Enriching Lives

2011

Qtel Annual Report

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

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“Enriching people’s lives as a leading international communications company.”

Our Vision

Chairman's Message

Dear Shareholders,

On any journey, it is important to stop, take stock, and consider the distance travelled and the road ahead. In 2011, the Qtel Group took the opportunity to review our strategies for both Qatar and for our Group operations, and agreed on bold new approaches that we believe will deliver strong returns for our stakeholders.

This annual report outlines the successes and challenges we have faced in implementing these new strategies and highlights our confidence in our company's bright future.

Building Strong Foundations

Our regional and international operations continue to deliver value and excellent service for our customers, and we continue to focus investment where we believe it will deliver the strongest possible results.

Since 2005, with the launch of our Nawras operations in Oman, the Qtel Group has expanded its global footprint to seventeen countries through a series of prudent investments designed to support ongoing growth. Throughout this period, we have continued to analyse the possibility of increasing our shareholding in existing strategic assets and in 2011 we were successful in increasing our ownership stake in Tunisiana. With full control of the company and management, we believe we are in an even stronger position going forward.

The results of this prudent investment policy can be seen in the significant financial progress recorded in 2011. Consolidated revenue has increased by 16 percent to QAR 31.8 billion (FY2010: QAR 27.4 billion). In the same period, net profit attributable to shareholders now stands at QAR 2.6 billion (FY 2010: QAR 2.9 billion).

EBITDA performance in 2011 remained healthy, increasing 18.7 percent over the year to QAR 14.8 billion (FY 2010: QAR 12.5 billion). EBITDA margin also remained resilient during the period, standing at 47 percent (FY 2010: 46 percent).

Most importantly, we have continued to see the benefit of a diversified financial base, both in terms of markets – more than 82 percent of revenue came from outside Qatar – and business segments. This strategy of diversification will prove its worth as we continue to grow our operations.

Growing Our Operations

Across the Qtel Group, we have pursued competitive strategies to strengthen our market position, supported by a range of innovations designed to open new revenue streams and move the company into new areas.

As of 31 December 2011, the Group's consolidated customer base stood at 83.4 million (FY 2010: 74.1 million). Given the dominant trends in the communications sector, it is clear that Broadband is going to play an increasingly important role in the future, as customers spend more time using Broadband-based services. We are seeing usage grow across our markets, which we will endeavour to encourage in the months and years ahead.

Throughout the year, we have worked hard to ensure that operations across the Qtel Group continue to prepare to be Broadband-ready. At the same time, we have demonstrated that we can support Long Term Evolution (LTE) technology, with the launch of a new project in Qatar and already successful trials in Kuwait and Indonesia.

We believe that Broadband will provide a key platform for growth in the future and are taking the necessary steps to ensure we are in a leadership position. At the same time, the Group is driving operational and cost efficiency, productivity, and scale benefits to enable sustainable growth across all our activities.

Caring for the Communities We Serve

Of course, throughout this process of investment and growth, it is essential that we stay focused on our stakeholders, and in particular our customers and the communities we serve. Our vision is to enrich people's lives through our activities, and this year has demonstrated the positive impact that we can have around the world.

In 2011, I was privileged to see the launch of a new project to help the displaced people in Yogyakarta, Indonesia, following the devastating volcanic eruption of Mount Merapi. Qtel is constructing an entire village to enable displaced people to rebuild their lives in dignity. This is just one of the hundreds of projects that we support.

At home, we continue to invest in local talent. Nurturing a new generation of young Qatari leaders is a top priority, and we continue to support training and accelerated career development across our operations.

Dividends

As we have stated in 2010, the Board is committed to delivering the benefits of our growth to our shareholders, while balancing the need to invest in our business. Building on this, the Board of Directors is pleased to recommend to the General Assembly the distribution of a cash dividend of 30 percent of the nominal share value (QAR 3 per share) and bonus shares representing 30 percent of the issued share capital.

Capital Structure

The Board of Directors recommends to the General Assembly an increase of authorised share capital to QAR 5.0 billion.

Taking into account the long-term strategy of the company, the Board of Directors approved the issue of 40 percent rights (two shares for every five shares held, after the distribution of bonus shares) at a price of QAR 75 per share, which is subject to approval of the increase of authorised capital by the General Assembly and subject to receiving the relevant regulatory approvals.

The Board and Governance

We were delighted to welcome a number of outstanding new members to the Board this year. Representing the Government of Qatar, we were joined by Mr. Tami Hajar Ahmed Al Binali; Mr. Aziz Ahmad Fakhroo and Mr. Nasser Rashid Al Humaidi, while representing the Civil Pension Fund, we welcomed Mr. Turki Mohammed Al Khater. In addition, 2011 saw Mr. Ali Shareef Al Emadi take on the role of Deputy Chairman.

I would like to thank the departing Board Members for their contribution over so many years, and thank the Board for all their efforts during 2011. Our outgoing Deputy Chairman H.E. Sheikh Mohammed Bin Suhaim Al Thani; H.E. Dr. Abduallah Al Kubaisi; H.E. Saad Mohammed Al Rumaihi; and Mr. Abdallah Zaid Al Talib helped to lead the business to its leadership position in our industry, and we are truly grateful for their service.

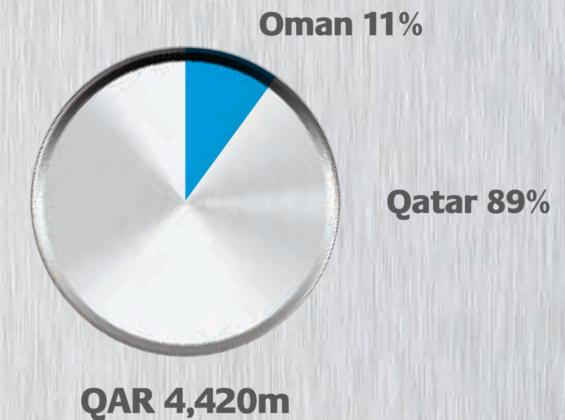
I will close by offering thanks again for the support and guidance of His Highness Sheikh Hamad Bin Khalifa Al Thani, the Emir of the State of Qatar, and His Highness Sheikh Tamim Bin Hamad Al Thani, the Heir Apparent.

The Qtel Group continues to record remarkable achievements, driven by the vision of our leaders and the constant support of our people. We continue to take bold steps on our remarkable journey, enabling us all to prepare for a brighter, better future.

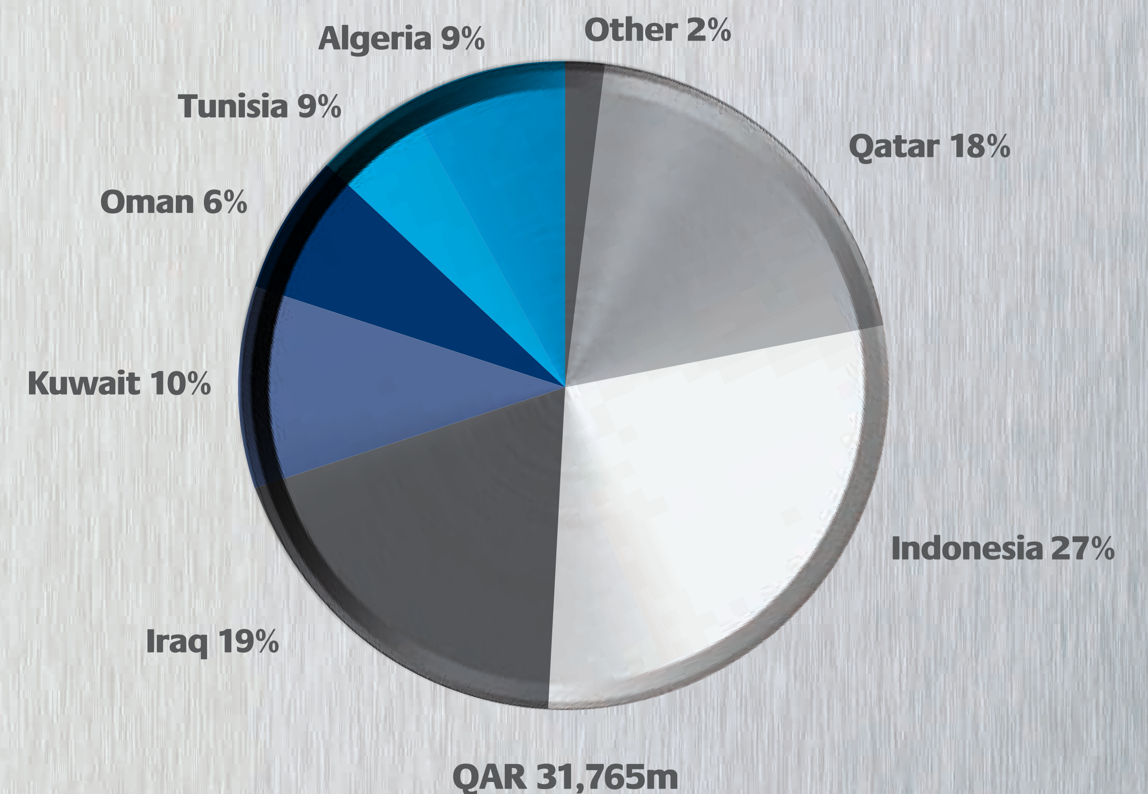
Abdullah Bin Mohammed Bin Saud Al Thani
Chairman
March 4, 2012

Qtel Group Evolution Revenue 2006-2011

2006



2011



Group CEO's Message

Dear Shareholders,

I am very pleased to be writing to you again in this year's Annual Report. I would like to start by thanking the Qtel Group Board of Directors, who empowered me this year to focus on creating our new strategy. For six months, I led a diverse team of Qtel Group leaders as we took a critical, in-depth look at our businesses and prepared our newly updated strategy to guide us over the next four years. That strategy has been approved by our Board of Directors. Our Chairman, His Excellency, Sheikh Abdullah, also supported me in keeping the team focused on realising our 2011 goals, while I worked with our leaders to create and communicate our new strategy.

Reviewing the progress we have made since we announced our 2020 vision, it is a source of satisfaction that we have surpassed many of the targets we set back in 2006. We targeted a customer base of 70 million customers by 2010 and we now have a consolidated customer base of 83.4 million. We aimed for revenue of more than US$ 7.0 billion – we delivered US$ 8.7 billion by the end of 2011. We aimed to diversify our portfolio, and now more than 82 percent of revenue comes from outside of our home market. For the past few years, the Qtel Group has set itself further apart from other operators by the speed of its growth and, at the same time, we believe that we have found a healthy balance in terms of geography and businesses.

However, the industry has changed significantly since 2006. Growth is slowing even in the most dynamic markets. Apart from new entrants and increasing competition, the new growth in our sector is now being driven by smartphones, tablets and the converged applications they make possible. Although demand for data has exploded in recent years, our industry has as yet only partially been able to monetise it.

Recognising the significance of these challenges – as well as the opportunities that are available for companies that proactively address them – we have revised our strategy and have implemented the organisational changes necessary to position us as frontrunners in our key businesses. To deliver the services that our customers want, and to do it better than our competitors, we have defined a strategy articulated around three themes:

- Differentiate on Customer Experience

  We love our customers. They are the reason we are in business, and we are grateful every time they choose Qtel Group products, services and solutions. To give them an inspiring customer experience and service, we need to know our customers better than anyone else and embrace a customer-centric mindset and culture. We will be having a fresh, bottom-up look at our operating companies to ensure that we deliver on our promises.

Our Targets Set in 2006 Have Been Exceeded

	2010		2011
	Targets Set in 2006	Actuals	Actuals
Total Customers	> 70.0 million	74.1 million	83.4 million
Number of Markets	15	17	17
Revenue	> US$ 7.0 billion	US$ 7.5 billion	US$ 8.7 billion
EBITDA	> US$ 2.8 billion	US$ 3.4 billion	US$ 4.1 billion

- Strengthen Our Foundations

  The trend toward slower sector growth simply reminds us of the ever-present need to improve the productivity of our staff and our capital resources. Now more than ever, we are making sure that every investment in people and equipment translates into better business performance.

- Invest in New Growth

  Extending our growth path requires us to look beyond our current sources of revenue. We are committed to making the most of the known adjacent opportunities such as fibre and business-to-business. Looking even further into the future, we aim to invest in new technologies and businesses collaboratively with partners to seed further growth.

These strategic orientations are being accompanied by changes in our organisation. In addition to strengthening and expanding our leadership team, we have integrated the senior executives of our businesses much more deeply in defining and executing Group-wide initiatives. We expect this will reduce false starts and deployment risks as we target the synergies and economies of scale that are only available to a fully integrated group of companies.

These changes are being accompanied by measures to promote leadership and the culture of performance necessary to manage an increasing level of business complexity, as well as ensuring that our new and smaller businesses are provided with space and support to grow and develop.

This is all very ambitious, but our determination to make the changes required to serve our stakeholders is founded on our common corporate values, which drive our performance: service, ethics, vision, a determination to make a difference, corporate governance and responsibility, identity and culture. Our values guide us in the effort to fulfil the commitments that we have made to our shareholders, our customers, our employees and to the communities in which we live.

Delivering for our Shareholders

Ultimately, we believe that the decisions taken in 2011 will position the Qtel Group to deliver a “quadruple win” in the years ahead: to our customers - the benefits of exciting and innovative services; for our shareholders - sustainable and superior returns; for our staff - challenging and rewarding careers; and to the communities where we work - social and economic benefits. It’s a tall order, but we are prepared for this new phase, where our strategy will be measured by success in execution.

On behalf of the Board of Directors of the Qtel Group, I thank you for the trust you have placed in the company, and I encourage you to continue to maintain trust in our exciting future, as it opens new and promising opportunities for growth and profits.

Dr. Nasser Marafih
Group CEO
March 4, 2012

Financial Review

Financial Review

The Qtel Group showed solid consolidated performance throughout 2011. During the year, the Group achieved consolidated group revenue of QAR 31.8 billion, representing year-on-year growth of 16 percent. The company reported a healthy net profit attributable to Qtel shareholders of QAR 2.6 billion, representing 11.6 percent year-on-year growth - after normalisation for a one-off favourable decision in the Royalty regime in Qatar in 2010.

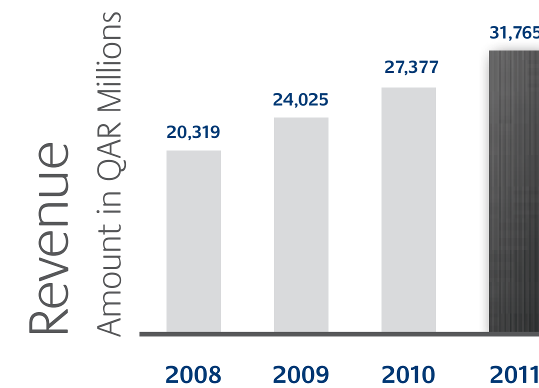
Driving this success was our clear focus on value-generation across our operations. In particular, we are increasingly leveraging our presence across regional markets – around 82 percent of total revenue for Qtel Group now comes from international operations.

