Net movement in minority interests		**33,449**	-
Net cash from (used in) financing activities		**16,893,117**	(753,103)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,000,965**	(228,676)
Net foreign exchange differences		**817,517**	-
Cash and cash equivalents at 1 January		**1,416,683**	1,645,359
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**3,235,165**	1,416,683

The attached notes 1 to 41 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
at 31 December 2007

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Public Telecommunications Corporation was formed on 29 June 1987 domiciled in Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar.

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the "Company") on 25 November 1998, pursuant to Law No.21 of 1998. Under the Law, Qatar Telecom (Qtel) Q.S.C. is exclusively entitled to provide domestic and international telecommunication services in Qatar for a period of 15 years and has the right to own, operate, maintain and develop telecommunications network in Qatar and is not subject to taxation on its earnings for a period of ten years commencing 1 January 1999.

The privileges granted to Qatar Telecom (Qtel) Q.S.C. under Law No. (21) of 1998 have been cancelled from the effective date of Law No. 34 of 2006 issued on 6 November 2006. In accordance with this Law, the powers and competencies previously vested on Qatar Telecom (Qtel) Q.S.C. in connection with the organization of telecommunications shall pass to the Supreme Council and also the payment of the annual fee prescribed under Article 4 of Law No. 6 of 2002 shall be discontinued from the date another operator licensed under the Law commences telecommunications activities.

The Company's registered office is located at 100 Westbay Tower, Doha, State of Qatar.

The Company, along with its subsidiaries (the "Group") provides domestic and international telecommunication services in Qatar and wireless telecommunication services in the Asia and MENA region.

The consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. were authorised for issue in accordance with a resolution of the Board of Directors on 21 February 2008.

2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries (the "Group").

Subsidiaries
Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company.

2. BASIS OF CONSOLIDATION (continued)

The principal subsidiaries of the Group, incorporated in the consolidated financial statements of Qatar Telecom Q.S.C are as follows:

Name of subsidiary	Country of incorporation	Group effective shareholding percentage 31 December 2007	Group effective shareholding percentage 31 December 2006
Qtel Investment Holdings B.S.C.	Bahrain	**100%**	100%
Qtel International Investment L.L.C.	Qatar	**100%**	-
Qtel Group Services L.L.C.	Qatar	**100%**	-
TDC – Qtel MENA Investcom B.S.C.	Bahrain	**79%**	79%
ATCO Clearwire Telecom Limited ("ACTL")	Cayman Islands	**77.5%**	-
ATCO Clearwire Telecom Limited – Jordan (Private Shareholding Company)	Jordan	**77.5%**	-
Raywood Incorporation ("Raywood") (ii)	Cayman Islands	**61%**	-
AL Rowad General Services Limited ("AL Rowad") (ii)	Iraq	**61%**	-
Burraq Telecom Limited	Pakistan	**58%**	-
Omani Qatari Telecommunications Company S.A.O.C.	Sultanate of Oman	**55%**	55%
National Mobile Telecommunications Company K.S.C ("Wataniya Telecom")	Kuwait	**51%**	-
Wataniya International FZ – LLC ('WTI)	Dubai	**51%**	-
Wataniya Telecom Maldives ("WTM")	Maldives	**51%**	-
Wataniya Telecom Algerie S.P.A. (WTA) (i)	Algeria	**45%**	-
WARF Telecom International Private limited ("WARF") (i)	Maldives	**33%**	-
Asia Cell for Communications L.L.C. ("ACL") (ii)	Iraq	**30%**	
Public Telecommunication Company Ltd. ("PTC") (i)	Saudi Arabia	**28%**	-
Wataniya Palestine Mobile Telecom Limited (i)	Palestine	**29%**	-

Notes

(i) The Group has the power, indirectly through Wataniya Telecom, to govern the financial and operating policies of Wataniya Telecom Algerie S.P.A. ("WTA"), WARF Telecom International Private limited ("WARF"), Public Telecommunication Company Ltd. ("PTC") and Wataniya Palestine Mobile Telecom Limited and accordingly, these companies have been considered as subsidiaries of the Group.

(ii) The Group incorporated Raywood Incorporation ("Raywood"), a special purpose entity registered in Cayman Islands with 61% voting interest to carry out investment activities in Iraq. Raywood established Al Rowad General Services Limited ("AL Rowad") in Iraq as a wholly owned subsidiary to acquire 49% voting interests in Asia Cell for Communications L.L.C. ("ACL"), a newly incorporated company with license to provide telecommunication services in Iraq as more explained in Note 4.3. The Group has the power to govern the financial and operating policies of ACL by virtue of the shareholders' agreements through Raywood and, accordingly ACL is considered as a subsidiary of the Group.

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2. BASIS OF CONSOLIDATION (continued)

Minority interests
Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interests are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of minority interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency and all values are rounded to the nearest thousand (QR'000) except where otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention except for available-for-sale investments, fair value through profit or loss investments and derivative financial instruments that have been measured at fair value. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial statements of the Company and its subsidiaries included in the consolidated financial statements were prepared using uniform Group accounting policies.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with the previous year, except as follows:

The Group has adopted the following new and amended IFRS and IFRIC Interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1- Presentation of Financial statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies, and processes for managing capital. These new disclosures are shown in note 35.

IFRIC Interpretation 10 Interim Financial Reporting and Impairment
The Group has adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment loss previously reversed, the interpretation had no impact on the financial position or performance of the Group.

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

IFRS 8 Operating Segments
IFRS 8 Operating Segments was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Group discloses information about its operating segments.

IAS 23 Borrowing Costs
A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group will adopt this as a prospective change and accordingly borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No change will be made for borrowing costs incurred to this date that have been expensed.

IAS 1 – Presentation of financial statements (Revised)
A revised IAS 1 was issued in September 2007, and becomes effective for financial year beginning on or after 1 January 2009. The standard has been revised to set overall requirements for the presentation of financial statements. The application of this Standard will result in amendments to the presentation of the financial statements.

IFRIC Interpretation 12- Service concession Agreement
IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods on or after 1 January 2008. This interpretation applies to service concession operators and explains how to account for obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and hence this interpretation will have no impact on the Group's financial statements as no such schemes currently exist.

IFRIC Interpretation 13- Customer Loyalty Programmes
IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received allocated to the award credits and deferred over the period and that the award credit are fulfilled. The Group expects that this interpretation will have an immaterial impact on the Group's financial statements.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue
Revenue is recognised on the following basis:

Revenue from rendering of services:
Revenue from rendering of services represents the value of telecommunication services provided to customers. Revenue is recognized over the period to which it relates.

Sales of prepaid cards:
Sale of prepaid cards is recognised as revenue based on the estimated utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship. Revenue is recognised net of any upfront discount given.

Sales of equipment:
Revenue from sales of equipment is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest income:
Interest income is recognised as the interest accrues.

Rental income:
Rental income is accounted for on a time proportion basis.

Dividend income:
Dividend income is recognised when the right to receive the dividend is established.

Income taxes
Income tax on the profit or loss for the year comprises the current and deferred tax of subsidiary companies. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Land is not depreciated.

The cost of property, plant and equipment is depreciated with effect from the month following the date of first use over the estimated useful lives of the assets are as follows;

Buildings	5 - 20 years
Exchange and network assets	5 - 15 years
Subscriber apparatus and other equipment	1 - 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Business combinations

Business combinations are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. 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 treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortization methods of Group's intangible assets other than goodwill are as follows:

	License costs	Customer contracts and related customer relationships	Trade names
Useful lives	Finite (10 – 50 years)	Finite (5 – 7 years)	Finite (8 years)
Amortisation method used	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability
Internally generated or acquired	Acquired	Acquired	Acquired

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and disclosure this, when applicable, in the statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Financial investments

The Group maintains two separate investment portfolio as follows:

- Available-for-sale investments
- Fair value through profit or loss investments

All regular way of purchases and sales of investment are recognised on the trade date when the Group becomes or ceased to be a party to contractual provisions of the instrument.