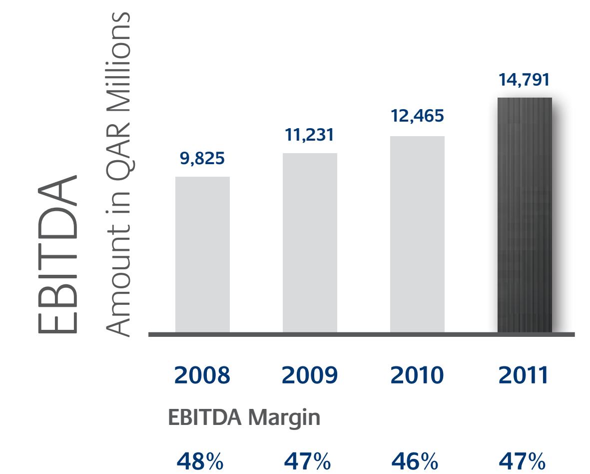
2011 Financial and Operating Highlights

QAR millions (except per share amounts)	2011	2010	% change 2010 to 2011	2009	% change 2009 to 2011
Operations					
Revenue	31,765	27,377	16%	24,025	32%
EBITDA	14,791	12,465	19%	11,231	32%
EBITDA margin	47%	46%	-	47%	-
Net profit attributable to Qtel shareholders[1]	2,606	2,888	-10%	2,825	-8%
Earnings per share (EPS) - basic and diluted[2]	14.80	16.41	-10%	19.26	-23%
Dividend declared per share	3.00	5.00	-40%	7.00	-57%
Dividend payout ratio[3]	41%	36%	-	36%	-
Operational cash flow	7,937	10,195	-22%	9,968	-20%
Capital expenditures	6,575	6,942	-5%	8,393	-22%
Financial Position					
Total net assets	39,393	34,227	15%	29,454	34%
Net debt[4]	27,268	22,740	20%	25,685	6%
Net debt to EBITDA	1.88	1.84	2%	2.25	-16%
Free cash flow[5]	4,894	3,380	45%	237	1965%
Market capitalisation	24,781	31,451	-21%	21,281	16%
Customers					
Wireless postpaid[6] (000's)	2,957	2,727	8%	3,161	-6%
Wireless prepaid (000's)	79,584	70,422	13%	56,316	41%
Fixed line[7] (000's)	811	991	-18%	924	-12%
Total Customers (000's)	**83,352**	**74,140**	**12%**	**60,401**	**38%**

Notes:

1) Net Profit Attributable to Shareholders in 2010 was positively impacted in Q1 2010 by a one-0ff favourable decision on the royalty regime in Qatar (QAR 554 million) that included the periods 2007-2009
2) Earnings per share have been adjusted as a result of the issuance of 20 percent bonus shares in 2011
3) Dividend Payout Ratio = (Cash dividend + bonus) / Net profit to Qtel shareholder
4) Net Debt = Total interest bearing loans and borrowings + contingent liabilities (letters of guarantee + letters of credit + finance lease) + vendor financing less cash (net of restricted cash and below BBB+ rating)
5) Free cash flow = Net profit plus depreciation and amortization less capex; Capex excludes license fee obligations; Net profit adjusted for extraordinary items
6) Includes wireless broadband
7) Includes fixed wireless

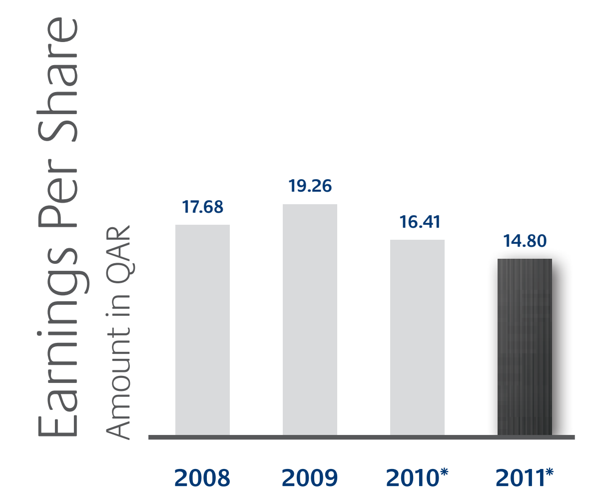




EBITDA Margin

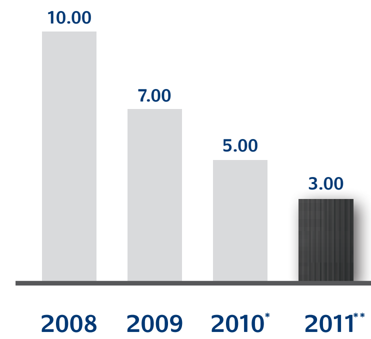
48% 47% 46% 47%

Note:
Net Profit Attributable to Shareholders in 2010 was positively impacted in Q1 2010 by a one-off favourable decision on the royalty regime in Qatar (QAR 554 million) that included the periods 2007-2009



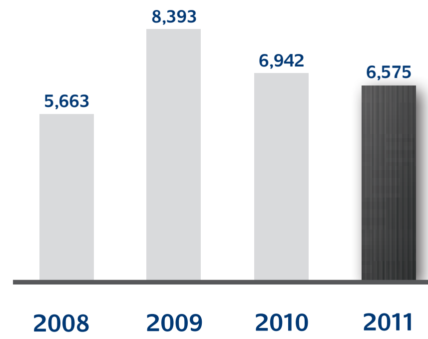
* Earnings per share have been adjusted as a result of the issuance of 20 percent bonus shares in 2011

Cash Dividend Per Share
Amount in QAR



* 2010 + 20% Bonus Shares
** 2011 + 30% Bonus Shares (recommended)

Capital Expenditures*
Amount in QAR Millions

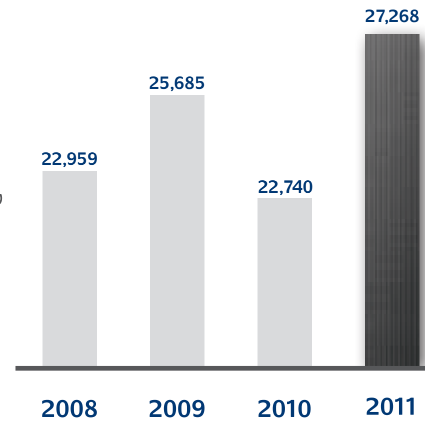


Capital Expenditure/Revenue

2008	2009	2010	2011
28%	35%	26%	21%

* Does not include Intangibles

Net Debt*
Amount in QAR Millions

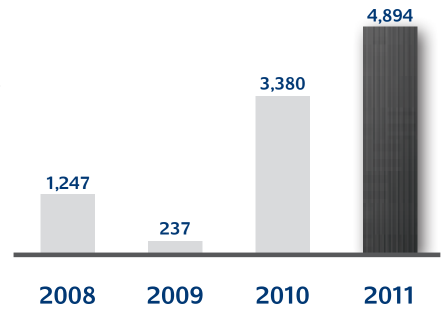


Net Debt/ EBITDA

2008	2009	2010	2011
2.05	2.25	1.84	1.88

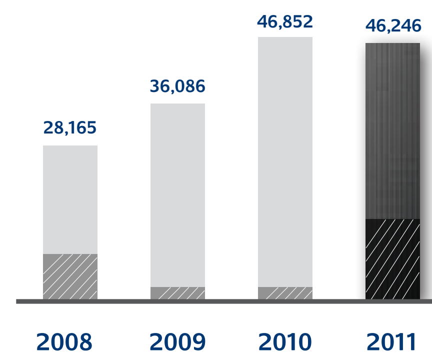
*Net Debt = Total interest bearing loans and borrowings + contingent liabilities (letters of guarantee + letters of credit + finance lease) + vendor financing less cash (net of restricted cash and below BBB+ rating)

Free Cash Flow*
Amount in QAR Millions



*Free cash flow = Net profit plus depreciation and amortisation less capex; Capex excludes license fee; Net profit adjusted for extraordinary items

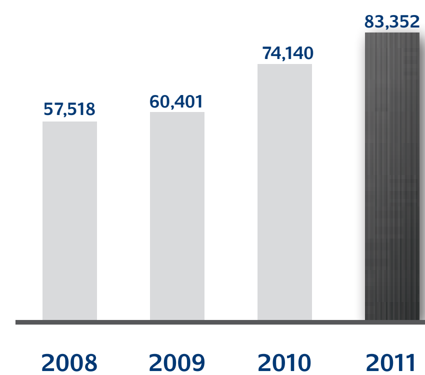
Total Group Debt
Amount in QAR Millions



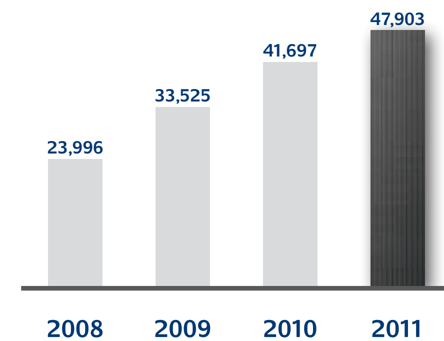
Long term   Short term*

* Short term debt includes debt with a maturity of less than twelve months

Total Customers
As of December 31 in Thousands



Proportional Customers
As of December 31 in Thousands



Meet the Board of Directors

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani
Chairman

Qtel's Chairman of the Board of Directors since July 2000, His Excellency has held several high profile positions in Qatar, including the Chief of the Royal Court (Amiri Diwan) from 2000 to 2005. He has a diverse background in both the Military and Aviation fields and was previously a Member of the Planning Council in Qatar. He sits on the Board of a number of leading telecommunications companies. His Excellency's wide experience in and knowledge of the fields of administration and government enrich the Board considerably.

Ali Shareef Al Emadi

Deputy Chairman

Mr. Al Emadi joined the Board in March 1999. He is currently the Group Chief Executive of Qatar National Bank and enriches the Board with his significant experience and knowledge in the fields of finance and banking.

H.E. Mohammed Bin Issa Al Mohannadi

His Excellency joined the Board in July 2000. He currently serves on the Boards of a number of Qatari companies and has held many prominent positions, including previous roles as Chief Financial Officer of the Royal Court (Amiri Diwan) and State Minister. His Excellency's considerable experience in and knowledge of administration, finance and government are greatly beneficial to the Board.

Turki Mohammed Al Khater

Mr. Al Khater, who joined the Board in 2011, is the President of General Retirement and Social Insurance Authority, Chairman of Dlala Holding, Board Member of Masraf Al Rayan, and a Board Member of Al Ahli United Bank in Bahrain. He has previously held the position of the Managing Director and Undersecretary of Health Ministry of Hamad Medical Corporation, and brings significant experience in business and finance to the Board.

Hareb Masoud Al Darmaki

Mr. Al Darmaki joined Qtel's Board in March 1999. He is currently the Executive Director of Private Equity, Abu Dhabi Investment Authority, and a Board Member of several leading financial institutions in the United Arab Emirates. His strengths in the fields of economics, investment and finance greatly augment the insights of the Board.

Nasser Rashid Al-Humaidi

Mr. Al-Humaidi, who joined the Board in 2011, is Executive Director – Operations & Support of Qatar Development Bank and IT Director of Qatari Diar. Prior to his current positions, he led various management and business technologies roles in multi-industry sectors including utilities, telecom, oil & gas, real estate and banking and contributed to national steering committees. This diverse background brings a wealth of experience that will contribute significantly to the Qtel Board.

Hamad Abdullah Al Shamsi

Mr. Al Shamsi joined the Board in March 1999. He is CEO of International Capital Trading, United Arab Emirates, and a Board Member of several prominent Emirati financial corporations, bringing considerable experience in the fields of economics and finance to the Board.

Aziz Aluthman Fakhroo

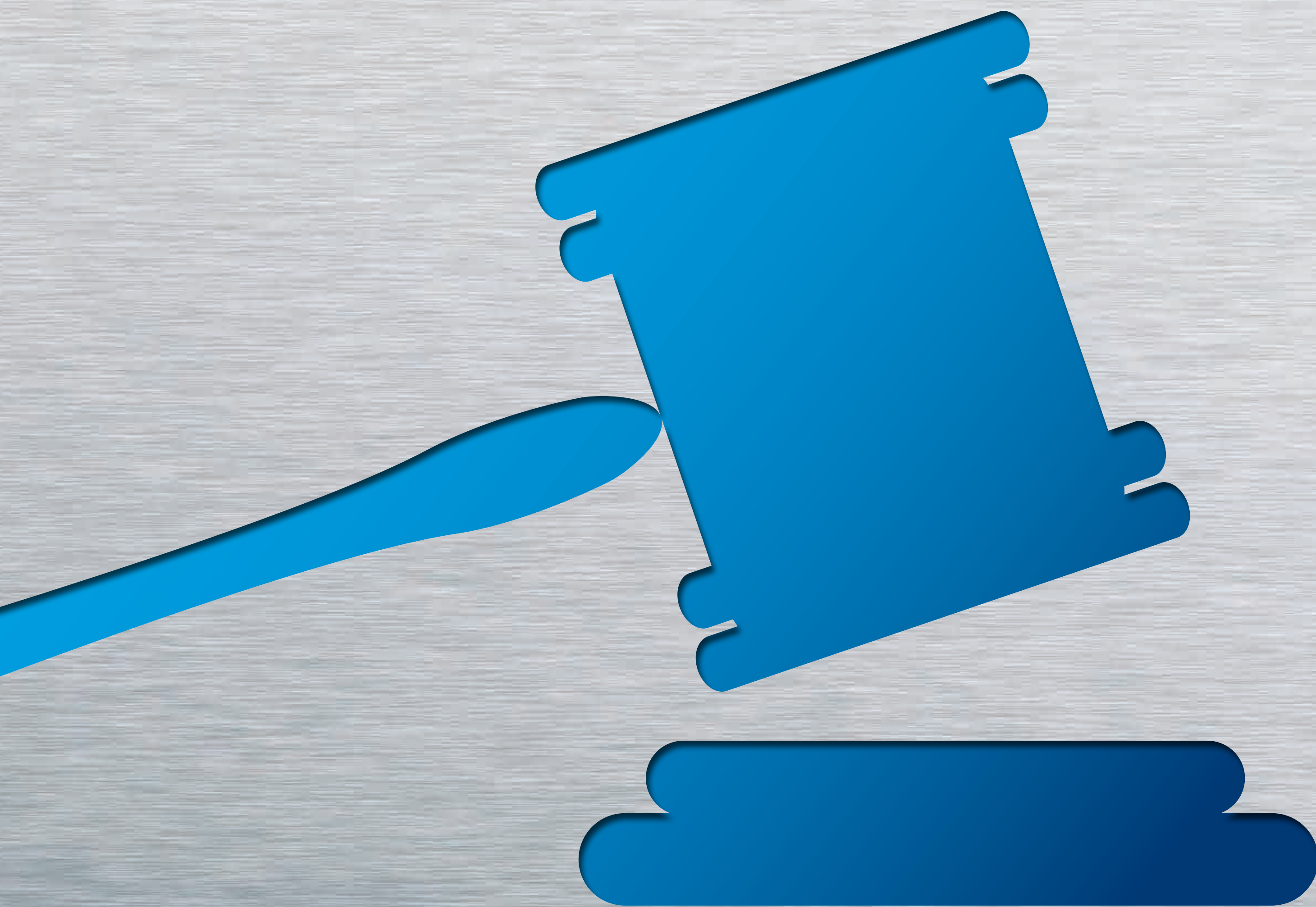
Mr. Fakhroo, who joined the Board in 2011, is an Associate Director in the Mergers and Acquisitions Department of Qatar Holding LLC, the strategic and direct investments arm of the Qatar Investment Authority, where he has been instrumental in the execution of key investments. He currently represents Qatar Holding on the Boards of United Arab Shipping Company and Knowledge Universe, and was previously founder and CEO of Idealys. He brings a strong business background and deep understanding of technology to the Board.