Available-for-sale investments:

After initial recognition, available for sale investments are remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year. Interest earned on the investments is reported as interest income using the effective interest rate. Dividends earned on investments are recognised in the income statement as "Dividend income" when the right to receive dividend has been established.

The fair value of investments that are actively traded in organised financial markets, is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from the Group's unquoted equity investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less provision for any impairment losses.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments (continued)

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available- for- sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the income statement.

Financial assets at fair value through profit or loss:
Financial assets at fair value through profit or loss comprise of financial assets held for trading. Financial assets acquired for the purpose of selling in the near term are classified as "held for trading investments. These investments are subsequently re-measured at fair values. All related unrealised gains or losses are included as "net fair value gain or loss on held for trading investment" in the consolidated income statement.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the Group has transferred its contractual rights to receive cash flows from the assets.

Financial liabilities are derecognised when they are extinguished, which is when the obligation is discharged or cancelled or expires.

Impairment and uncollectibility of financial assets

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

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value 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.

Cost of raising finance relating to future drawdown of loans

Directly attributable finance costs relating to credit facilities set up for future drawdowns are presented in the balance sheet as deferred financing costs under other financial assets. On drawdown, these deferred costs are included in the initial recognition of interest bearings loans and borrowings and amortised using effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable represent amounts billed and outstanding at the balance sheet date net of provisions for amounts estimated to be uncollectible. The Group's terms of credit vary in line with individual services provided to customers. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and at hand and short term deposits, with an original maturity of three months or less. Cash and cash equivalents also includes fixed deposits with maturities over three months, which is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value, which is held for the purpose of meeting short term cash commitments.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the amortisation process. Interest costs are recognized as an expense when incurred.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

End of service gratuity plans:
The Group 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 the 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.

Pension plan:
Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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
General:
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

Site restoration provision:
The provision for site restoration costs arose on construction of the networking sites. A corresponding asset is recognised in property, plant and equipment. Site restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset

Foreign currencies
Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies arising through transactions are retranslated at the rate of exchange ruling at the balance sheet date. The resultant gain or loss is taken to the consolidated income statement.

The Groups' entities whose presentation currency is not Qatar Riyals are translated as follows:

- Assets and liabilities is at the closing rate at the date of the balance sheet.
- Income and expenses for each income statement is translated at the average rate (monthly average) for the year.

The foreign currency exchange differences are taken directly to a separate component of equity. On disposal of such entity, the deferred cumulative amount recognized in equity relating to that particular entity is recognized in the consolidated income statement.

Derivative financial instruments and hedging
Derivative financial instruments are contracts, the value of which are derived from one or more underlying financial instruments or indices, and include a call option to repurchase equity at a predetermined price.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting change in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity.

The Group uses interest rate swap contracts to hedge its risk associated primarily with interest rate fluctuations relating to the interest charged on its interest bearing loans and borrowings. These are included in the balance sheet at fair value and any resultant gain or loss on interest rate swaps contracts that qualify for hedge accounting is recognised in the statement of changes in equity and subsequently recognised in the income statement when the hedged transaction affects profit or loss.

The Group uses forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. These are included in the balance sheet at fair value and any subsequent resultant gain or loss on forward currency contracts is recognised in the income statement.

4 BUSINESS COMBINATIONS

4.1 ACQUISITION OF NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C (WATANIYA TELECOM)

On 15 March 2007, the Group acquired 51% of the voting shares of "Wataniya Telecom", a Kuwaiti Shareholding Company listed in the Kuwait Stock Exchange which along with its subsidiaries and joint venture is engaged in providing mobile telephone and pager systems and services in Kuwait and elsewhere in the Middle East and North African (MENA) region. The acquisition has been accounted for using the purchase method of accounting.

The fair value of the identifiable assets and liabilities at acquisition and their carrying amounts immediately prior to the acquisition were as follows:

4 BUSINESS COMBINATIONS (continued)

4.1 ACQUISITION OF NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C (WATANIYA TELECOM) (continued)

	Fair value at the acquisition date	Carrying amounts immediately prior to the acquisition
	QR'000	QR'000
Assets		
Property, plant and equipment (Note 14)	**4,306,740**	4,306,740
Goodwill	**-**	43,800
License costs (Note 15)	**15,178,314**	2,147,456
Customer contracts and related customer relationship (Note 15)	**99,963**	-
Trade names (Note 15)	**685,460**	-
Available-for-sale investments	**381,113**	381,113
Deferred tax asset (Note 19)	**285,216**	285,216
Inventories	**27,871**	27,871
Accounts receivable and prepayments	**504,828**	504,828
Held for trading investments	**31,911**	31,911
Cash and cash equivalents	**1,063,441**	1,063,441
Assets held for sale	**430,586**	430,586
	22,995,443	9,222,962
Liabilities and minority interests		
Interest bearing loans and borrowings	**3,287,216**	3,287,216
Employee benefit liabilities (Note 27)	**32,546**	32,546
Accounts payable and accruals	**2,127,604**	2,127,604
Minority interests	**8,782,228**	2,012,252
Liabilities directly associated with assets held for sale	**85,187**	85,187
	14,314,781	7,544,805
Net assets acquired	**8,680,662**	1,678,157
Goodwill arising on acquisition (Note 15)	**5,505,901**	
Cost of business combination	**14,186,563**	
Net cash outflow on acquisition:		
Net cash acquired with the subsidiary	**1,063,441**	
Cash paid	**(14,186,563)**	
	(13,123,122)	

4 BUSINESS COMBINATIONS (continued)

4.1 ACQUISITION OF NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C (WATANIYA TELECOM) (continued)

The cost of business combination of QR 14,186,563,000 comprised a cash payment of QR 14,160,127,000 and costs of QR 26,436,000 directly attributable to the acquisition.

From the date of acquisition, Wataniya Telecom contributed QR 690,489,000 to the profit of the Group. Assuming that the business combination had taken place at the beginning of the year, the profit for the Group would have been QR 2,116,403,000 and revenue from continuing operations would have been QR 11,312,071,000.

In compliance with the provisions of International Financial Reporting Standards 3 "Business Combinations", the Group has carried out a one time "Purchase Price Allocation" (PPA) exercise for the value paid for the acquisition of 51% of Wataniya Telecom. PPA identifies the value paid for the tangible assets and the goodwill arising on the acquisition. The derived fair values of intangible assets as a result of acquisition are as follows:

	QR'000
License costs	13,030,858
Customer contracts and related customer relationship	99,963
Trade names	685,460
	13,816,281

The residual amount of goodwill after allocation of the purchase consideration to identifiable intangible assets in accordance with the PPA exercise amounted to QR 5,505,901,000. This goodwill represents the fair vale of expected synergies arising from acquisition.

4 BUSINESS COMBINATIONS (continued)

4.2 ACQUISITION OF ATCO CLEARWIRE TELECOM LIMITED ("ACTL")

On 12 June 2007, the Group acquired 77.5% of the voting shares of ATCO Clearwire Telecom Limited ("ACTL"), an unlisted company based in Cayman Islands and is engaged in providing high bandwidth, wireless data, voice, and video telecommunications services in the Arab world and Asia. The acquisition has been accounted for using the purchase method of accounting.

The carrying value (provisional fair value) of the identifiable assets and liabilities of ACTL immediately prior to the acquisition were:

	QR'000
Assets	
Property, plant and equipment (Note 14)	18,709
Goodwill (Note 15)	47,345
License costs (Note 15)	7,458
Other non-current financial assets	158
Deferred tax asset (Note 19)	13
Inventories	162
Accounts receivable and prepayments	18,979
Cash and cash equivalents	17,814
	110,638
Liabilities and minority interests	
Interest bearing loans and borrowings	59,455
Other non-current liabilities	1,041
Accounts payable and accruals	29,510
Minority interests	5,029
	95,035
Net assets acquired	15,603
Goodwill arising on acquisition (Note 15)	12,165
Cost of business combination	27,768
Net cash outflow on acquisition:	
Net cash acquired with the subsidiary	17,814
Cash paid	(27,768)
	(9,954)

The cost of business combination of QR 27,768,000 comprised a cash payment of QR 27,694,000 and costs of QR 74,000 directly attributable to the acquisition.

4 BUSINESS COMBINATIONS (continued)

4.2 ACQUISITION OF ATCO CLEARWIRE TELECOM LIMITED ("ACTL") (continued)

The initial accounting for the above acquisition is only provisional at the period end as the fair value to be assigned to the acquiree's identifiable assets and liabilities could be determined only provisionally. The Group will recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the date of the acquisition date, and with effect from the acquisition date.

From the date of acquisition, ACTL contributed a loss of QR 28,204,000 to the Group. Assuming that the combination had taken place at the beginning of the year, the profit for the Group would have been QR 1,884,075,000 and revenue from continuing operations would have been QR 10,381,186,000.

4.3 ACQUISITION OF ASIA CELL FOR COMMUNICATIONS L.L.C. (ACL)

On 15 August 2007, the Group acquired 49% of the voting shares of Asia Cell for Communications L.L.C. (ACL), a company incorporated in Iraq with licence to provide telecommunication services in Iraq using the assets of a discontinued subsidiary of the Group, Asia – Cell Telecommunication Co. Ltd ("Asia – Cell, Iraq) as more explained in Note 5. The acquisition has been accounted for using the purchase method of accounting.

The carrying value (provisional fair value) of the identifiable assets and liabilities of ACL immediately prior to the acquisition were:

	QR'000
Assets	
Property, plant and equipment (Note 14)	1,272,362
Goodwill (Note 15)	467,495
Other non-current financial assets	910
Inventories	18,026
Accounts receivable and prepayments	159,867
Cash and cash equivalents	26,458
	1,945,118
Liabilities and minority interests	
Accounts payable and accruals	614,801
Other non-current liabilities	479,449
Minority interests	595,607
	1,689,857
Net assets acquired	255,261
Goodwill arising on acquisition (Note 15)	202,359
Cost of business combination	457,620
Net cash outflow on acquisition:	
Net cash acquired with the subsidiary	26,458
Cash paid	(457,620)
	(431,162)

4 BUSINESS COMBINATIONS (continued)

4.3 ACQUISITION OF ASIA CELL FOR COMMUNICATIONS L.L.C. (ACL) (continued)

The costs of the business combination of QR 457,620,000 comprised a cash payment of QR 451,895,000 and costs of QR 5,725,000 directly attributable to the acquisition.

The initial accounting for the above acquisition is only provisional at the period end as the fair value to be assigned to the acquiree's identifiable assets and liabilities could be determined only provisionally. The Group will recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the date of the acquisition date, and with effect from the acquisition date.

From the date of acquisition (date on which ACL was incorporated), ACL contributed QR 130,554,000 to the profit of the Group.

4.4 MINORITY INTEREST IN WATANIYA TELECOM ALGERIE S.P.A. (WTA) AND ASIA-CELL TELECOMMUNICATION CO. LTD ("ASIA-CELL, IRAQ")

On 15 March 2007, the Group acquired an additional 9% of the voting rights of each Wataniya Telecom Algerie S.P.A. (WTA) and Asia-Cell Telecommunication Co. Ltd ("Asia-Cell, Iraq"). Total cash consideration of QR 364,150,000 was paid. The carrying value of the net assets immediately prior to the acquisition of WTA and Asia-Cell, Iraq was QR 1,882,889,000 and the share of carrying value of the additional interest acquired was QR 169,460,000. The difference of QR 194,690,000 between the consideration and the carrying value of the interest acquired, has been recognised as goodwill (Note 15).

The carrying value of the net assets of Asia-Cell, Iraq representing 9% additional interest acquired by the Group amounting to QR 73,336,000 has been included in investments in Asia Cell Communications L.L.C. ("ACL, Iraq") since ACL acquired the net assets of Asia-Cell, Iraq under the Asset Sale Agreement on 15 August 2007 (Note 4.3).

5. DISCONTINUED OPERATIONS

Asia-Cell Telecommunication Co. Ltd, ("Asia-Cell, Iraq") was a direct subsidiary of Wataniya Telecom. The regulatory authorities in Iraq did not renew Asia-Cell, Iraq's GSM license after 31 December 2006. As a result the majority shareholder of Asia-Cell, Iraq (a company incorporated in Cayman Islands) filed for voluntary liquidation of Asia-Cell, Iraq in the Grand Court of the Cayman Islands. The Court ordered the appointment of PricewaterhouseCoopers as a liquidator on 17 May 2007.

On 1 April 2007, the Board of Directors of Wataniya Telecom resolved to discontinue its operations in Asia-Cell, Iraq with effect from 1 January 2007 and reclassify its investments in and advances to Asia-Cell, Iraq as "assets held for sale".

On 15 August 2007, the liquidator (Asia-Cell, Iraq) and Asia Cell for Communications L.L.C. (ACL) entered into an Asset Sale Agreement to dispose the assets and liabilities of Asia-Cell Iraq to ACL and accordingly the sale was completed. As per the liquidator's report dated 21 September 2007, the liquidator has offered Wataniya Telecom US$ 107 million (QR 389,640,000) being the Wataniya Telecom's share for the total net assets of Asia-Cell, Iraq amounting to US$ 225 million (QR 819,338,000). Out of the receivables, US$ 90 million (QR 327,735,000) will be distributed as a dividend to Wataniya Telecom in its capacity as a shareholder of Asia-Cell, Iraq and the remaining US$ 17 million (QR 61,905,000) would represent the settlement of a debt due to Wataniya Telecom by Asia-Cell, Iraq. The Group has classified the receivable of US$ 107 million (QR 389,640,000) as amounts due from liquidator in the consolidated balance sheet.

6. INTEREST IN A JOINT VENTURE

The Group's subsidiary Wataniya Telecom has a 50% equity shareholding with equivalent voting power in Tunisiana, a joint venture established in Tunisia.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of Tunisiana from the date of acquisition:

6. INTEREST IN A JOINT VENTURE (continued)

	2007	2006
	QR'000	QR'000
Share of joint venture's balance sheet:		
Current assets	336,166	-
Non-current assets	1,347,725	-
Current liabilities	(493,587)	-
Non-current liabilities	(475,902)	-
Carrying amount of the net assets	714,402	-
Share of joint venture's income statement:		
Revenue	1,036,817	-
Other income	452	-
General and administrative expenses	(827,944)	-
Finance costs	(43,005)	-
Profit for the year	166,320	-

7. REVENUE

	2007	2006
	QR'000	QR'000
Revenue from rendering of services	10,225,189	3,928,255
Sale of telecommunications equipment	122,532	488,103
Revenue from use of assets by others	25,709	4,079
	10,373,430	4,420,437

8. OTHER INCOME

	2007	2006
	QR'000	QR'000
Interest income	104,108	85,098
Profit on sale of financial investments	51,072	11,646
Dividend income	41,192	26,099
Rental income from building	12,376	-
Profit on disposal of plant and equipment	5,044	1,184
Miscellaneous income	8,439	20,219
	222,231	144,246

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2007 QR'000	2006 QR'000
Employee salaries and associated costs	**1,101,587**	496,885
Depreciation and amortization	**1,844,878**	502,937
Rentals and utilities	**292,331**	114,289
Repairs and maintenance	**324,901**	122,648
Marketing costs and sponsorship	**380,104**	163,832
Legal and professional fees	**235,531**	95,258
Provision for accounts receivable	**35,670**	11,051
Other expenses	**327,512**	38,903
Impairment loss on available-for-sale investments	**-**	24,522
	4,542,514	1,570,325