Hamad Saeed Al Badi

Mr. Al Badi joined the Board in March 2007. He holds the position of Assistant Director, International Equities, Abu Dhabi Investment Authority, and is a noted expert in the fields of finance and investment.

Tami Hajar Ahmed Al-Binali

Mr. Al-Binali joined the Board in 2011. He is currently Director of the Executive Office of the Qatar Investment Authority, following earlier roles on the Supreme Council for Economic Affairs and Investment, and Qatar Petroleum. He brings strong strategic insight and analytical ability to the Board.



Corporate Governance Report

The Board of Directors and senior executives are entrusted with overseeing and managing the Qtel Group, and this important responsibility requires commitment, objectivity and accountability from those in leadership positions.

Our objective is to implement the highest governance principles and ethics in the company. We implement the best practices in accordance with the requirements of stock markets on which Qtel is listed.

We assure our shareholders that the principles and policies of governance we implement are the basis for each decision we issue and each procedure implemented at the Qtel Group level.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman of the Board

Qtel Values and Corporate Governance

Qtel's Board and management believe that good corporate governance practices contribute to the creation, maintenance and increase of shareholder value. Sound corporate governance principles are the foundation upon which the trust of investors is built and are critical to growing a company's reputation for its dedication to both excellence and integrity.

As Qtel continues its rapid growth and global expansion, it is particularly important to demonstrate to its new shareholders, customers, employees and communities the same high level of commitment and good corporate citizenship that have earned it a strong reputation in Qatar.

Qtel aims to be a leader in corporate governance and ethical business conduct by maintaining best practices, transparency and accountability to its stakeholders. This includes a commitment to the highest standards of corporate governance by reviewing, on an ongoing basis, the governance structures and practices in place to ensure their effectiveness and consistency with local and international developments.

Role of the Board of Directors

The primary role of the Board of Directors is to provide institutional leadership to the Company within a framework of prudent and effective controls enabling risk to be assessed and managed. This role has been fully illustrated through the articles of associations of the Group companies and Corporate Governance Manual in addition to Commercial Companies Law No. (5) for 2002.

The Board of Directors has the power and full authority to manage Qtel Qatar and Qtel Group and to pursue the primary objective of creating value for shareholders, with consideration given to the continuity of the Group's business and the achievement of its corporate objectives. As Qtel QSC is both the parent company of the Qtel Group and an operating company in the State of Qatar, its Board of Directors has a dual role.

Within this framework, the Board of Directors undertakes major responsibilities and duties, among them:

Vision and Strategy: Includes determining and refining the Group's vision and objectives, which are the foundation for all the actions and decisions of the Board and management.

Management Oversight: Includes appointing, establishing the duties and powers of, and assessing the performance of and determining the remuneration of the CEO and other key officers of the Qtel Group, and the nomination of its Chairman and Board members.

Financial and Investment: Includes reviewing and approving reports, accounts and overseeing the Group's financial positions.

Governance and Compliance: Includes preparing and adopting the corporate governance rules for Qtel and establishing the guidelines for the governance of the Group.

Communications with Stakeholders: Includes overseeing shareholder reporting and communications.

The Board of Directors are also responsible for disclosure of information to shareholders of Qtel in an accurate and timely manner. All shareholders have access to information related to the company and its board members and their qualifications. The company also updates its website with all company news from time to time, in addition to including that information in the annual report presented to the general assembly.

Regular disclosures are made to stock markets in Qatar and Abu Dhabi, where Qtel's shares are listed, as well as the stock market in London where Qtel has a Global Depositary Receipt (GDR) programme, by means of quarterly reports and complete annual financial statements, all of which reflect Qtel's commitment to terms and conditions of relating stock markets.

Board Members

The following are the names of the members of Qtel's Board of Directors:

1	H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani	Chairman
2	Mr. Ali Shareef Al Emadi	Deputy Chairman
3	H.E. Mohammed Bin Isa Al Mohannadi	Director
4	Mr. Aziz Aluthman Fakhroo	Director
5	Mr. Nasser Rashid Al Humaidi	Director
6	Mr. Turki Mohammed Al Khater	Director
7	Mr. Tami Hajar Ahmed Al Binali	Director
8	Mr. Hareb Masoud Al Darmaki	Director
9	Mr. Hamad Abdullah Al Shamsi	Director
10	Mr. Hamad Saeed Al Badi	Director

Board Meetings

Over the past years, the company has been holding no fewer than six (6) board meetings on a regular basis in the company's fiscal year, in accordance with Article (103) of Commercial Companies Law No. (5) for 2002. It is worth mentioning in this context that the Board of Directors held nine (9) meetings in 2011.

In accordance with Qtel's Corporate Governance Manual, the Board undertakes an annual evaluation of its own performance. As for the senior executive management, evaluation is undertaken using Target Score Cards at the company level, then at the level of the major sectors of the company.

Composition of the Board

The Board of Directors consists of 10 non-executive members, five of whom, including the chairman, shall be appointed by the state of Qatar. The other five Board members are elected by secret ballot of the general assembly. Only shareholders owning at least one percent (1%) of the company's capital may nominate candidates for these board positions. A board member's term is four years and may be renewed.

Article (41) of the Articles of Association provides that shareholders holding no less than 1/10 of the capital have the right to call for a general assembly meeting, also shareholders owning at least one percent (1%) of the company's capital may nominate candidates for board positions.

The Company pursues separation between positions where H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani is the Chairman, Sheikh Saud Bin Nasser Bin Faleh Al Thani is the CEO of Qtel QSC, with responsibility for Qtel's business in Qatar, and Dr. Nasser Marafih is the CEO of Qtel Group, overseeing all of the Group's business at a headquarters level.

The Board conducts an annual evaluation for its performance and its committees, and based on some requirements, development programmes are built per Board member. In case of real deficiency in the performance of a Board member not solved at the appropriate time, the Board may take the appropriate action in accordance with Law and Corporate Governance principles. In addition, the performance of the Executive Management is reviewed annually based on an institutional evaluation card and a business sector evaluation card.

The Board also has a policy that ensures the accuracy and correctness of the reports on any illegal actions related to employees and general performance measures which are clarified in Qtel's Code of Business Conduct and Ethics, demonstrating the Company's commitment to high ethical standards and the protection of shareholder investment.

Board Activities in 2011

In 2011, Qtel's Board of Directors achieved a number of major governance goals and supervised the implementation of a number of successful key initiatives including the following:

- Adoption of Enterprise Risk Management implemented at the Group level
- Adoption of a number of technical resolutions related to investment opportunities
- Completion of restructuring Board Committees
- Preparation of a report to Qatar Financial Center Authority on compliance with the corporate governance system for listed companies, and appointing an officer responsible for compliance with corporate governance measures in Qtel and its Group.

Role of Board Committees

In order to make the decision-making process more efficient and to support the vision relating to corporate governance, in 2011, the Qtel Board restructured its committees to become three main committees, which are the Executive Committee, Audit Committee, and Nomination and Remuneration Committee.

Each Committee is composed of at least four members appointed by the Board, taking into consideration the background and qualifications of each member. The Board may replace any of the committees' members at any time.

Each of the Board Committees works in accordance with a written charter that clarifies its responsibilities and authorities. The table below illustrates the composition of each of the Board committees:

Committee	Name of Board Member	Position
Executive Committee	H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani	Chairman
	Mr. Ali Shareef Al Emadi	Vice Chairman
	H.E. Mohammed Bin Isa Al Mohannadi	Member
	Mr. Hareb Masoud Al Darmaki	Member
Audit Committee	Mr. Turki Mohammed Al Khater	Chairman
	Mr. Nasser Rashid Al Humaidi	Vice Chairman
	Mr. Aziz Aluthman Fakhroo	Member
	Mr. Hamad Said Al Badi	Member
	Mr. Tami Hajar Ahmed Al Binali	Member
Nomination and Remuneration Committee	H.E. Mohammed Bin Isa Al Mohannadi	Chairman
	Mr. Turki Mohammed Al Khater	Vice Chairman
	Mr. Nasser Rashid Al Humaidi	Member
	Mr. Tami Hajar Ahmed Al Binali	Member

Executive Committee

The Committee aims at ensuring that the decision-making process at the highest levels takes place to achieve the company's objectives in a flexible and timely manner in accordance with the authorities delegated to the Committee by the Board of Directors.

The Committee is also responsible for studying issues that need detailed and in-depth review before presenting to the Board for final decision. It also oversees Qtel's strategy and method deployed for adopting financial and strategic investments.

In 2011, the Committee completed a number of major works including:

- Reviewed recommendations relating to the tendering process and issued appropriate resolutions in that regard.
- Reviewed the process of writing off the value of fixed assets and inventory which are subject to that, and took appropriate decisions.
- The Committee held four meetings in 2011.

Audit Committee

The Committee assists the Qtel Board in the oversight of the integrity of the company's financial statements. It also provides consultancy to the Board regarding the efficiency and adequecy of the internal audit system and arrangements as to risk managment. The Committee is also responsible for ensuring the independancy and objectivity of the internal and external audit functions.

The Committee also reviews the annual internal audit and auditor's reports and prepares reports on issues arising from auditing of the company and its subsidiaries including the management's responses, level of cooperation during auditing and providing information during auditing, and the report on feasibility of audit compared to its cost. The Committee also sets up means and communication channels between the executive management and internal and external auditors.

In 2011, the Committee completed a number of major works including:

- Reviewed the annual and quarterly internal audit reports.
- Reviewed the annual internal audit plan.
- Reviewed all financial statements before submitting same to the Board.
- Supported management in studying major risks and audit plans.
- Held six meetings in 2011.

Nomination and Remuneration Committee

The Committee assists the Board in executing its responsibilities in regards to nominating and appointing Board members to the Board of Directors and the Boards of its subsidiaries, and determining the compensation of the Chairman, Board members, senior executive management and employees, and assesses the work of the Board.

In 2011, the Committee completed a number of major works including:

- Reviewed its charter and approved its terms of reference and powers.
- Approved the terms relating to appointing members to the Board.
- Reviewed and approved numerous appointments to the Boards and management of subsidiary companies.
- Held four meetings in 2011.

Corporate Governance Department and Governance Committee

The Corporate Governance Department was established in 2008 and it is responsible for assisting the management and Board in ensuring the efficiency and implementation of corporate governance policies and practices in Qtel and its Group.

To ensure continuous monitoring and following up of issues and policies of corporate governance, the Corporate Governance Committee was established by Qtel Group Legal Counsel, and is composed of two members from Qtel Group Legal Department, Qtel Board Secretary, Qtel Qatar Legal Counsel, Qtel Director of Internal Audit, Qtel Group CFO, and Qtel Qatar Director of Investor Relations, who is responsible for the implementation of rules and regulations.

In 2011, the Corporate Governance Department completed a number of major works including:

- Reviewed, developed and published Corporate Governance Manuals of Qtel subsidiaries.
- Drafted employee training programme on adherence to ethics, and organised a group of courses and workshops on compliance to ethics in Qtel and followed up implementation of the same at Qtel Group level.
- Drafted a training programme for Qtel representatives appointed to the Board of Directors of subsidiary companies.
- Assisted the Board in the annual evaluation and evaluated compliance with Business Conduct and Ethics.

Internal Audit Objectives and Activities

Qtel's Internal Audit Department provides independent and objective consultancy services drafted in a way that contributes to adding more value and improving Qtel's processes. These tasks are performed under the supervision of the Audit Committee. There are clear instructions from the Board, Audit Committee, and executive management to all units to work in accordance with external and internal audit systems and to respond to any issue or topic raised by auditors.

In 2011, the Audit Committee completed a number of major works including:

- Performed audit in the fields of transactions, IT and technical activities of the Company in accordance with the adopted annual plan for 2010.
- Contributed to the development of policies and systems in partnership with management.
- Provided support and assistance in establishing Audit Committee and defining the internal audit functions.
- Acted as a coordinator between the external auditors, government audit bureau and management.
- Supported internal audit functions in Qtel subsidiaries.
- Hosted the first forum for internal audit of Qtel Group.

To ensure transparency and credibility, an investigation is held to look into any matters that draw the attention of the internal auditor, external auditor or finance team separately based on the nature of those issues.

Within this framework, the process of monitoring and supervision at the Group level draws together information from separate reporting lines involving strategy and financial control in a full review in each of the operations. This is done according to a regular cycle of visits and meetings of the executive management of the group with the executive managements of subsidiaries supported by a specific schedule for reports on internal performance. This detailed inspection of the performance of each subsidiary is considered a primary source of information provided to shareholders through quarterly or annual reports.

In addition, the Group reviews and comments on the decisions and actions of the Boards of Directors and audit committees of each subsidiary. Control and surveillance measures vary in each subsidiary in a manner that reflects the delegation of powers to its Board of Directors and executive management of each of the companies, yet, all companies at the Group level are required to abide by their rules of governance. The process of unification of the above mentioned charters of Audit Committees ensures that overseeing the system of internal control is delegated to Audit Committees in line with international best practices.

Risk Management and Internal Control

Qtel has established a system of overseeing, managing and controlling internal risks in order to protect the company's investments and operations inside and outside Qatar. This system is designed to:

- Identify, assess, monitor and manage risks.
- Inform The Qtel Board of material changes to Qtel's risk profile.

The Board is responsible for establishing the risk management system and for reviewing the effectiveness of its implementation in Qtel and its Group. Management is responsible for systematically identifying, assessing, monitoring and managing material risks throughout the organisation. This system includes the company's internal compliance and control systems.

In addition, the company has tight control and well-established systems that control its transactions and relationships with related parties.

Qtel Group implements a risk management policy at Group level, which calls for the Group's Board of Directors, supported by the Audit Committee and the Internal Audit Department, to review annually all risks that Qtel and its subsidiaries might face. Identifying risks that might face any of the subsidiaries is the responsibility of its executive management and employees. Once identified, Group's risk management staff examines and audits those risks and determines ways to treat them.

In undertaking the above, the Internal Audit Department provides support to risk management in the Group. The risk-pooling and actions planned to be taken to mitigate the effects of risks are mentioned in the existing procedures for the annual strategic planning of the Group. Measures for identifying and managing risks vary between subsidiaries; yet, these measures are now in the process of standardisation, starting with reviewing and amending Audit Committee charters in subsidiaries to ensure that Audit Committees are permanently assigned to oversee the risk management in Qtel's subsidiaries.

High level financial measurements are collected at Group level according to the recurring timetables, which might be monthly, quarterly, or yearly, depending on the details of these measurements. These measurements provide an indication as to the risks faced by each subsidiary, with special attention to issues of cash and funding needs as well as the degree of endurance to be able to deal with the unexpected. The company is currently working on updating the methods adopted in order to be able to collect more detailed data relating to risk management on an ongoing basis.