Employee salaries and associated costs comprise of:

	2007 QR'000	2006 QR'000
Salaries and allowances	**1,019,556**	444,518
Employees' end of service benefits (Note 27)	**40,992**	22,093
Training and related costs	**41,039**	30,274
	1,101,587	496,885

10. OTHER OPERATING EXPENSES

	2007 QR'000	2006 QR'000
Outpayments and interconnect charges	**1,564,591**	419,816
Cost of equipment sold and other services	**488,685**	177,990
Commission on cards	**241,917**	84,303
Leased circuit rentals	**462,738**	50,762
	2,757,931	732,871

11. FINANCE COSTS

	2007 QR'000	2006 QR'000
Interest expenses	**960,229**	17,857
Amortisation of deferred financing costs (Note 26)	**17,189**	1,883
Other finance charges	**16,373**	-
	993,791	19,740

12. ROYALTIES

	2007 QR'000	2006 QR'000
Royalty to the Government of State of Qatar	**558,104**	566,813
Royalty to the Government of Sultanate of Oman	**49,533**	30,696
	607,637	597,509

In accordance with Law No. 6 of 2002, effective 1 January 2005, Qtel is liable to pay royalty to the Government of the State of Qatar for the exclusive right to provide telecommunication services in the State of Qatar. However, in accordance with Law No 34 of 2006 issued on 6 November 2006, the payment of royalty to the Government of the State of Qatar shall be discontinued from the date another operator licensed under the Law commences telecommunication activities.

Additionally, in accordance with the terms of a licence granted to Omani Qatari Telecommunications Company S.A.O.C. to operate wireless telecommunication services in the Sultanate of Oman, royalty is payable to the Government of the Sultanate of Oman, effective March 2005.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

There were no potentially dilutive shares outstanding at any time during the year and, therefore, the dilutive earnings per share is equal to the basic earnings per share.

	2007	2006
Profit for the year attributable to equity holders of the parent (QR'000)	**1,674,310**	1,692,140
Weighted average number of shares outstanding during the year (in thousands)	**100,000**	100,000
Basic and diluted earnings per share (QR)	**16.74**	16.92

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Exchange and networks assets	Subscriber apparatus and other equipment	Capital work in progress	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Cost:					
At 1 January 2006	593,644	2,317,112	862,711	555,295	4,328,762
Additions	-	-	-	1,028,203	1,028,203
Transfers	22,263	714,498	113,722	(850,483)	-
Disposals	-	(49,260)	(6,809)	-	(56,069)
At 31 December 2006	615,907	2,982,350	969,624	733,015	5,300,896
Acquisition of subsidiaries (Notes 4.1, 4.2 & 4.3)	-	5,018,395	293,660	285,756	5,597,811
Additions	-	-	-	2,062,225	2,062,225
Transfers	68,812	1,848,423	300,436	(2,217,671)	-
Disposals	-	(18,693)	(25,407)	(78,194)	(122,294)
Exchange adjustment	-	(17,398)	(2,708)	(4)	(20,110)
At 31 December 2007	**684,719**	**9,813,077**	**1,535,605**	**785,127**	**12,818,528**
Depreciation:					
At 1 January 2006	151,330	1,163,160	523,045	-	1,837,535
Provided during the year	33,680	330,079	112,305	-	476,064
Relating to disposals	-	(49,231)	(6,752)	-	(55,983)
At 31 December 2006	185,010	1,444,008	628,598	-	2,257,616
Provided during the year	37,054	887,527	211,266	-	1,135,847
Relating to disposals	-	(12,833)	(24,294)	-	(37,127)
At 31 December 2007	**222,064**	**2,318,702**	**815,570**	**-**	**3,356,336**
Net book value:					
At 31 December 2007	**462,655**	**7,494,375**	**720,035**	**785,127**	**9,462,192**
At 31 December 2006	430,897	1,538,342	341,026	733,015	3,043,280
At 1 January 2006	442,314	1,153,952	339,666	555,295	2,491,227

The carrying value of exchanges and line plant include equipment obtained under finance lease from Omantel amounting to QR 4,118,363 as at 31 December 2007 (2006: QR 6,685,000). Leased assets are pledged as security for the related finance liabilities (Note 32).

15. INTANGIBLE ASSETS

	License costs	Goodwill	Customer contracts and related customer relationship	Trade names	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Cost:					
At 1 January 2006	400,756	-	-	-	400,756
Additions	13	-	-	-	13
At 31 December 2006	400,769	-	-	-	400,769
Acquisition of subsidiaries (Notes 4.1, 4.2 & 4.3)	15,185,772	6,235,265	99,963	685,460	22,206,460
Acquisition of minority interest (Note 4.4)	-	194,690	-	-	194,690
Additions	4,603,465	-	-	-	4,603,465
Exchange adjustment	(95,385)	(1,540)	-	-	(96,925)
At 31 December 2007	20,094,621	6,428,415	99,963	685,460	27,308,459
Amortization:					
At 1 January 2006	20,238	-	-	-	20,238
Amortisation during the year	26,873	-	-	-	26,873
At 31 December 2006	47,111	-	-	-	47,111
Amortisation during the year	625,370	-	15,828	67,833	709,031
Exchange adjustment	5,243	-	-	-	5,243
At 31 December 2007	677,724	-	15,828	67,833	761,385
Net book value:					
At 31 December 2007	**19,416,897**	**6,428,415**	**84,135**	**617,627**	**26,547,074**
At 31 December 2006	353,658	-	-	-	353,658
At 1 January 2006	380,518	-	-	-	380,518

Additions to licence costs during the year represent licence obtained from CMC Iraq to operate mobile telecom services in Iraq. This licence is valid for a period of 15 years.

16. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	Ownership	
		2007	2006
Navlink, Inc., a Delaware Corporation	United States of America	**38.16%**	38.16%
Asia Mobile Holding Pte Ltd ("AMH")	Singapore	**25%**	-

Navlink, Inc., a Delaware Corporation
Navlink, Inc., a Delaware Corporation is a Managed Service Provider delivering technology solutions in the enterprise data market.

Asia Mobile Holding Pte Ltd ("AMH"), Singapore
On 1 March 2007, the Group acquired a 25% stake in Asia Mobile Holding Pte Ltd. ("AMH"), Singapore. AMH is the holding company for ST Telemedia Singapore's stake in Star Hub Ltd., Singapore and PT Indosat Tbk, Indonesia.

The following table is the summarised financial information of the Group's investments in the associates.

	2007	2006
	QR'000	QR'000
Share of associates' balance sheet:		
Current assets	**1,301,133**	9,583
Non-current assets	**6,211,400**	4,653
Current liabilities	**(1,389,411)**	(5,356)
Non-current liabilities	**(4,642,203)**	(1,300)
Net assets	**1,480,919**	7,580
Goodwill on acquisition	**1,043,041**	92,673
Carrying amount of the investment	**2,523,960**	100,253
Share of associates' revenues and results:		
Revenues	**2,294,093**	8,232
Results	**92,237**	(1,520)

17. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	QR'000	QR'000
Quoted equity investments	**828,235**	571,469
Unquoted equity investments	**431,497**	183,631
Unquoted debt securities	**74,209**	-
Investments in hedge funds	**523,188**	595,664
Investments in mutual funds	**476,255**	402,262
	2,333,384	1,753,026

All unquoted equity investments are carried at cost.