The Internal Audit Department works on analysing risk management efficiency in Qtel, in addition to internal compliance and control systems and their efficiency as well. No breaches were reported in 2011 by the Internal Auditor.

In 2011, Audit Management completed a number of major works including:

- Completed a project led by an external company to identify risks in Qtel.
- Established an Enterprise Risk Management (ERM) policy to control the risks that the Company faced and had the Board adopt the same.
- Work is currently progressing to establish ERM function to control risks and implement the policy relating to risks facing the Company.

Company's Adherence to Internal and External Audit Systems

The Company appointed an External Auditor and is working on adherence to internal and external audit systems. There are decisions and clear instructions from the Board of Directors, Audit Committee and senior executive management that emphasise the necessity that all sectors and departments of the Company adhere to internal and external audit, and deal with all cases identified by the auditors.

With regard to technical and accounting reports, there are some observations which are contained in the reports of the Internal Auditor, External Auditor and the Audit Bureau and they are being dealt with in the appropriate manner for each.

Also, the Company has a policy to ensure staff protection and confidentiality in the event they report any suspicious transactions. This policy is contained in the Code of Ethics and Business Conduct.

Availability of Information

The Company guarantees all shareholders the right to review all relevant information and disclosures through publishing the same on its website and making available annual reports to all shareholders, further providing information relating to Board members and their qualifications. In Article (48) of the Company's Articles of Association, the rights of minority shareholders have been implicitly provided for "resolutions of the General Assembly issued in accordance with the Company's Articles shall be binding to all including the absent ones, offenders in the opinion, incompetent or under-capacity".

Dividend Policy

Distribution of dividends is recommended by the Board of Directors and decided in the Company's Ordinary General Assembly meeting, under Article (53) of the Company's Articles of Association.

Finally, we would like to point out that, in 2011, the Company has performed many tasks and duties, including the first phase of the Qtel Fibre project in Qatar, which targets connecting homes with high-speed fibre in the next three years. Also, Mobile Money services have been launched, through which Qtel aims to provide banking services through mobile phones, including money transfer, payment through mobile, and recharge telephone services.

In addition, Qtel signed an agreement which provides for a station to receive the cable Gulf Bridge International (GBI) in Qatar, through which Qatar will be linked with the cables system, and the system will link all Gulf region countries to each other, and will also provide a link to Europe and Asia.

This report was prepared by the Qtel Group's Legal Department, Investor Relations Department, and Compliance Officer in the Company, after coordination with all competent authorities in the Company, and by reference to all sources of information including the Articles of Association and Corporate Governance Manual.

Qtel Group Executive Management

Dr. Nasser Marafih
Group Chief Executive Officer

Mohanna Al Nuaimi
Group Chief
Human Resources Officer

Ajay Bahri
Group Chief
Financial Officer

Jeremy Sell
Group Chief
Strategy Officer

Paul Salmon
Group Chief
Operating Officer (A)

Michael Hancock
Group General Counsel

Our Strategy

Our vision and the effectiveness of our performance have made us a telecommunications industry leader in terms of size, pace of growth and results, as well as market value and shareholder returns. As we continue to grow, our ambition remains to be a leading international communications company. To achieve this vision, and ensure long-term value creation, we are going to dedicate our resources to three major priorities:

- To provide our customers with the best service experience. This will be achieved by improving customer support and service, along with enhancing our understanding of customer expectations in order to meet their needs with segmented offerings that deliver added value.
- To continue to strengthen our foundations by transforming our operating model to become increasingly integrated, efficient and effective. We will focus on improving productivity and operational excellence – both in our day-to-day operations and in our capital investments.
- To extend our extraordinary growth path by looking beyond our current sources of revenue. We are committed to making the most of known adjacent opportunities such as fibre and business-to-business (B2B). We will encourage both in-house and third party innovation as the key to building our domain in the new digital environment, with the intent to capitalise on these new growth opportunities.

Key Moments in 2011

A Successful Year

A major part of the Qtel Group vision is to enrich the lives of our stakeholders through our work as an international communications company. In 2011, our people lived up to this promise, and found new ways to add value and generate excitement for our customers and across our global footprint.

In particular, Qtel Group employees demonstrated willingness to go the extra mile for our customers, whether it was providing help in times of need, or launching new innovative services to inspire and delight.

January

The Qtel Group Increases its Stake in Tunisiana to 75 percent

On 4 January 2011, Qtel successfully increased its Wataniya stake in Tunisiana from 50 percent to 75 percent. Launched in 2002, Tunisiana has subsequently established itself as the market-leading communications company in Tunisia.

Wataniya Mobile Palestine Begins Trading on the Palestine Exchange

Wataniya Palestine celebrated its first day of trading on the Palestine Exchange ("PEX") on 9 January 2011, following the successful completion of Wataniya Mobile's Initial Public Offering, which was the largest IPO in Palestine for 10 years.

Tunisiana Supports its Customers

During the tumultuous period that began 2011, call volumes soared. However, due to business closures, it was more difficult for customers to purchase additional credit. Recognising the urgency of keeping people connected, and working around the clock to make it happen, Tunisiana provided free credit to its prepaid customers during this period, ensuring they could stay in contact with loved ones.

February

The Qtel Group Introduces Mobile Health Services

The Qtel Group launched a strategic partnership with The Mobile Health Company to offer “mHealth” (mobile health) services across the Middle East, North Africa and Asia. Subsequently rolled out in the Qtel Group markets of Kuwait and Iraq in November 2011, the partnership provides the basis to deploy the latest technology to educate customers and by offering health information via mobile phones.

March

New Members Join the Qtel Board

On 27 March 2011, the Qtel Group welcomed four new members to its Board. Representing the Government of Qatar were Mr. Tami Hajar Ahmed Al Binali; Mr. Aziz Ahmad Fakhroo; and Mr. Nasser Rashid Al Humaidi, while representing the Civil Pension Fund was Mr. Turki Mohammed Al Khater. In addition, Mr. Ali Shareef Al Emadi undertook the role of Deputy Chairman.

June

Qtel Group Management Changes Ensure Focus on New Strategy

On 8 June 2011, significant management changes were made to enhance the Qtel Group’s foundations for growth across international markets, while at the same time maintaining and building upon its leadership position in the home market of Qatar. Dr. Nasser Marafih assumed the role of Qtel Group CEO, while Sheikh Saud Bin Nasser Al Thani, previously Executive Director of HR and General Services for Qtel, was named as CEO of Qtel Qatar. Waleed Al-Sayed, formerly Executive Director of Customer Services, was named as the new Chief Operating Officer (COO) of Qtel Qatar.

Qtel Breaks Ground on Special Charity Village for Victims of Volcanic Eruption

At a special ceremony in Indonesia in June, H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani, Chairman of Qtel, broke ground on a special charity project to provide homes for families affected by the Merapi volcano eruption in 2010. To support the project, the Qtel Group – working with Indosat – built an entirely new village for families whose homes were destroyed in the fires that followed the major eruption, which forced the evacuation of 350,000 people.

August

Qtel Begins Connecting Homes in Qatar with Qtel Fibre

Over the summer of 2011, Qtel field teams laid out more than 1,200 kilometres of fibre cable throughout Doha, capable of connecting more than 60,000 homes. The infrastructure provides the foundations for a wide range of Qtel Fibre services, including the fastest-ever Internet experience, as well as next generation television services. August saw the team begin to make house calls, switching the connections from copper to fibre for residents in Doha, Qatar.

September

New Qtel Group Strategy Given Go Ahead

In collaboration with all its companies, the Qtel Group began laying the foundations for its ambitious new strategy in early 2011. Approved by the Board of Directors in September 2011, and introduced publicly in early 2012, the strategy will see the Group focus on a differentiated customer experience, building internal capabilities and driving investment in new growth opportunities.

October

Qtel Launches LTE Programme for Qatar

On 4 October 2011, Qtel announced the launch of a major new Long- Term Evolution (LTE) programme, which will deliver the fastest and largest 4G network in Qatar, to support the national plan to boost the knowledge-based economy. The project will deploy nearly 900 Base Stations across the country, delivering the best penetration for 4G coverage in the GCC region.

Asiacell Fulfils its Financial Obligations towards its Mobile Phone License

On 5 October 2011, Asiacell made the final payment to the Commission of Media and Communications in Iraq in October, to complete its investment in its long-term, fifteen year mobile telecommunications license. This marked another important milestone in the growth and development of Asiacell as Iraq’s second largest mobile operator.

November

Nawras Launches New Undersea Cable

On 15 November 2011, Nawras announced the launch of the Oman-to-India Tata Global Network (TGN) Gulf cable. The undersea cable will be used to instantaneously route voice and data traffic from Oman to India, and onwards to the rest of the world. The new cable link offers enormous capacity for Broadband and high quality voice services, enabling Nawras to meet the growing demand for international voice and data services from its customers.

Qtel Group Increases Stake in StarHub

On 16 November 2011, Qtel Group investment company Asia Mobile Holdings acquired an additional stake in Singapore-based StarHub. The investment was in-line with the Qtel Group’s strategy to increase its holdings in existing, strategic assets and increased Qtel’s effective stake in StarHub to 14.14 percent.

December

Qtel Goes Green by stopping Paper Bills in Qatar

From 26 December 2011, Qtel customers in Qatar no longer received paper bills for post-paid services. As part of the Company’s commitment to the environment, it transferred all customers onto its innovative, paperless “e-Bill” option. The switch to paperless billing is part of the Qtel Group’s ongoing environmental initiatives.

Awards & Industry Recognition

The Qtel Group's ongoing investment in people and innovation was recognised in a series of major industry awards in 2011, with honours for operating companies and for the Group. Our performance equalled that of 2010, when the Qtel Group received more awards from a wider range of industry bodies than ever before.

Below are some of the highlights from a much-lauded year of achievement.

Arabian Business Power 500 List – April

Dr. Nasser Marafih, Qtel Group CEO, ranked 72 out of world's top 500 most powerful Arab nationals and the highest ranking of all telecom CEOs

2nd Telecommunication Conference by Iraq's Ministry of Communication – April

Asiacell – Best GSM Operator in Iraq 2011

TMT Finance Middle East 2011 – May

Nawras – Outstanding Leader – Ross Cormack

EMEA Finance Awards 2011 – June

Qtel Qatar – Best Corporate Borrower in EMEA Region Award
Nawras – Best IPO in the Middle East

Asia's Best Employer Brand Awards – July

Nawras – Innovation in HR Strategy

CEO Middle East Awards – September

Qtel Qatar – Corporate Social Responsibility Award

Arabian Business Qatar Awards 2011 – September

Qtel Qatar – Telecom Company of the Year

Telecoms World Middle East Awards – October

Qtel Group – Best Operator

Qtel Qatar – Best Brand (Nojoom Programme)

Arabian Business Kuwait Awards 2011 – October

Wataniya – Best Telecom Operator 2011

Africa Telecom People – October

Nedjma – Best Voice Mobile Operator

Middle East Investor Relations Society Awards – November

Qtel Qatar – Best Company for Investor Relations in Qatar

Qtel Group – Best Investor Relations Website in the Middle East

Frost & Sullivan Excellence Awards – November

Indosat – Indonesia Mobile Service Provider of the Year
Indosat – Indonesia Telecom Service Provider of the Year

CommsMEA Awards – November

Wataniya – Middle East Operator of the Year
Nedjma – Best African Mobile Operator of the Year
Nawras – Operational Expansion Award
Qtel Qatar – Best Business Service Award for Business Solutions

SAMENA Telecommunications Council Awards – November

Qtel Qatar – Best FTTX /GPON Operator of the Year
Qtel Group – Best Merger and Acquisition

Market Overview

Our Business

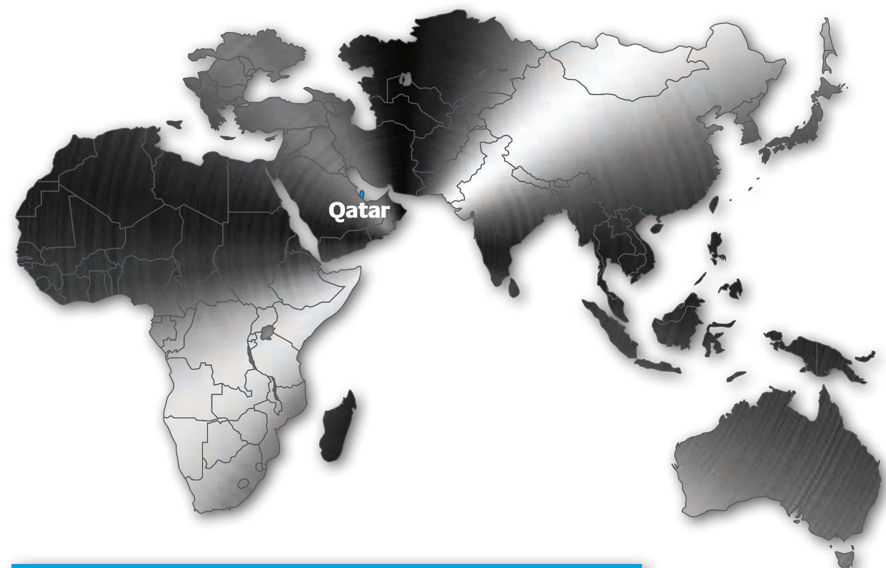
Our Main Activities

The Qtel Group is a leading international communications company, with a significant presence in the MENA region and Southeast Asia, and having a consolidated customer base of 83.4 million as of December 2011. It operates a portfolio of brands including Qtel, Indosat, Asiacell, Wataniya, Nawras, Nedjma and Tunisiana. The Qtel Group has grown to become one of the fastest growing telecommunications companies by revenue growth in the world.

Qtel Group's principle activities are mobile telephone services, Broadband solutions, digital futures and fibre technologies, serving both consumer and business markets. Headquartered in Doha, Qatar, the Qtel Group is ambitiously growing its global business on the basis of its insights into the needs of customers in emerging markets.

The Qtel Group's ultimate parent company is Qatar Telecom (Qtel) Q.S.C., whose shares are listed on the Qatar Exchange and the Abu Dhabi Securities Exchange.

Jan 2005



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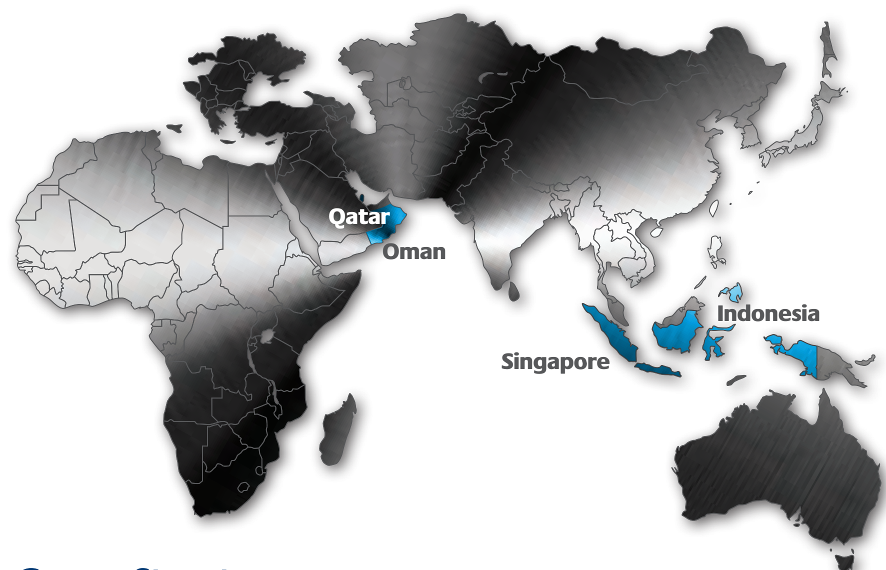


Group Structure

The Qtel Group's main shareholdings, subsidiaries and affiliates, as of December 31, 2011

Qatar Telecom (Qtel) QSC	Effective Stake
Qtel[1]	100%
Nawras	55%
Wataniya (NMTC)	52.5%
Raywood	61.2%
Asia Mobile Holdings	25%
wi-tribe	86.1%
Indosat	65%
Liberty Telecom	40%
Navlink	38%

[1]Operations integrated within Qatar Telecom (Qtel) QSC; Also holds 60% of Starlink Qatar

Wataniya (NMTC)	Effective Stake
Wataniya Kuwait[2]	100%
Wataniya Maldives[3]	100%
Nedjma[4]	80%
Wataniya Palestine	48.5%
PTC – Bravo	55.6%
Tunisiana[5]	75%

[2]Operations integrated within NMTC
[3]Holds 65% of WARF Telecom International Private Limited as a subsidiary
[4]71% is held via NMTC and a 9% stake is held via Qatar Telecom (Qtel) QSC
[5]Additional 25% stake was acquired in 2011

Today

Raywood	Effective Stake
Asiacell[6]	49%

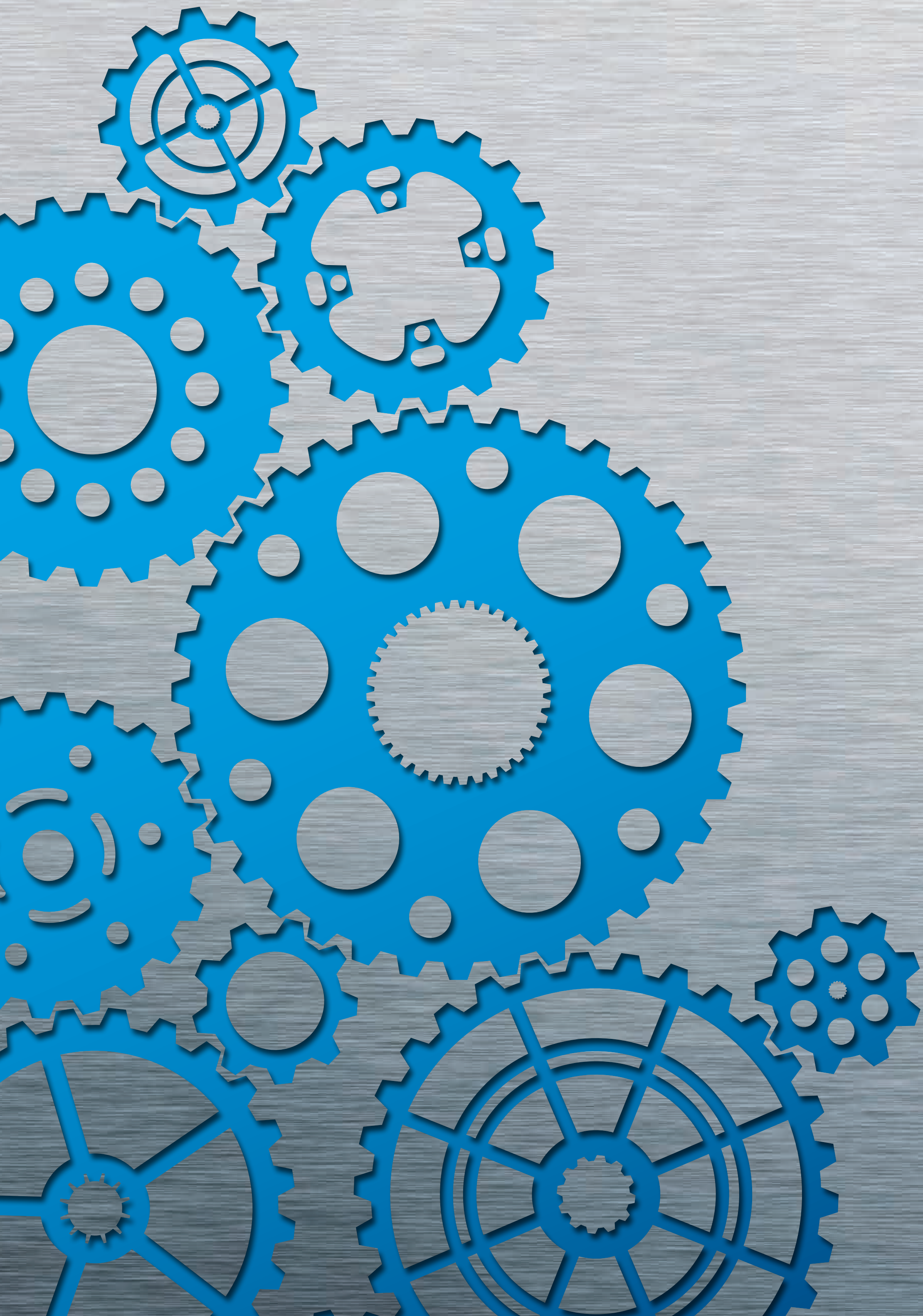
Asia Mobile Holdings	Effective Stake
StarHub	56.6%
Shenington Investments	49%

Shenington Investments	Effective Stake
LTC	49%
Mfone	100%

wi-tribe	Effective Stake
wi-tribe Jordan	100%
wi-tribe Pakistan	100%

[6]Asiacell is consolidated on the basis of control rights contained in the shareholders' agreements

Our Operations



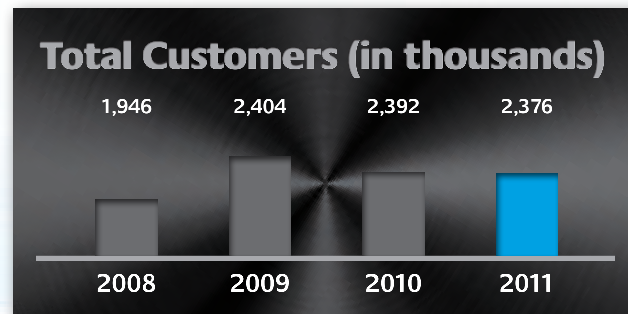
Qtel in Qatar

2011 has been a year of transition for the Qtel Qatar team, and the changes in management and structure have helped us to focus on what we do best: providing a superior experience to our customers. The Qatari market remains competitive, but I believe that the technological milestones we have achieved, our innovative product and service set and ultimately the strength of our people will help us succeed. It gives me great pleasure to lead such a dynamic group of people and continue my long involvement with the Qtel team. I very much look forward to 2012, and the challenges and opportunities ahead.

Sheikh Saud Bin Nasser Al Thani
Chief Executive Officer

Qatar	12M'11
Population[1]	1.8m
Mobile Penetration[2]	162%
Market Share[2]	72%

1. IMF, EIU
2. Wireless Intelligence, Qtel



	2008	2009	2010	2011
REVENUE (QARm)	5,447	5,686	5,597	5,704
EBITDA (QARm)	3,399	3,296	2,878	2,948
EBITDA %	62%	58%	51%	52%

Operator Importance to Group	
Customers	3%
Revenue	18%
EBITDA	20%
Capex	15%

Ownership

Qtel's operations in Qatar are 100 percent owned and managed by Qatar Telecom (Qtel) Q.S.C.

Qtel's Achievements

With the second year of competition in the Qatar market behind them, Qtel continued to demonstrate its creativeness through several strategic initiatives to enhance communications for the people of Qatar. As a result, this balanced approach saw Qtel maintain its position as the strong market leader in Qatar.

At the end of 2011, Qtel had 2.4 million customers (FY 2010: 2.4 million). Revenue was QAR 5.7 billion, compared to QAR 5.6 billion in 2010. Qtel's EBITDA margins remain solid, with an EBITDA of QAR 2.9 billion (FY2010: QAR 2.9 billion).

One of Qtel's key initiatives in 2011 was the further roll-out of Qtel Fibre, a nationwide network linking homes across Qatar with fibre connections. Following regulatory approval in late December, consumer launch plans were readied for 2012, when customers will start enjoying special Home Broadband packages over fibre with speeds of up to 100 Mbps, as well as High Definition TV, Time Shift TV, Video on Demand and a wide range of other value-added services.

Complementing the launch of Qtel Fibre was the start-up of Media House, a new division of the company created to infuse Qtel Mozaic TV and Mobile TV services with the latest and most compelling entertainment content in Qatar. In October, Qtel launched Mobile Money, an entirely new financial services business where any customer can send money locally or internationally directly from their phone.

Qtel's nationwide trial of LTE technology was successfully completed in 2011, and the subsequent roll-out of an LTE network delivering 4G services across the country in the next three years will provide all Qtel customers with improvements to wireless communication and the transmission of high-speed data over mobile devices.

Qtel strives to be the employer of choice in Qatar, and to that end, continued to seek new routes to talent and meaningful ways to develop and reward its staff. A Qatari Technical Trainee Programme was strengthened through the recruitment of 40 Qataris. The company embarked upon a new, Group-wide Employee Engagement assessment of staff, with a Qtel survey yielding a sustainable engagement score of 79 percent, above industry norms.

Qtel in the Year Ahead

The year will see Qtel continue to defend and strengthen its market value share, while at the same time growing new business areas. The company will continue to pursue a value-driven approach to pricing and build upon its key strengths of a high quality network and superior customer experience. Within this, new services such as Mobile Money and the launch of next-generation television, as well as further LTE network development, will help solidify Qtel's position as the innovative communications provider in Qatar.

This will be further enhanced through the ongoing progress of the Qtel Fibre programme, which is set to become the preferred option for home and business Broadband in Qatar. Furthermore, the position of Qtel Qatar at the heart of the Qtel Group network will enable the company to leverage synergies and achieve strategic alignment as the voice hub for Qtel operations across the Middle East, North Africa and Asia. This will also help drive cost savings and generate revenue within Qatar.

Qtel Qatar Executive Management

Sheikh Saud Bin Nasser Al Thani
Chief Executive Officer

Waleed Al-Sayed
Chief Operating Officer

Adel Al Mutawa
Executive Director
Group Communications

Khalid Abdulla Al-Mansouri
Executive Director
Business Solutions

Izzeldin Hussein
Group Legal Counsel

Khalil Ebrahim Al-Emadi
Executive Director
Technology

Mansoor Al-Khater
Executive Director
Strategy

Ahmed Yousef Al-Derbasti
Executive Director
International Services

Adullatif Hamad Dafallah
Chief Financial Officer

Ian Charles Dench
Executive Director
Consumer Services

Mohammed Al-Marri
Executive Director
Customer Services (A)

Mohammed Al-Kuwari
Executive Director
Human Resources (A)

Indosat in Indonesia

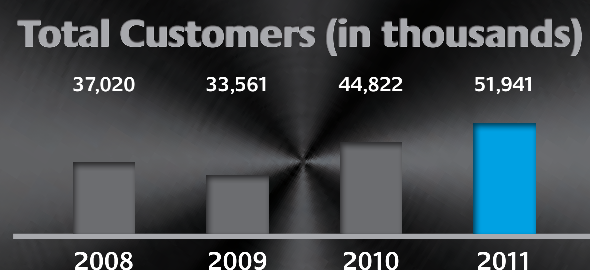
This past year has been a year of growth and of strength for Indosat. Our results, our network, our team and our offering are all stronger today than they have ever been. As a result, our already robust market position has also strengthened, serving a customer base which now exceeds 50 million with some of the most advanced and exciting services ever made available in Indonesia. We look forward to building on this position of strength in the year ahead.

Harry Sasongko Tirtotjondro
President Director and Chief Executive Officer

Indonesia	12M'11
Population[1]	237.4m
Mobile Penetration[2]	97%
Market Share[2]	26%

1. IMF, EIU
2. Wireless Intelligence, Qtel

Total Customers (in thousands)



	2008	2009	2010	2011
REVENUE (QARm)	4,164	6,579	7,942	8,550
EBITDA (QARm)	2,080	3,207	4,034	4,159
EBITDA %	50%	49%	51%	49%

Operator Importance to Group	
Customers	62%
Revenue	27%
EBITDA	28%
Capex	37%

About Indosat

Indosat is a fully integrated telecommunication network and services provider operating in Indonesia, the fourth most populous nation on earth. Indosat is the country's second largest mobile operator with over 50 million customers connected to its nationwide network. As one of only two operators mandated to provide national and international long-distance telecommunication services, offering a broad and sophisticated product suite that spans voice, internet, data and VoIP, Indosat is a significant force in the country's communications market.

Ownership

The Qtel Group has a 65 percent stake in Indosat.

Indosat: Achievements

In a market well-known for its competitive nature, Indosat continues to forge ahead with its plans for growth and retains a strong, highly visible position in the Indonesian communications arena. This strength is the result of clear strategic vision, confident and effective execution and, above all, a keen understanding of what its customers want, both now and in the future.

Indosat focused heavily in 2011 on the delivery of good value, quality customer experiences, helping to bolster the company's reputation for customer service and centricity. One of the many ways in which Indosat has achieved this is through the launch of new services, each specifically targeted at the needs and habits of defined user segments. For the country's large youth segment, Indosat has launched exciting SMS, social media and music-related packages and at the same time, for the country's fast-growing professional community, has unveiled an attractive range of voice, SMS and data plans, linked to smartphone devices such as BlackBerry for the most valuable subscribers. This unrelenting customer focus was rewarded this year, with Indosat proud to be named not only Indonesia Mobile Service Provider of the Year but also Indonesia Telecom Service Provider of the Year by global business research and consulting firm, Frost & Sullivan.

Excellent service also relies on a strong, dependable network and Indosat has devoted considerable effort this year to strengthening and future-proofing its already resilient infrastructure. In 2011, Indosat has continued the network modernisation programme first started in 2009, introducing Software Defined Radio (SDR) technology which will ultimately allow for flexible and seamless handling and provisioning of 2G, 3/3.5G, and Long Term Evolution (LTE) standards. In partnership with leading telecommunication equipment vendors, Indosat has also conducted promising initial trials of LTE technology on its network, alongside the establishment of a dedicated "Indosat Innovation Laboratory" to support research into the telecommunication standards of tomorrow.

Indosat remains keenly aware of the role it plays in Indonesian society. This year the company has continued to support a wide range of important local social programmes, ranging from dedicated support for tsunami ravaged schools to the delivery of a nationwide network of mobile health clinics, all focused on enabling people from all parts of Indonesia to share in economic growth and development.