18. OTHER FINANCIAL ASSETS

	2007 QR'000	2006 QR'000
Call option (i)	**88,269**	73,926
Long term loan (ii)	**55,579**	51,699
Deferred financing costs (iii)	**-**	17,215
	143,848	142,840

Notes:

(i) As part of the agreement for the formation of TDC-Qtel MENA Investcom B.S.C., the Group was granted a call option for the purchase of all of the shares held by the minority holder. This option is exercisable six years from the date on which the license to operate as the second mobile telecommunication service provider in the Sultanate of Oman is awarded at a strike price dependent upon the number of subscribers.

(ii) In 2004, the Group granted a loan to a third party for the purpose of investing in telecommunications outside Qatar. The loan carries compound interest at LIBOR plus 2% and is repayable within a period of five years.

(iii) Deferred financing costs represent commitment and arrangement fees paid in previous year relating to a US$ 2,000,000,000 revolving loan facility set up with a consortium of banks. These costs have been included in the initial recognition of interest bearing loans and borrowings as the loan was drawdown in current year and is amortised using effective interest method over the loan periods.

19. DEFERRED TAX

Deferred tax and deferred tax income represents amounts recognised by subsidiary companies. The deferred tax asset (liability) is made up as follows:

	2007 QR'000	2006 QR'000
Balance at the beginning of the year	**3,405**	(293)
Acquisition of subsidiaries (Note 4.1 and 4.2)	**285,229**	-
Deferred tax income	**91,968**	3,698
Balance at the end of the year	**380,602**	3,405

There is no current income tax expense recognized during the year as no taxable profit has been reported by taxable subsidiary companies. However, the deferred tax asset has been recognised on the basis that the tax losses incurred on the start up of operation will be available for offset against future taxable profits.

The tax rate applicable to the taxable subsidiary companies in the range of 12% to 30% (2006: 12%). Deferred tax asset is recorded also at the same rates. For the purpose of determining the taxable results for the year, the accounting profit of the companies has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

The taxable profit for any year is set off against tax losses brought forward from earlier years for the purpose of current tax computations.

None of the company's assessments have been finalised.

20. INVENTORIES

	2007 QR'000	2006 QR'000
Subscribers' equipment	**112,595**	16,878
Other equipment	**18,558**	20,913
Cables and transmission equipment	**16,748**	8,310
	147,901	46,101
Less: Provision for obsolete and slow moving inventories	**(20,285)**	(18,857)
	127,616	27,244

Inventories consumed and recognised as an expense during the year amounted to QR 204,200,000 (2006: 35,205,000). These expenses have been recognised in other operating expenses.

Movement in the provision for obsolete and slow moving inventories are as follows:

	2007 QR'000	2006 QR'000
At 1 January	**18,857**	22,084
Provided during the year	**1,503**	3,212
Amounts written off	**(75)**	(6,439)
	20,285	18,857

21. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 QR'000	2006 QR'000
Trade accounts receivable	**969,110**	478,299
Other receivables and prepayments	**761,839**	133,584
Unbilled subscriber services	**301,465**	263,765
Amounts due from international carriers	**72,770**	85,915
	2,105,184	961,563

As at 31 December 2007, trade receivables amounting to QR 260,841,000 (2006: QR 173,470,000) were impaired.

21. ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Movements in the provisions for impairment of receivables were as follows.

	2007	2006
	QR'000	QR'000
At 1 January	**173,470**	168,923
At acquisition of subsidiaries	**73,298**	-
Charge for the year	**35,670**	11,051
Amounts written off	**(21,597)**	(6,504)
At 31 December	**260,841**	173,470

As at 31 December 2007, the ageing of unimpaired trade receivables are as follows:

			Past due not impaired			
	Total	Neither past due nor impaired	< 30days	30-60 days	60-90 days	> 90 days
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
2007	**969,110**	**315,560**	**109,952**	**151,513**	**128,284**	**263,801**
2006	478,299	200,209	57,485	20,626	46,346	153,633

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are therefore, unsecured.

22. CASH AND CASH EQUIVALENTS

	2007	2006
	QR'000	QR'000
Bank balances and cash	**3,250,092**	1,416,683
Bank overdrafts (Note 26)	**(14,927)**	-
	3,235,165	1,416,683

Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 15,359,000 (2006: QR 100,000,000). The Group is of the opinion that these fixed deposits are readily convertible to cash and is held to meet short-term commitments.

Short term deposits are made for varying periods of depending on the immediate cash requirements of the Group and earn interest on the respective short term deposit rates range from 1% to 7.5% (2006 : 3% to 5.95%).

23. SHARE CAPITAL

	2007 QR'000	2006 QR'000
Authorised		
100,000,000 ordinary shares of QR 10 each	**1,000,000**	1,000,000
Issued and fully paid up		
100,000,000 ordinary shares of QR 10 each	**1,000,000**	1,000,000

The Government of the State of Qatar owns 55% of the share capital.

24. LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued capital. During the year, the Board of Directors has resolved to cap the legal reserve at QR 1,000,000,000 until such time the legal reserve falls below 50% of the issued capital. Accordingly, QR 111,239,000 from the profit for the year is transferred to the legal reserve.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law and the Company's Articles of Association.

25. FAIR VALUE RESERVE

	2007			2006		
	Cash flow hedges	**Available-for-sale investments**	**Total**	Cash flow hedges	Available-for-sale investments	Total
	QR'000	**QR'000**	**QR'000**	QR'000	QR'000	QR'000
Balance at 1 January	**(4,055)**	**331,240**	**327,185**	-	380,683	380,683
Realised gains on sale of available-for-sale investments	**-**	**(9,922)**	**(9,922)**	-	(13,630)	(13,630)
Net unrealised gain (loss) on available-for-sale investments	**-**	**292,908**	**292,908**	-	(60,335)	(60,335)
Transfer to income statement on impairment of available-for-sale investments	**-**	**-**	**-**	-	24,522	24,522
Adjustment for change in minority share	**(6)**	**-**	**(6)**			
Net movement in cash flow hedges	**(9,406)**	**-**	**(9,406)**	(4,055)	-	(4,055)
	(13,467)	**614,226**	**600,759**	(4,055)	331,240	327,185

26 INTEREST BEARING LOANS AND BORROWINGS

The interest bearing loans and borrowings presented in the balance sheet consist of the following:

	Maturity	2007 QR'000	2006 QR'000
The Company's loans			
Loan 1 (i)	Aug 2012	**10,924,500**	-
Loan 2 (ii)	Nov 2009	**7,028,095**	-
Loan 3 (iii)	Dec 2009	**364,150**	-
Subsidiaries' loans:			
Loan 4 (iv)	Mar 2012	**655,640**	655,640
Loan 5 (v)	Mar 2013	**1,856,545**	-
Loan 6 (v)	Mar 2012	**637,373**	-
Loan 7 (v)	Nov 2013	**98,745**	-
Loan 8 (v)	-	**4,462**	-
Loan 9 (vi)	Dec 2008	**145,968**	-
Loan 10 (vii)	Nov 2009	**4,825**	-
Bank overdrafts		**14,927**	-
		21,735,230	655,640
Less: Deferred financing costs		**(110,053)**	(7,463)
		21,625,177	648,177

	Principal repayment amount QR'000	Deferred financing costs QR'000	2007 QR'000	2006 QR'000
Presented in the balance sheet as:				
Current portion	**748,004**	**(26,858)**	**721,146**	-
Non-current portion	**20,987,226**	**(83,195)**	**20,904,031**	648,177
	21,735,230	**(110,053)**	**21,625,177**	648,177

The deferred financing costs consist of arrangement and commitment fees. The movements in the deferred financing costs are as follows:

	2007 QR'000	2006 QR'000
Balance at 1 January	**7,463**	9,346
Additions during the year	**119,779**	-
Amortised during the year (Note 11)	**(17,189)**	(1,883)
Balance at 31 December	**110,053**	7,463

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

The Company's loans

i) Loan 1 (unsecured) was initially launched at US$ 2,500,000,000 and the Group has fully drawn down the loan on 6 September 2007. The facility was used to refinance the Group's existing US$ 2,500,000,000 bridge loan signed on 9 March 2007. On 1 November 2007, the facility was eventually increased by US $ 500,000,000 to US$ 3,000,000,000.

ii) Loan 2 (unsecured) has been fully drawn down on 13 March 2007 and is repayable by 27 November 2009. The loan may be prepaid and re-drawn to the extent of earlier prepayments.

iii) Loan 3 (unsecured) is a revolving loan facility for US$ 125,000,000. The Group has availed US$ 100,000,000 on 17th December 2007.

Subsidiary loans

iv) Loan 4 relates to a syndicated loan facility agreement with a consortium of banks for a term loan of US Dollars 270 million to finance the activities of Omani Qatari Telecommunications Company S.A.O.C. (Nawras). The term loan has been guaranteed by the shareholders of Nawras and is secured by a charge on the insurance proceeds on the property, plant and equipment of Nawras.

The subsidiary has entered into interest rate swaps to hedge its risks associated with interest rate fluctuations, the details of which are set out in Note 32. The loan is repayable in nine semi-annual instalments commencing from 12 March 2008.

v) Loan 5 to Loan 8 represents the loans relating to National Mobile Telecommunication Company K.S.C and the commencements of the repayment of these loans are as follows.

Description of loan		Repayment term
Loan 5	:	Over a period of 5 years in instalments starting from March 2008
Loan 6	:	Over a period of 4 years in instalments starting from March 2008
Loan 7	:	Over a period of 5 years in instalments starting from November 2008
Loan 8	:	Not specified

vi) Loan 9 comprises short term loans and overdraft facilities due to local banks of subsidiaries namely WTA, WTM, PTC and the joint venture Tunisiana and are repayable within one year from the date of borrowing. The loans are denominated in Algerian Dinars (DZ), US Dollars and Tunisian Dinars (TND).

Loans 5 - 7 are secured by pledges on the respective subsidiaries and joint venture's assets and their shares.

vii) Loans 10 relates to Burraq Telecom Limited (Burraqtel). The principal is to be repaid in 7 equal semi-annual instalments inclusive of 18 months grace period. First instalment was due in November 2006. This loan is secured against all present and future current and fixed assets of Burraqtel wherever situated but not limited to local foreign and imported telecommunication equipment, LDI equipment, LDI and WLL License, peripherals, gadgets computers and other ancillary equipment.

viii) All the above loans and bank overdrafts bear interest at respective reference rates (LIBOR, KIBOR, Algerian repo rates) plus applicable margins ranging from 0.35% to 8.5%.

27. EMPLOYEE BENEFIT LIABILITIES

	2007	2006
	QR'000	QR'000
Employees' end of service gratuity and pension plan	**191,015**	117,911

27. EMPLOYEE BENEFIT LIABILITIES (continued)

The movements in the provision for employees' end of service gratuity and pension plan are as follows:

	2007	2006
	QR'000	QR'000
Provision as at 1 January	**117,911**	100,085
Acquisition of subsidiaries (Note 4.1)	**32,546**	-
Provided during the year (Note 9)	**40,992**	22,093
End of service benefits paid	**(390)**	(4,267)
Exchange adjustment	**16**	-
Provision as at 31 December	**191,075**	117,911

28. OTHER LIABILITIES

	2007	2006
	QR'000	QR'000
Telecommunications Regulatory commission ("TRC")	**24,039**	-
Non current portion of negative fair value of derivatives	**18,382**	596
Finance lease liability (Note 33)	**1,738**	6,314
Non-current portion of retention payable	**10,122**	18,871
Site restoration provision	**12,173**	-
	66,454	25,781

Amounts payable to TRC represents the present value of the amount due to TRC as a result of obtaining the Radio Spectrum License by one of the subsidiaries in The Hashemite Kingdom of Jordan. As agreed with TRC, the subsidiary shall settle the license cost amounting to USD 7,602,000 in 14 annual instalments of USD 896,000 each (USD 12,544,000 in total) bearing a compound interest rate of 9%. The amount recorded as due to TRC represents the present value of 14 annual instalments to be paid to TRC discounted at 9% interest rate. The amount due within 12 months are included under "accounts payable and accruals".

29. ACCOUNTS PAYABLE AND ACCRUALS

	2007	2006
	QR'000	QR'000
Trade accounts payable	**1,652,982**	525,911
Accrued expenses	**2,339,411**	386,447
License costs payable	**2,275,938**	-
Amounts due to international carriers	**109,109**	92,437
Other payables	**1,004,434**	258,618
	7,381,874	1,263,413

License costs payable represents unpaid portion for the license fees payable to the Iraqi Government by ACL to provide telecommunication services in Iraq effective from 15August 2007.

30. DIVIDENDS AND BONUS SHARES

Dividends:
The Board of Directors approved and distributed during the year interim dividends of QR 2 (2006: QR 4.25) per ordinary share, totalling QR 200,000,000 (2006: QR 425,000,000).

The Board of Directors has proposed a final dividend distribution of QR 2 per ordinary share bringing the total distribution for the year to QR 4 per share (2006: QR 10 per share). This proposed final dividend, totalling QR 200,000,000 brings the total dividends for the year to QR 400,000,000 (2006: QR 1,000,000,000). The final dividend proposed in 2006 amounting to QR 575,000,000 was approved at the Annual General Meeting held on 25 February 2007 and was paid in 2007 following the approval.

Bonus shares:
The Board of Directors has proposed the issue of bonus shares of 10% of the share capital as at 31 December 2007 amounting to QR 100,000,000 (2006: Nil).

The proposed final dividend and bonus shares issue will be submitted for formal approval at the Annual General Meeting.

31. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Notes	**2007** **QR'000**	2006 QR'000
Profit for the year		**1,877,993**	1,646,416
Adjustments for:			
Depreciation and amortization	9	**1,844,878**	502,937
Impairment loss on available-for-sale investments	9	**-**	24,522
Dividend and interest income	8	**(145,300)**	(111,197)
Profit on sale of financial instruments	8	**(51,072)**	(11,646)
Profit on disposal of plant and equipment	8	**(5,044)**	(1,184)
Finance costs	11	**993,791**	19,740
Provision for employees' end of service benefits	27	**40,992**	22,093
Deferred tax income	19	**(91,968)**	(3,698)
Share of results of an associate	16	**(92,237)**	1,520
		4,372,033	2,089,503

32. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges

The subsidiary company, Omani Qatari Telecommunications Company S.A.O.C. has entered into two interest rate swap arrangements with Qatar National Bank and BNP Paribas respectively with a view to cap its exposure to fluctuating interest rates on its term loan (Note 26). Under the swap agreements, the company will pay an agreed fixed interest rate and receive a floating interest rate based on US $ LIBOR. The loan and the interest rate swaps have the same critical terms.

As at 31 December 2007, an unrealised loss of QR 24,230,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (2006 : loss QR 7,306,000).

The table below shows the negative fair value of the derivative financial instrument, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges (continued)

At 31 December 2007			**Notional amount by term to maturity**		
	Negative fair value	**Notional amount**	**1 - 12 months**	**More than 1 up to 5 years**	**Over 5 years**
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**
Interest rate swaps	**24,230**	**655,643**	**98,348**	**557,295**	**-**

At 31 December 2006			Notional amount by term to maturity		
	Negative fair value	Notional amount	1 - 12 months	More than 1 up to 5 years	Over 5 years
	QR'000	QR'000	QR'000	QR'000	QR'000
Interest rate swaps	7,306	655,640	-	393,384	262,256

Forward exchange contracts

Forward exchange contracts outstanding for a future period of up to twelve months at nominal values were QR 22,715,000 (SDR 3,950,000) at 31 December 2007 and QR 8,051,000 at 31 December 2006 (2006: SDR 1,400,000). The positive fair value of forward exchange contracts amounting to QR 327,000 (2006: negative QR 16,000) was included in other receivables. The forward exchange contracts are designed to hedge the foreign currency exposure of liabilities.