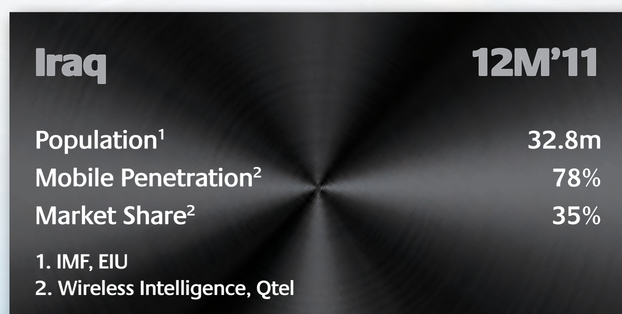
Indosat: The Year Ahead

Growth in Indonesia's communications market continues to be driven by consumer adoption of ever more sophisticated and demanding mobile applications. In the year ahead, Indosat will remain focused on rolling out such services and at the same time implement the data capacity required to deliver them reliably and consistently to customers. A number of initiatives will be put in place in 2012 to secure Indosat's early lead in data services through network roll-out and optimisation, industry collaboration and the introduction of new, data-ready technologies.

Asiacell in Iraq

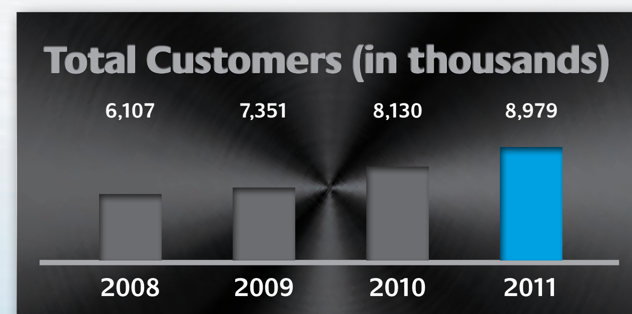
Once again, the Asiacell team has worked hard this year to match the scope and sophistication of its services to the fast-moving and demanding nature of Iraqi consumers. We see Asiacell as an enabler for growth in Iraq, constantly innovating to introduce rapid, relevant communication solutions that help all Iraqis. Throughout every step of Asiacell's development so far, our customers have come first. This will remain true today, tomorrow and in the years to come as we continue to move forward with our growth plans.

Dr. Diar Ahmed - Chief Executive Officer



Iraq	12M'11
Population[1]	32.8m
Mobile Penetration[2]	78%
Market Share[2]	35%

1. IMF, EIU
2. Wireless Intelligence, Qtel



	2008	2009	2010	2011
REVENUE (QARm)	2,847	3,998	5,054	5,934
EBITDA (QARm)	1,502	2,162	2,621	3,233
EBITDA %	53%	54%	52%	54%

Operator Importance to Group	
Customers	11%
Revenue	19%
EBITDA	22%
Capex	15%

About Asiacell

As the first company to introduce mobile services to the country, Asiacell has a long and proud connection with the people and nation of Iraq. In a joint-venture started in 2007, and in partnership with prominent members of the Iraqi business community, the Qtel Group and Asiacell won a competitive bid for a long-term, fifteen-year mobile license in Iraq: at that time a significant milestone in the development of Iraq's communications market.

Since that moment Asiacell has not looked back. The company has delivered rapid coverage and revenue growth and continues to set ever-higher standards of quality and service. In its capacity as the country's second largest mobile operator by number of customers, Asiacell counts more than a third of all Iraqi mobiles as customers with a wide range of mobile services including GPRS, SMS, MMS and voicemail delivered across its national mobile network, reaching from Dhok in the North to Basra in the South.

Ownership

The Qtel Group has a 30 percent effective economic stake in Asiacell.

Asiacell: Achievements

Asiacell's business, from the services it offers to the network over which they are delivered, is designed with one goal in mind: to be the Iraqi consumer's first choice for communications in Iraq. This year Asiacell has made significant strides towards achieving this aim, listening to and meeting new customer needs and winning important national recognition for its service standards and commitment to excellence.

This year, Asiacell has invested time and effort in important improvements to its network. Mindful that any future growth in data usage in Iraq will predominantly be delivered wirelessly, Asiacell has carried out GPRS/EDGE network upgrades this year as well as adopted new, more efficient standards at its transmission stations. Asiacell has also launched exciting 3G trials using its existing spectrum in Sulaimaniyah, with plans to launch trials in other regions in the months ahead.

Asiacell has also continued to lead the way this year in terms of service innovation and breadth. In the second half of the year, Asiacell became the first telecoms company in Iraqi history to offer a full, unrestricted BlackBerry service over its national network. This launch, alongside Asiacell's many other service innovations and its reputation for good customer service, were recognised this year by the Iraqi Ministry of Communications which named Asiacell as, Best GSM Operator in Iraq 2011 – a proud achievement.

Asiacell: The Year Ahead

As one of the largest countries in the Middle East, and with one of the fastest growing economies in the entire region, the Iraqi market remains rich in opportunity. In the year ahead, Asiacell will continue to drive forward a range of strategic initiatives designed to help it capitalise on this opportunity. At the heart of these strategies sits data and Asiacell's plans to drive data usage across all customer segments, particularly the corporate segment. Despite favourable economic trends, Broadband penetration remains low in Iraq but, with a large youth population and a growing commercial sector, demand for internet services is increasing. In 2012, Asiacell will continue to ready its network in support of the launch of new data services, each designed to support these key customer segments and to enable Asiacell to maintain its clear Broadband lead over its peer group.

Wataniya in Kuwait

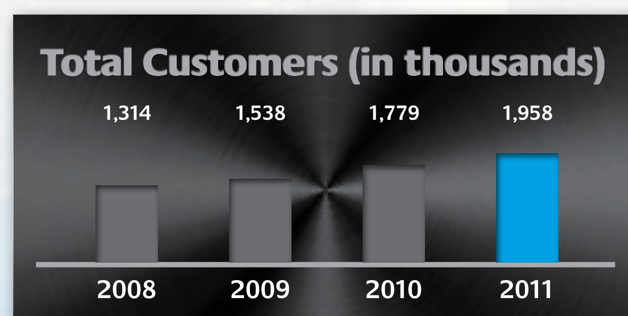
Remaining close to our customers keeps us closely aligned with the ever-changing needs, demands and desires of Kuwaiti consumers. This year, we have moved quickly to identify those changes and deliver the right products, at the right time, to capture our customers' imaginations and loyalty. We will continue to take this approach in the year ahead and look forward to the next exciting stage in Wataniya's development.

Scott Gegenheimer - Chief Executive Officer

Kuwait	12M'11
Population[1]	3.7m
Mobile Penetration[2]	136%
Market Share[2]	40%

1. IMF, EIU
2. Wireless Intelligence, Qtel

Total Customers (in thousands)



	2008	2009	2010	2011
REVENUE (QARm)	3,070	2,580	2,827	3,223
EBITDA (QARm)	1,632	1,188	1,262	1,469
EBITDA %	53%	46%	45%	46%

Operator Importance to Group	
Customers	2%
Revenue	10%
EBITDA	10%
Capex	7%

About Wataniya in Kuwait

Wataniya is the second largest mobile telecommunications operator in Kuwait serving a significant share of Kuwait's mobile customers. Wataniya has built its success on three strategic pillars: offering innovative services, providing excellent network quality and delivering outstanding customer service.

Wataniya Kuwait delivers a wide range of pre- and post-paid mobile voice and data services to both individual and corporate customers. In addition, Wataniya also offers a suite of business efficiency tools for corporate customers under the WPro product as well as a number of segment-specific programmes and plans, such as Wink for youth and InTouch for foreigners living in Kuwait. Wataniya has also introduced a range of value added services such as MyDiggly, Facebook via SMS and Prepaid Voice Bundles that enable customers to optimise their user experiences.

Ownership

The Qtel Group holds a 52.5 percent stake in Wataniya Telecom (NMTC) which is a listed equity on the Kuwait Stock Exchange. NMTC is the legal entity owning shares in Wataniya Maldives, Bravo, Tunisiana, Nedjma and Wataniya Mobile Palestine.

Wataniya in Kuwait: Achievements

Kuwait continues to represent one of the most competitive mobile marketplaces in the Gulf region. Success here requires a commitment to excellence, continuous innovation and an unrelenting ability to anticipate the needs of consumers. The Wataniya team has delivered on each one of these requirements this year, strengthening the company's competitive position by expanding its data offering, capturing the exciting opportunities offered by Smartphone growth and delivering unparalleled customer experiences over an enhanced network.

Quick to realise the potential in 2011 for growth in smartphone usage, the Wataniya team launched a device strategy this year to drive the adoption and acceptance of smartphone devices across its customer base. By lowering barriers to entry through intelligent pricing, and by offering a broad range of devices including the iPhone, BlackBerry and Android-based phones; Wataniya has delivered impressive growth in data usage and revenue.

Wataniya's Net-on-Phone range of usage plans has added over 90,000 new data customers since its launch at the beginning of this year, making it Wataniya's fastest growing data product in 2011. Data has also driven new opportunities in the corporate segment, with the launch this year of a Machine-to-Machine (M2M) service that allows business customers to connect multiple devices over a high-speed internet connection.

Enhancements to the Wataniya network this year have focused on maintaining Wataniya's reputation for excellent service and reliability. A new billing system for post-paid subscribers enables the company to speed up and improve the accuracy of customer billing, as well as introduce the opportunity for Wataniya to promote and position new services. Such infrastructure enhancements, as well as a significant refresh of the company's loyalty programme, have translated into industry awards and recognition. This year, Wataniya was proud to be named not only Best Telecom Operator 2011 by Arabian Business Kuwait, but also as Middle East Operator of the Year 2011 at the CommsMEA Editors' Awards.

Wataniya in Kuwait: The Year Ahead

Wataniya starts 2012 in a strong position, with a number of clear opportunities for growth ahead. The first of these is data. Wataniya intends to continue its pursuit of growth in data uptake, usage and revenue, ensuring at the same time that its network remains resilient and flexible in order to support these exciting new services. Another clear focus in 2012 will be the business market, where Wataniya intends to expand the range of services it provides to corporate customers including unified communications and enhanced business voice and data offerings.

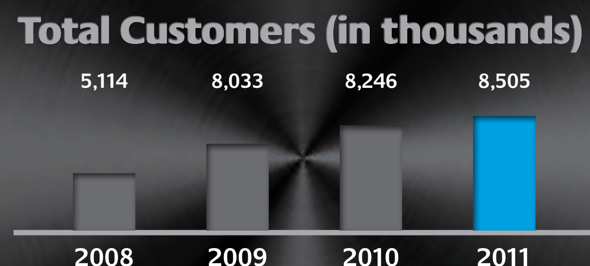
Nedjma in Algeria

Nedjma has gone from strength to strength this year, made possible by the continuing hard work and dedication of the Nedjma team. Our network, our service offering and customer connection are all stronger, thanks to increased investments in the business and a deeper understanding of the market that made a real difference to our customers and their Nedjma experience. We will retain this focus in the year ahead, taking every opportunity to stay close to our customers and maintain Nedjma's reputation for excellence and innovation.

Joseph Ged - Chief Executive Officer

Algeria	12M'11
Population[1]	36.7m
Mobile Penetration[2]	76%
Market Share[2]	31%

1. IMF, EIU
2. Wireless Intelligence, Qtel



	2008	2009	2010	2011
REVENUE (QARm)	1,768	1,795	2,228	2,961
EBITDA (QARm)	509	590	841	1,101
EBITDA %	29%	33%	38%	37%

Operator Importance to Group	
Customers	10%
Revenue	9%
EBITDA	7%
Capex	10%

About Nedjma

Branded as Nedjma, Wataniya Telecom Algeria commenced operations in 2004. Starting out life as Algeria's third mobile operator, today Nedjma commands second place in this populous and exciting North African mobile marketplace. As one of the most instantly recognisable brands in the country, Nedjma offers its subscribers value-for-money mobile voice, data and multimedia services delivered across a nationwide EDGE-ready network.

Ownership

The Qtel Group controls Wataniya (NMTC) by owning a 52.5 percent stake. The Qtel Group, through its own entities and indirectly through NMTC, holds an 80 percent stake in the operations of Nedjma. This gives the Qtel Group a 46.3 percent effective economic stake in Nedjma.

Nedjma: Achievements

Over the course of this year, Nedjma has moved forward with a number of initiatives, each designed to ensure that customer experience and satisfaction remain at the heart of Nedjma's strategic focus and operational ambitions. From network strength to service and product choice, Nedjma has worked hard in 2011 to retain its customers' loyalty and trust and to gain market share.

Both Nedjma's infrastructure and retail networks have been expanded this year. In terms of infrastructure, concerted efforts to make Nedjma's network ready for projected increases in future 3G data traffic have continued apace. The core network is now fully 3G-ready, with a significant swap-out programme also completed on the radio-access infrastructure. These important extensions have been matched by progress in building out Nedjma's retail platform. During the year Nedjma crossed the important "100 stores" mark, complementing the direct relationship the company has with over 2,000 wholesalers across key regions. Today, Nedjma's services – and its strong brand – are visible and accessible to more people, in more places across Algeria than ever before.

During the year, Nedjma has devoted considerable effort to targeting a number of exciting and important customer segments: particularly mid- and high-end customer groups. Promotions and products specifically tailored to these segments have been launched during the year, each with a clear focus on transparency of service and of price. Together, these initiatives have enabled Nedjma to maintain its reputation as a trusted telecom brand in Algeria. This year Nedjma was recognised not only as the Best Voice Mobile Operator by Africa Telecom People, but also as Best African Mobile Operator of the Year by Communications Middle East and Africa.

Nedjma: The Year Ahead

The year ahead offers further opportunity for Nedjma to develop and deepen its connection with its customer base. One of the main opportunities of 2012 is data. Early experiments with data services and dongle-based Broadband access offerings have already begun. The ever-increasing strength and data-readiness of the network will, as time progresses, further strengthen Nedjma's position in this arena. Customer segmentation also continues to offer possible opportunities for growth in 2012, with recently improved CRM systems opening up the potential for Nedjma to introduce loyalty programmes for those most important and valuable customer groups in its portfolio.

Tunisiana in Tunisia

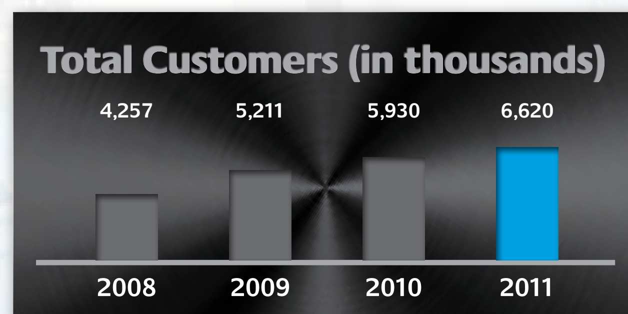
We have been presented with many challenges this year: socially, economically and politically. We have responded quickly and decisively to each one of those challenges and maintained our market position by following and meeting our customers' rapidly changing needs. We therefore enter 2012 in good shape. We have the respect of our customer base, the same steadfast commitment to provide excellent service and innovative products, and a clear ambition to make further progress in the year ahead.

Kenneth Campbell - Chief Executive Officer

Tunisia	12M'11
Population[1]	10.7m
Mobile Penetration[2]	111%
Market Share[2]	56%

1. IMF, EIU
2. Wireless Intelligence, Qtel

Total Customers (in thousands)



	2008	2009	2010	2011
REVENUE (QARm)	1,344	1,299	1,287	2,779
EBITDA (QARm)	703	701	713	1,573
EBITDA %	52%	54%	55%	57%

(revenue and EBITDA @ 50% prior to 2011)

Operator Importance to Group	
Customers	8%
Revenue	9%
EBITDA	11%
Capex	7%

About Tunisiana

Launched in 2002 as Tunisia's first privately owned telecommunications company, Tunisiana's arrival marked a step-change in the country's communications market. Since that time, Tunisiana has grown to become not only the country's number one mobile operator but also one of the country's most trusted and recognised brands. Each day Tunisiana's truly national network delivers a range of pre-paid and post-paid voice and data services to more than five million individual and business customers right across this North African nation.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC). In January 2011, Wataniya added to its existing 50 percent holding in Tunisiana by acquiring an additional 25 percent stake. This gives the Qtel Group a 39.4 percent effective economic stake in Tunisiana.

Tunisiana: Achievements

In a year of challenge and change within Tunisia, the Tunisiana team has not only defended its market position but also launched new products, advanced its digital and social offerings, and won clear recognition for the strength and reliability of its services.

In April, Tunisiana was proud to become the first telecommunications company in Tunisia to launch a BlackBerry "On Demand" service. This service, which allows Tunisiana customers to pay for day-by-day access to BlackBerry services, is a key part of Tunisiana's aim to build on the product's existing strength in the corporate segment and expand usage among personal customers. In May, Tunisiana also launched its own branded "App Store", with more than 17,500 apps downloaded by over 5,300 customers since the service's launch. These actions and many others contributed to Tunisiana being named this year, by its customers, as the best operator in its peer group.

While delivering a successful outcome to 2011, Tunisiana has also continued to look to the future. During the year Tunisiana has taken actions to boost its ability to offer new, innovative services in the years ahead. The clearest example of this is the company's acquisition in September of a 49 percent stake in Tunet: an Internet Service Provider (ISP). This strategic acquisition will allow Tunisiana to expand its business into the growing Broadband internet services market, opening up the opportunity to offer a range of convergent services to corporate and residential customers.

Tunisiana: The Year Ahead

The growth, flexibility and resilience that Tunisiana has demonstrated this year, against a backdrop of significant change, underline the company's strengths and its prospects. In the year ahead Tunisiana will continue to focus its attention on attractive market segments, such as the large and dynamic youth segment, as well broadening the availability and reach of new services, such as mobile payments. The company will also continue to invest in the strength and resilience of its network, building on the already significant work completed this year to increase network capacity.

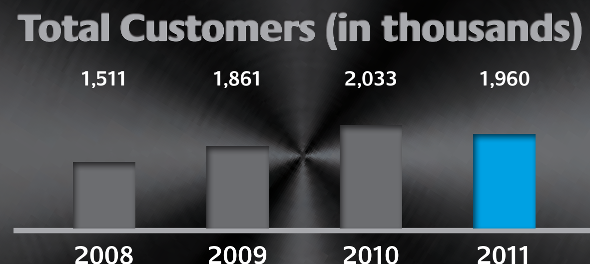
Nawras in Oman

This year has seen us make further progress across all the areas where we operate. We enter 2012 with a strong network, a strong service line and a strong team across all layers of our business: each one a vital ingredient for ensuring continued success today, tomorrow and in future years. The opportunity open to us in Oman, particularly in the Broadband arena, remains truly exciting. It is our clear ambition and intention to make sure that we capitalise on this opportunity in the year ahead to continue to deliver pleasingly different products and services.

Ross Cormack - Chief Executive Officer

Oman	12M'11
Population[1]	2.8m
Mobile Penetration[2]	168%
Market Share[2]	40%

1. IMF, EIU
2. Wireless Intelligence, Qtel



	2008	2009	2010	2011
REVENUE (QARm)	1,318	1,625	1,864	1,939
EBITDA (QARm)	508	827	968	979
EBITDA %	39%	51%	52%	51%

Operator Importance to Group	
Customers	2%
Revenue	6%
EBITDA	7%
Capex	6%

About Nawras

Nawras is Oman's second full-service operator, commanding an important share of the country's mobile customers based on an enviable track record for service innovation, quality and reach. Today, Nawras delivers a wide range of mobile, fixed and internet services across advanced wireless and fibre networks, having delivered solid growth since becoming the first of Qtel's international ventures in 2005. From the launch of 3G+ wireless Broadband services in 2007 to the award of the Sultanate's second fixed telecommunications license in 2009 and the 2010 launch of corporate fibre and consumer Broadband services, Nawras has long set the pace of change in Oman's telecommunications market. Today, Nawras is not only one of the leading operators but also one of the largest companies listed on the Muscat Securities Market.

Ownership

The Qtel Group has a 55 percent effective economic stake in Nawras.

Nawras: Achievements

This year Nawras has worked hard to extend its reputation as a leader in the Omani telecommunications market. Be it network resilience, product innovation or service delivery, Nawras has continued to set new standards and drive positive change in its industry this year: all to the benefit of the Company's large and loyal customer base. Nawras recorded customer satisfaction levels of 92 percent in September 2011, up from 87 percent in December 2010. From the day Nawras started its business in 2005, devotion to customers and their satisfaction have been at the centre of every aspect of its operation.

Network investment has been a key feature of 2011, with improvements delivered across both the Company's mobile and fixed infrastructure. This year, building on the strength of the company's existing international gateway launched in 2010, Nawras completed the landmark construction of its own under-sea cable link. This cable provides Nawras with its own dedicated international communications connection, optimising the cost and enhancing the quality of the international voice and data services Nawras provides. Nawras has also extended its WiMAX coverage this year to now reach over 86 percent of households nationwide, as well as driving an extensive roll-out of fibre-optic and microwave infrastructure to support the growing demand for sophisticated data and broadband services right across Oman.

Capitalising on the additional strength, flexibility and capacity made possible by these network investments, Nawras has also concentrated considerable effort this year on developing new and existing services. Supported by expanded coverage, Nawras Home Broadband has delivered good growth in the past twelve months, capturing a sizeable share of the Omani fixed Broadband market. Product innovation has also continued apace, with a wide range of new offerings launched in 2011 to target the communication needs of users in all segments: be it business, personal, pre- or post-paid.

Nawras: The Year Ahead

Omani consumers are rapidly evolving the ways in which they communicate with one another. Increasing demands for social networking and mobile internet create a real and significant opportunity for companies able to adapt to – and meet – these demands. This opportunity is a core focus for Nawras as it starts work in 2012. The efforts begun this year to create a data-ready network will continue, as will the ongoing roll-out of services designed to appeal to data-using, constantly connected customers. At the same time, service standards will also be a core focus for the Nawras team. By remaining close to customers and by continuing to place them at the very heart of the company's efforts, Nawras will continue to protect its hard-earned reputation for excellent service and unparalleled customer care.

Wataniya in Palestine

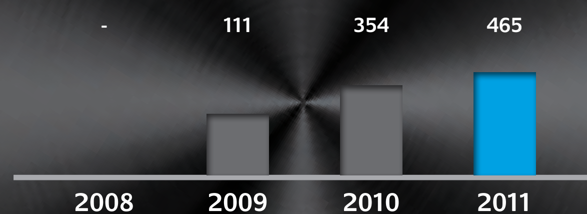
We close 2011 and enter 2012 as a strong, successful and proud Palestinian company. By building on our new, more visible position as a public company, we have been able this year to increase awareness of our brand, extend the reach of our network and deepen our connection with some of the most exciting segments of Palestinian society. This is evident in our 2011 positive EBITDA for the first time since 2009. We look forward to the year ahead and to meeting the ever-changing needs of our customers with the kind of innovative, exciting services they have come to expect of us.

Bassam Hanoun - Chief Executive Officer

Palestine	12M'11
Population[1]	4.0m
Mobile Penetration[2]	74%
Market Share[2]	24%

1. IMF, EIU
2. Wireless Intelligence, Qtel

Total Customers (in thousands)



	2008	2009	2010	2011
REVENUE (QARm)	-	8	140	273
EBITDA (QARm)	-	(74)	(79)	14
EBITDA %	-	-	-	5%

Operator Importance to Group	
Customers	0.6%
Revenue	0.9%
EBITDA	0.1%
Capex	0.7%

About Wataniya Mobile Palestine

Wataniya is the second licensed mobile operator in Palestine. Awarded its license in 2007 through a competitive process, 2010 saw Wataniya's first full year of commercial operations after the successful launch of services in the West Bank in November 2009. Following the highly successful completion in January 2011 of the company's initial public offering, Wataniya is today one of Palestine's largest public companies and a significant player in the Palestinian mobile market. Through a range of services and products, the company offers a population of approximately four million people the opportunity to enjoy a communications service based on network quality, reliability and choice.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which following the initial public offering, now holds a 48.5 percent stake in the operations of Wataniya Mobile Palestine. This gives the Qtel Group a 25.4 percent effective economic stake in Wataniya Mobile Palestine.

Wataniya Mobile Palestine: Achievements

Wataniya's most significant achievement this year was the completion, in January 2011, of its transition from a private to a public company. During the course of the year, the company's public status was further enhanced when its shares were admitted in late December 2011 to the internationally renowned and widely accessible 'Al Quds' index of the Palestine Exchange.

During 2011, Wataniya has done much to build on the heightened status and increased local awareness of its brand that the initial public offering has generated. First, the company has strengthened the reliability and extended the reach of its network to now cover more than 96 percent of Palestinian territories in the West Bank: a significant achievement. Second, Wataniya has continued to deepen its social connection with the Palestinian people it serves, sponsoring and enabling a wide range of sporting, cultural, educational and social initiatives in 2011 to help bring communities together, to develop talent and to create opportunity.

Thanks to these and many other efforts, the Wataniya brand is today synonymous with innovation and with excellence. By continuing to offer customised services for discrete and targeted cross-sections of the Palestinian community, such as students and young people, and through the introduction of innovative new services such as mobile social networking and international credit transfer, Wataniya has been able to maintain its competitive advantage and strong market position.

Wataniya Mobile Palestine: The Year Ahead

The Palestinian communications market continues to offer strong long-term prospects for growth. Within that market, certain groups and population segments represent particularly exciting opportunities for a strong, well-respected brand such as Wataniya. The youth market, in particular, comprises almost 22 percent of Palestine's entire population. By targeting new value-added services at this vibrant and early-adopter group, clear opportunity exists for Wataniya to further strengthen its market position, in addition to its affinity with the people it serves.

Bravo in Saudi Arabia

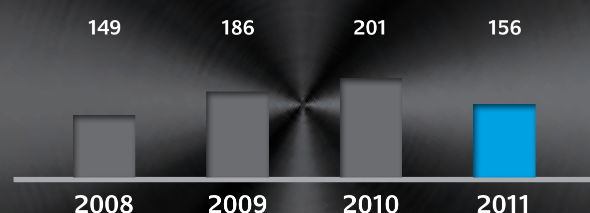
The value and application of our offer to business and government in Saudi Arabia is undiminished. Bravo offers an exceptional, unique and targeted service to help even the largest organisations communicate simply and effectively across their employee base to increase productivity. For as long as we continue to put the real-life needs of our customers first, I am confident that Bravo will retain both its strong position and unparalleled reputation in this important marketplace.

Eng. Mohammed Bin Abdul Aziz Al-Ageel
Chief Executive Officer

KSA	12M'11
Population[1]	26.7m
Mobile Penetration[2]	202%
Market Share[2]	N/A

1. IMF, EIU
2. Wireless Intelligence, Qtel

Total Customers (in thousands)



	2008	2009	2010	2011
REVENUE (QARm)	269	255	282	255
EBITDA (QARm)	(84)	(29)	13	(21)
EBITDA %	-	-	5%	-

Operator Importance to Group	
Customers	0.2%
Revenue	0.8%
EBITDA	-
Capex	0.02%

About Bravo

Bravo made a bold entry into the Saudi Arabian market in 2005 as the country's first specialised push-to-talk ("PTT") provider, offering PTT and cellular communication services to the business and government sectors. Today, Bravo's solutions are used by a wide range of organisations which need to connect and manage large numbers of employees or related groups in a flexible, efficient and cost-effective way. Bravo's customer base spans a wide range of business and government institutions, each benefiting from the mobile voice, messaging, GPS-based tracking and even data services provided by Bravo across its iDEN-based nationwide wireless network.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which holds a 55.6 percent stake in the operations of Bravo. This gives the Qtel Group a 29.2 percent effective economic stake in Bravo.

Bravo: Achievements

Bravo continues to occupy a strong, differentiated position in the competitive Saudi communications market. This position was first secured and continues to be defended thanks to Bravo's unrelenting focus on delivering excellent service to its unique and demanding customer base. In 2011, Bravo took this focus to a new level, launching new devices and new rewards to further entrench its position. Four new segment-specific devices were launched this year, each targeted at specific customer needs both in current segments and in new ones, such as health. A new customer loyalty programme was also initiated, helping to reward and retain customers across the base. Alongside these initiatives, the Bravo network was further strengthened through work to enhance iDEN penetration in key areas, as well as improvements to billing and CRM systems.

Bravo: The Year Ahead

Bravo is well positioned to retain its strong market position. The Saudi Arabian economy continues to display a growth and dynamism that creates opportunities for the services Bravo is able to offer. It remains Bravo's aim to become the PTT provider of choice for the government and business sectors of Saudi Arabia. By building upon the achievements made in the last twelve months, both in terms of service and product, Bravo will continue to work steadily and successfully towards this goal.

Wataniya in The Maldives

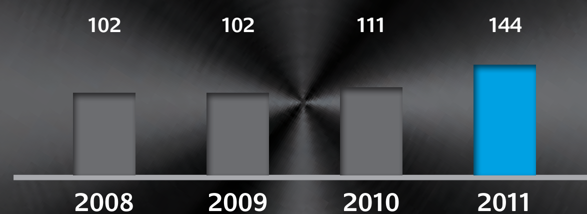
We remain keenly focused on the new opportunities open to us in the Maldives, and we are taking the right strategic steps towards realising our goals. This year we have upgraded our network, broadened our footprint and launched platforms that allow our customers to access the very latest mobile social media services. These enhancements are making a real and positive difference to our customers' daily lives: both those who live and work here and the many thousands who visit our islands every year.

Stephen Smith - Chief Operating Officer

Maldives	12M'11
Population[1]	0.33m
Mobile Penetration[2]	128%
Market Share[2]	26%

1. IMF, EIU
2. Wireless Intelligence, Qtel

Total Customers (in thousands)



	2008	2009	2010	2011
REVENUE (QARm)	76	97	117	124
EBITDA (QARm)	(1)	5	15	22
EBITDA %	-	6%	13%	17%

Operator Importance to Group	
Customers	0.2%
Revenue	0.4%
EBITDA	0.2%
Capex	1.0%

About Wataniya in the Maldives

From small beginnings in 2005, Wataniya is today able to offer mobile and data services across all of the Maldives' inhabited islands. Supporting what is a vibrant economy centred on tourism, Wataniya provides a range of mobile services to the numerous international visitors and local inhabitants of this Indian Ocean nation, delivered across the country's first-ever 3G and HSDPA-ready network. Wataniya Maldives is pursuing a defined, long-term strategy focused on increasing network coverage, expanding network reach, and the ongoing nationwide roll-out of Broadband services.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which holds 100 percent of the operations of Wataniya in the Maldives. This gives the Qtel Group a 52.5 percent effective economic stake in Wataniya in the Maldives.