33. COMMITMENTS

Capital expenditure commitments

	2007	2006
	QR'000	QR'000
Property, plant and equipment		
Estimated capital expenditure contracted for at balance sheet date but not provided for:	**1,654,871**	484,043

Operating lease commitments

	2007	2006
	QR'000	QR'000
Future minimum lease payments:		
Not later than one year	**81,270**	28,538
Later than one year and not later than five years	**324,910**	78,648
Later than five years	**167,896**	138,841
Total operating lease expenditure contracted for at 31 December	**574,076**	246,027

33. COMMITMENTS (continued)

Finance lease commitments

Finance lease liabilities are payable as follows:

At 31 December 2007	Minimum lease payments	Interest charge	Present value of minimum lease payments
	QR'000	QR'000	QR'000
Within one year	**2,962**	**(164)**	**2,798**
After one year but not more than five years	**1,842**	**(104)**	**1,738**
	4,804	**(268)**	**4,536**

At 31 December 2006	Minimum lease payments	Interest charge	Present value of minimum lease payments
	QR'000	QR'000	QR'000
Within one year	2,187	(360)	1,827
After one year but not more than five years	6,561	(246)	6,315
	8,748	((606))	8,142

34. CONTINGENT LIABILITIES

	2007	2006
	QR'000	QR'000
Letters of guarantees	**660,208**	85,797
Letters of credit	**141,720**	53,526
Claims against the Group not acknowledged as debts	**1,519**	6,150

35. FINANCIAL RISK MANAGEMENT

Objective and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, finance leases, and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, investments and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk and operational risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

35. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, interest bearing loans and borrowings and bank overdrafts. At reporting date the interest rate profile of the Group's interest bearing financial instruments was;

	2007	2006
	QR'000	QR'000
Fixed interest rate instruments:		
Financial assets	**2,162,122**	1,231,698
Financial liabilities	**(28,575)**	(6,314)
	2,133,547	1,225,384
Floating interest rate instruments:		
Financial assets	**572,822**	208,628
Financial liabilities	**(21,735,230)**	(655,640)
	(21,162,408)	(447,012)

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the balance sheet date. To manage the risk of changes in floating interest rate in some of the Group's debts, the Group has entered into interest rate swaps as explained in Note 32. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

The following table demonstrates the sensitivity of the income statement and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Profit (loss)	Equity
	+25b.p	+25 b. p
	QR'000	**QR'000**
Year ended 31 December 2007		
Variable rate instruments	**(47,726)**	**-**
Interest rate swaps	**-**	**1,639**
	(47,726)	**1,639**

	Profit (loss)	Equity
	+25b.p	+25 b. p
	QR'000	QR'000
Year ended 31 December 2006		
Variable rate instruments	1,712	-
Interest rate swaps	-	1,639
	1,712	1,639

Foreign currency risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

As a result of significant investment operations in the Kuwaiti Dinar (KD), the Group's balance sheet can be affected significantly by movements in the QR/KD exchange rates.

35. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

The Group's foreign currency risk exposure arises from services offered and received by an operating unit in currencies other than the unit's functional currency mainly in Euros, GBP, Tunisian Dinar and US Dollars.

The Group had the following significant net exposure denominated in foreign currencies.

	2007	2006
	QR'000	QR'000
	Assets (Liabilities)	Assets (Liabilities)
KD	**(743,585)**	-
US Dollar	**(2,522,461)**	(734,698)
Euro	**(401,861)**	(34,154)
GBP	**(3,118)**	-
Tunisian Dinar	**(112,638)**	-
Others	**(159,970)**	-
	(3,943,633)	(768,852)

As the Qatari Riyals is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Approximately 57% of the Group's revenues are denominated in currencies other than the functional currency of the operating unit making the revenue, whilst almost 38% of costs are denominated in the unit's functional currency.

The following table demonstrates the sensitivity to a reasonably possible change in the KD, Euro, GBP and Tunisian Dinar foreign exchange rate, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets, liabilities and forward exchange contracts and the Group's equity is on account of translation of a foreign subsidiary. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown

	Effect on profit		Effect on equity	
	2007	2006	**2007**	2006
	+5%	+5%	**+5%**	+5%
	QR'000	QR'000	**QR'000**	QR'000
KD	**-**	-	**37,179**	-
Euro	**(20,093)**	(1,708)	**-**	-
GBP	**156**	-	**-**	-
Tunisian Dinar	**(11,269)**	-	**-**	-
Forward exchange contracts	**1,136**	383	**-**	-
	(30,070)	(1,325)	**37,179**	-

Equity price risk

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

35. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk (continued)

	Changes in equity prices	Effect on equity
	QR'000	QR'000
2007		
Available-for-sale investments	**+5%**	**91,384**
2006		
Available-for-sale investments	+5%	78,470

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of account receivables, bank balances, available-for-sale investments, held for sale investments, loans receivable, amounts due from liquidator and derivatives.

The Group provides telecommunication services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of provision reflected at the reporting date was;

	2007	2006
	QR'000	QR'000
Qatar	**390,932**	376,538
Other countries	**578,178**	101,761
	969,110	478,299

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows;

	2007	2006
	QR'000	QR'000
Available-for-sale investments	**74,209**	-
Bank balances	**3,250,092**	1,416,683
Other financial assets	**143,848**	125,625
Amounts due from liquidator	**389,640**	-
Due from international carriers	**72,770**	85,915
	3,930,559	1,628,223

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk 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 Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of Groups own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date.

35. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Year ended 31 December 2007						
Interest bearing loans and borrowings	**14,927**	**736,970**	**8,897,555**	**14,753,810**	**585,476**	**24,988,738**
Finance leases	**-**	**2,281**	**1,837**	**-**	**-**	**4,118**
Trade accounts payable		**1,652,982**	**-**	**-**	**-**	**1,652,982**
License costs payable	**-**	**2,275,938**	**-**	**-**	**-**	**2,275,938**
Other financial liabilities		**1,113,543**	**13,384**	**9,788**	**44,801**	**1,181,516**
	14,927	**5,781,714**	**8,912,776**	**14,763,598**	**630,277**	**30,103,292**
Year ended 31 December 2006						
Interest bearing loans and borrowings	-	-	211,665	357,925	342,113	911,703
Finance leases	-	2,187	2,281	4,280	-	8,748
Trade accounts payable	-	525,911	-	-	-	525,911
Other financial liabilities	-	351,055	18,875	-	-	369,930
	-	879,153	232,821	362,205	342,113	1,816,292

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

Capital management

The Group 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.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2007 and 31 December 2006.

Capital includes share capital, legal reserve, and retained earnings and is measured at QR 5,555,462,000 at 31 December 2007 (2006 : QR 4,656,412,000).

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of cash and cash equivalents, held for trading investments, available-for-sale investments and receivables. Financial liabilities consist of term loans and accounts payable. Derivative financial instruments consist of interest rate swaps and forward exchange contracts.

With the exception of unquoted available-for-sale equity investments amounting to QR 431,497,000 (2006 : QR 183,631,000) as disclosed in Note 17, the fair values of financial instruments are not materially different from their carrying values.

37. RELATED PARTY DISCLOSURES

Related party transactions
Related parties represent associated companies including Government and semi Government agencies, associate, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management.

Related party balances
Amounts due from related parties for services provided under ordinary course of business amounting to QR 132,000 (2006: QR 196,000) included under the caption "trade accounts receivable" in Note 21.

Transactions with Directors and other key management personnel
Key management personnel comprise the Board of Directors and key members of management having authority and responsibility of planning, directing and controlling the activities of the Group.

Directors remuneration of QR 10,700,000 was proposed for the year ended 31 December 2007(2006: QR 8,300,000). In addition, an amount of QR 720,000 (2006: QR 720,000) was provided to members of the Committees of the Board of Directors. The salaries and benefits related to key management personnel amounted to QR44, 444,000 (2006 : QR 13,610,000) and end of service benefits amounted to QR 22,758,000 (2006 : QR 1,441,000). The remuneration to the Board of Directors has been included under the caption "employees salaries and associated costs" in general and administration expenses.

38. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Classification of investment securities
On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "held for trading" if they are acquired primarily for the purpose of short term profit making. All other investments are classified as "available-for-sale".

Impairment of available-for-sale equity investments
The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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. For individually significant amounts this estimation is performed on an individual basis. Inventories which are not individually significant, but 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.

38. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable 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 past due, based on historical recovery rates.

39. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations have been allocated to individual cash generating units (CGUs) for impairment testing. Carrying amount of goodwill allocated to each of the CGUs are as follows:

Cash generating units	Carrying value QR'000
Kuwait	709,052
Algeria	2,513,273
Tunisia	2,430,377
Maldives	41,917
Saudi Arabia	3,773
Pakistan	60,169
Iraq	669,854
	6,428,415

The recoverable amount of the CGUs has been determined based on a value in use calculated using cash flow projections by senior management covering a period of five to ten years. The pre tax discount rate applied to cash flow projections ranges from 9.5% - 13% for individual CGUs and the cash flows beyond the 5 year period is extrapolated using a 2-3% growth rate that is the same as the long term average growth rate for telecommunications industry.

Key Assumptions used in Value in use calculations.

The calculations of value in use for the cash generating unit are most sensitive for the following assumptions.

a) Gross Margin
b) Discount rates
c) Growth rate estimates

Gross Margin
Gross margins are based on average values achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Discount rates
Discount rates reflect management's estimate of the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the yield on a ten-year US Treasury bond.

Growth rate estimates
Growth rate estimates are based on management's best estimates of the growth rates in the telecommunication industry.

40. SEGMENT INFORMATION

Business segments

The segment information is presented based on the Group's reporting structure and comprises of Wireless Services and Wireline Services and is disclosed after elimination of inter company transactions and balances.

Year ended	31 December 2007			31 December 2006		
	Wireless Services	Wire line Services	Total	Wireless Services	Wire line Services	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Revenue	9,054,355	1,319,075	10,373,430	3,032,453	1,387,984	4,420,437
Contribution	2,533,696	807,267	3,340,963	1,831,959	744,719	2,576,678
Unallocated costs			(1,261,769)			(479,177)
Other income			222,231			144,246
Share of result from an associate			92,237			(1,520)
Deferred tax income			91,968			3,698
Royalties			(607,637)			(597,509)
Profit for the year			1,877,993			1,646,416
Assets and liabilities						
Segment assets	40,588,212	849,647	41,437,859	2,038,159	818,048	2,856,207
Unallocated assets			5,825,733			4,945,745
Total assets			47,263,592			7,801,952
Segment liabilities	12,164,134	109,109	12,273,243	961,269	92,437	1,053,706
Unallocated liabilities			18,484,747			1,703,776
Total liabilities			30,757,990			2,757,482
Capital expenditure	6,292,770	165,313		562,822	296,791	
Depreciation	1,208,254	135,927		233,419	208,712	
Impairment on assets	-	-		1,241	-	

40. SEGMENT INFORMATION (continued)

Geographic segments
The Group provides telecommunication services in various countries. Segment information is disclosed after elimination of inter company transactions and balances.

	31 December 2007			31 December 2006		
	Qatar	Other countries	Total	Qatar	Other countries	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Revenue	4,447,330	5,926,100	10,373,430	3,950,788	469,649	4,420,437
General and administrative expenses	(1,484,283)	(3,058,231)	(4,542,514)	(1,262,952)	(307,373)	(1,570,325)
Other operating expenses	(487,054)	(2,270,877)	(2,757,931)	(509,039)	(223,832)	(732,871)
Finance costs	(790,930)	(202,861)	(993,791)	(658)	(19,082)	(19,740)
Operating Profit	1,685,063	394,131	2,079,194	2,178,139	(80,638)	2,097,501
Other Income	140,088	82,143	222,231	135,989	8,257	144,246
Share of results of associates	-	92,237	92,237	-	(1,520)	(1,520)
Deferred tax income	-	91,968	91,968	-	3,698	3,698
Royalties	(558,104)	(49,533)	(607,637)	(566,813)	(30,696)	(597,509)
Profit for the year	1,267,047	610,946	1,877,993	1,747,315	(100,899)	1,646,416
Assets and liabilities						
Non current assets	4,791,659	36,599,401	41,391,060	4,361,236	1,035,226	5,396,462
Current assets	2,764,463	3,108,069	5,872,532	2,202,769	202,721	2,405,490
Total assets	7,556,122	39,707,470	47,263,592	6,564,005	1,237,947	7,801,952
Current liabilities	2,543,951	7,052,479	9,596,430	1,660,158	305,155	1,965,313
Non current liabilities	18,394,007	2,767,553	21,161,560	136,681	655,188	791,869
Total liabilities	20,937,958	9,820,032	30,757,990	1,796,839	960,343	2,757,182
Capital expenditure	647,720	6,017,970	6,665,690	842,558	185,645	1,028,203
Depreciation and amortisation	434,802	1,410,076	1,844,878	403,537	99,400	502,937

41. SUMMARISED BALANCE SHEET AND INCOME STATEMENT OF THE PARENT COMPANY, QATAR TELECOM (QTEL) Q.S.C.

	2007 QR'000	2006 QR'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,718,949	2,506,088
Investment in subsidiaries	17,134,782	425,184
Investment in associates	101,827	101,827
Available-for-sale investments	1,977,002	1,736,106
Other financial assets	-	17,215
	21,932,560	4,786,420
Current assets		
Inventories	35,415	24,377
Accounts receivable and prepayments	3,166,465	843,241
Cash and cash equivalents	1,855,295	1,335,227
	5,057,175	2,202,845
TOTAL ASSETS	26,989,735	6,989,265
EQUITY AND LIABILITIES		
Capital and reserve		
Share capital	1,000,000	1,000,000
Legal reserve	1,000,000	888,761
Fair value reserve	616,052	334,370
Retained earnings	3,437,409	2,968,995
Total equity	6,053,461	5,192,126
Non-current liabilities		
Interest bearing loans and borrowings	18,231,072	-
Employee benefit liabilities	152,813	117,214
Other liabilities	200,035	19,467
	18,583,920	136,681
Current liabilities		
Accounts payable and accruals	1,089,352	981,670
Current account with State of Qatar	1,134,786	569,827
Deferred income	128,216	108,961
	2,352,354	1,660,458
Total liabilities	20,936,274	1,797,139
TOTAL EQUITY AND LIABILITIES	26,989,735	6,989,265

41. SUMMARISED BALANCE SHEET AND INCOME STATEMENT OF THE PARENT COMPANY, QATAR TELECOM (QTEL) Q.S.C. (continued)

	2007 QR'000	2006 QR'000
Revenue	**4,447,330**	3,950,788
Other income	**215,623**	135,989
General and administrative expenses	**(1,472,212)**	(1,262,952)
Other operating expenses	**(487,054)**	(509,039)
Finance costs	**(790,930)**	(658)
Royalties	**(558,104)**	(566,813)
PROFIT FOR THE YEAR	**1,354,653**	1,747,315
BASIC AND DILUTED EARNINGS PER SHARE	**13.55**	17.47
(expressed in QR per share)		

Let's Connect

P.O.Box 217, Doha, Qatar Email: investor@qtel.com.qa Website: www.qtel.com.qa