Wataniya in the Maldives: Achievements

Wataniya Maldives has made clear and demonstrable progress this year across its operations. This progress has been achieved thanks to an unrelenting emphasis on the delivery of exceptional service across an ever-expanding network. The company's 3G coverage now extends to 75 percent of the Maldives' important tourist resorts, helping to drive revenue and usage from both local customers and international roamers. Visitors are now able to access a wide range of social and mobile media services following the launch this year of innovative Gmail and Twitter SMS capabilities in addition to high quality mobile services. Supported by the increasing strength of its mobile Broadband and data network, 2011 also saw the launch – by Wataniya Maldives – of the country's first-ever BlackBerry service.

Wataniya in the Maldives: The Year Ahead

In the coming twelve months Wataniya Maldives will continue to focus on developments and services that appeal to its two core customer groups – local Maldivians and tourist visitors. Both of these customer groups are demanding ever more sophisticated, data driven and feature-rich user experiences. Wataniya Maldives remains focused on providing these experiences, supported – in particular – by a Broadband–ready network capable of delivering a fast, reliable and high quality level of service.

wi-tribe in Jordan, Pakistan and the Philippines

Our vision for wi-tribe has continued to advance this year. We have taken significant steps forward in terms of the breadth of our offer and the strength of our partnerships, both with the wider communications community and with the most important stakeholder group of all: our customers. With technology trials ongoing and with a refreshed, revitalised brand proposition in place, we look forward to the year ahead and remain excited by the prospects for wireless Broadband in the long term.

Sohail Qadri - Group Chief Executive Officer

	2008	2009	2010	2011
REVENUE (QARm)	27	30	65	122
EBITDA (QARm)	(60)	(124)	(108)	(42)
EBITDA %	-	-	-	-

In Pakistan, Jordan and the Philipines

Operator Importance to Group	
Customers	0.2%
Revenue	0.4%
EBITDA	-
Capex	1.0%

About wi-tribe

The wi-tribe group ("wi-tribe") is the cornerstone in the Qtel Group's strategy to capture share of the rapidly growing consumer wireless Broadband market in MENA, the Asian sub-continent and in Southeast Asia. Since its establishment in 2007, wi-tribe has moved quickly and decisively to deploy multiple frequency and multiple feature 4G networks in three dynamic and diverse markets.

wi-tribe is managed through two holding companies: wi-tribe Limited and wi-tribe Asia Limited. With operations in Jordan and Pakistan (through wi-tribe Limited), and a key investment in the Philippines (through wi-tribe Asia Limited), wi-tribe represents an exciting opportunity for the Qtel Group to help shape the future of wireless technology in three fast-growing regions.

Ownership

The Qtel Group has an 86.1 percent stake in wi-tribe Limited and a 100 percent stake in wi-tribe Asia Limited.

wi-tribe: Achievements

Having built out the foundations of its business in 2010, extending its reach from Pakistan and Jordan into the Philippines, wi-tribe has taken significant steps forward this year to entrench its brand, advance its network, and secure important commercial partners. The most important achievement of 2011 has been the launch of commercial scale Wi-Fi access trials in Pakistan and the Philippines, paving the way for wi-tribe to extend the reach and maximise the value of its WiMAX network in future years. In addition, in the Philippines this year wi-tribe launched a number of important LTE trials in co-operation with leading international telecom equipment vendors.

Alongside these trial launches, wi-tribe has entered into a number of exciting partnerships with some of the biggest global names in the internet space. In the Philippines and Jordan, wi-tribe is now co-operating with Skype on a range of common marketing activities and, at the same time in the Philippines and Pakistan, wi-tribe is partnering with Symantec to offer its subscribers access to anti-virus and parental control solutions. Hand-in-hand with these initiatives, wi-tribe has also successfully completed a far-reaching refresh of its brand identity this year, deepening its connection with customers and maximising the appeal of its services.

wi-tribe: The Year Ahead

The market opportunity for wi-tribe remains exciting and it continues to grow. Internet penetration in wi-tribe's key markets is increasing and the demand for digital services is also beginning to emerge. In the year ahead, wi-tribe will work to strengthen its already robust market position, expanding both its digital services portfolio and its Wi-Fi footprint in order to attract and retain first-adopter, high value customers. At the same time, wi-tribe will also continue to test new and alternative go-to-market models, such as the addition of pre-paid strategies in certain markets, to help broaden its target markets and widen its appeal.

Asia Mobile Holdings

Asia Mobile Holdings

Asia Mobile Holdings Pte. Ltd. (AMH) is a mobile communications investment company formed in 2007 to explore and invest in new mobile opportunities in the Asia Pacific region. The Qtel Group owns a 25 percent stake in AMH. The remaining 75 percent stake is owned by Singapore Technologies Telemedia (STT). AMH, incorporated in Singapore, is the preferred investment vehicle for both Qtel and STT for investing in mobile operations in the Asia Pacific region.

The AMH Portfolio

AMH closed 2011 with investments in the following companies: StarHub Ltd. and Shenington Investments Pte. Ltd.

StarHub Ltd.

AMH has a 56.6 percent stake in StarHub Ltd. (StarHub) which equates to a Qtel effective stake of 14.1 percent. Launched in 2000, StarHub is a fully integrated communication company offering a full range of information, communications and entertainment services for both consumer and corporate markets.

Shenington Investments Pte. Ltd.

AMH has a 49 percent stake in Shenington Investments Pte. Ltd. (Shenington). Shenington has a 100 percent shareholding in Mfone Co Ltd., which equates to a Qtel effective stake of 12.2 percent. Mfone is one of the largest GSM operators in Cambodia. Shenington also owns a 49 percent shareholding in Lao Telecommunications Company Limited (LTC), which equates to a Qtel effective stake of 6 percent. LTC is the largest telecoms operator in Laos.

Corporate Social Responsibility

The Qtel Group's vision is to enrich people's lives as a leading international communications company, and nowhere is our impact felt more strongly than in the field of Corporate Social Responsibility.

Through the Group's global presence, we are increasingly recognising the interconnected nature of many of the social issues that affect the communities we serve, as well as the potential for using the Group's enhanced profile to extract synergies and drive efficiencies for our CSR initiatives.

Most importantly of all, we benefit from the spirit and civic mindedness of our leaders and employees, who continue to donate time, imagination and effort in response to social issues and to help people around the world.

Qtel in Qatar

Determining the annual focus and allocation of CSR activities and resources is an important part of Qtel business strategy, with funds and attention directed to causes and to people who are most in need of corporate support. For CSR, Qtel takes as its guide the broad categories of sport, social welfare, Qatari culture, education and health, choosing to direct its influence and funds – approximately QAR 27.0 million in 2011 – to activities and initiatives that further both local and regional development in these areas.

First and foremost, the company ensured that it lived up to its responsibilities as a communications company when customers needed it most. When events in Egypt, Japan and Libya created concern for resident communities in Qatar, the company made it easier for nationals to stay in touch with loved ones back home through a series of specially-priced and free call and SMS services and supported a number of fund-raising projects.

As a leading Qatari company, Qtel supports national events that contribute to the sustainable development of the community and emphasise Qatari national cultural identity. Qtel supported Qatar National Day, Qatar Marine Festival and a range of local cultural events in pursuit of that goal.

To help protect the environment, Qtel's award-winning e-Waste Recycling Programme has continued to provide the people of Qatar with a safe, reliable way to recycle unwanted electronic equipment. The company has also moved all customers to e-billing, to reduce the waste of paper resources.

Education is a primary target for Qtel outreach, as the company hopes to inspire young Qataris with an interest in the science, technology and communication fields. In the course of 2011, Qtel teams visited most of Qatar's primary and secondary schools, where students were treated to workshops on Qtel's e-Waste Recycling Programme, new technologies and support for healthy lifestyle habits.

Qtel has a proud history of supporting key events that fuel excitement about sport and the sporting lifestyle, and this support encompasses all major sports activities. The company continues to champion sporting events in Qatar in the belief that these activities encourage a healthy lifestyle while providing opportunities for community-building. Among Qtel's sports sponsorships in 2011 were the Asian Football Confederation (AFC) Asian Cup 2011, the Barclays Premier League Trophy Tour, the Heir Apparent Cup, the Emir Cup, Aspire4Sport and the Arab Games 2011.

Qtel Group and Indosat in Indonesia

In 2011, the Qtel Group began work on the construction of an entire new village for the victims of the Mount Merapi volcanic eruption, which forced the evacuation of 350,000 people.

As part of its support, the Qtel Group funded the construction of a comprehensive residential complex, including 56 houses, a water well and a mosque that provided a place of worship for 240 people. The company also funded and helped build the complete infrastructure for the village, including streets, a public sewer system, and a children's playground.

Qtel has also supported a programme to provide relief aid for families forced into temporary accommodation when they were evacuated. Regular packages of relief aid, including food and daily necessities, were provided while the construction of the village was being undertaken.

Indosat in Indonesia

In 2011, Indosat continued to support teaching activities in two elementary schools in Nangroe Aceh Darussalam (NAD), Sekolah Dasar Unggulan Iqro in Sigli and Sekolah Dasar Islam Terpadu Nurul Fikri in Aceh Besar. Indosat has contributed to the construction and operations of the two schools, as part of the post-tsunami rehabilitation programme in NAD.

Through the "Indonesia Sehat" programme, Indosat has pledged its support to improve the quality of health of communities in Indonesia, and especially of mothers and children, primarily through the operation of Mobile Health Clinic units to provide free healthcare services to the economically disadvantaged. In 2011, Indosat operated 16 Mobile Clinic units, stationed at its branch offices to serve communities in the surrounding areas through routine and scheduled visits to designated locations. These Mobile Health Clinic units are fully equipped to provide basic healthcare assistance.

Since 2008, Indosat has actively participated in a number of tree-planting drives on its own initiative and in collaboration with concerned government agencies and private institutions.

In 2011, Indosat finalised the 'One Billion Trees for Indonesia' programme, a national programme inaugurated by the President of the Republic of Indonesia. Indosat pledged its commitment for the procurement, planting and subsequent upkeep of some 43,000 trees, to be planted in drainage basin areas.

To support young talent, Indosat contributed 100 guitars in the '1,000 Guitars for Indonesian Children Programme', a joint programme with Rolling Stone magazine. The guitars will be distributed nationally to 100 shelters, boarding schools, orphanages and learning sites for underprivileged children.

During Ramadan, Indosat launched a social charity programme by donating 5,000 Al-Quran to 50 mosques around Indosat's offices in 50 cities in Indonesia.

Tunisiana in Tunisia

During the Tunisian revolution, Tunisiana strengthened its social responsibility towards its customers. Realising the urgent need for people to stay in touch, Tunisiana gave every prepaid customer one dinar credit a day for five days. The technical and support teams worked around the clock – some of them for 48 hours straight – to make it happen. They sent bulk SMSs to customers to tell them about the credit and remind them of emergency numbers. They reconnected numbers that had been cut off when customers couldn't pay. Call-centre staff worked 24 hours a day to handle all the calls.

In addition, in November 2011, Tunisiana offered medical equipment to public hospitals in Sidi Bouzid, where the revolution began. Other charity actions include the Golf Tournament 'Tournoi du Coeur' for handicapped children and the Football Tournament for orphans at the SOS Villages in Tunis and Sousse.

Nawras in Oman

Nawras continued its sponsorship and “Goodwill Journey” in 2011, investing some OMR 260,000 into the community.

Over two weeks during Ramadan, Nawras Goodwill Journey volunteers, press and members of Oman’s scout and guide troops visited 10 different charitable organisations to spread happiness through carefully chosen donations, as well as taking time to understand the important work that was being carried out by these groups.

Additional activities included support for the Muscat Festival, Salalah Tourism Festival, COMEX, JOBEX, and INFRA conferences, as well as direct support for a number of noted sportspeople in Oman.

Wataniya Maldives

In the Maldives, Wataniya sponsored the campaign, ‘For One Big Heart’, an attempt to form the largest human heart to raise awareness for the Maldivian charity, which helps families who have babies with heart problems. Wataniya launched donation platforms through a hotline and SMS service for the charity. More than 12,000 people supported the event on Facebook and around 4,600 people came together for the main event, setting a new national record for the Maldives.

In addition, Wataniya also donated communication equipment to Guraidhoo Centre for People with Special Needs and launched eChanneling, which enables customers to make doctors’ appointments through a simple phone call to a hotline – another first for the Maldives.

Bravo in the Kingdom of Saudi Arabia

Bravo continues to find ways to enhance its role in the Kingdom of Saudi Arabia through outreach efforts, among them the signing of a support agreement with Disabled Children’s Association, designed to provide technology and services to help the development of children with special needs.

Bravo also sponsored a Blood Donation Campaign, to encourage people to help build vital stocks for medical support.

Asiacell in Iraq

Asiacell made strong progress in 2011 in the introduction of mWomen services to help address the gender divide in access to mobile communication. Its Almas Line – the first service of its kind in Iraq – was selected as a finalist by the GSMA for its Global Mobile Awards.

In addition, the company continued to provide support for the dedicated national Women’s Day event, as well as a series of special initiatives for children with special needs and local community health services.

Nedjma

Recognising the need for community support, Nedjma made a significant food bank donation to the Algerian Red Crescent in July 2011, to help with their emergency relief efforts.

On the occasion of Ramadan month, Nedjma partnered with the Algerian Radio service to organise a cultural and artistic village ‘La Medina’, at the Olympic Complex Mohamed-Boudiaf. The event saw a month-long series of cultural, sport and entertainment activities aimed at families and young people running every evening during the Holy Month.

The company also organised a series of special visits to hospitals and children’s home, to bring relief and gifts for the sick and needy.

Wataniya in Palestine

Wataniya Mobile has continued its commitment towards the Palestinian society by supporting and sponsoring many sport clubs, cultural and educational activities.

wi-tribe in Jordan, Pakistan and the Philippines

wi-tribe subsidiaries executed a number of relevant and meaningful corporate social responsibility initiatives in 2011.

These included fundraising for relief work for flood victims in Sindh province in Pakistan, and the provision of free connectivity to schools throughout the country.

In Jordan, wi-tribe completed a number of corporate social activities including a blood donation drive, sponsorship of a local Little League football team and an art fair at the National Orthodox School. In addition, wi-tribe sponsored a number of educational activities including a technology forum in Amman and a technology educational event in collaboration with Yahoo!.

Qatar Telecom (Qtel) Q.S.C.

Consolidated Financial Statements

For the year ended 31 December 2011

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Independent Auditors' Report to the Shareholders of Qatar Telecom (Qtel) Q.S.C.

Report on the consolidated 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 statement of financial position as at 31 December 2011, the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 were audited by another auditor whose report dated 1 March 2011 expressed an unqualified audit opinion.

Report on other legal requirements

We have obtained all the information and explanation which we considered necessary for the purpose of our audit. The Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. A physical count of inventory has been conducted in accordance with the established principles. We have reviewed the accompanying report of the Board of directors and confirm that the financial information contained thereon is consistent with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No. 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2011.

04 March 2012	Gopal Balasubramaniam
Doha	KPMG
State of Qatar	Qatar Auditors Registration No. 251

Consolidated Income Statement

Year Ended 31 December 2011

	Note	2011 QR'000	2010 QR'000
Revenue	5	**31,765,346**	27,376,582
Operating expenses	6	**(9,958,384)**	(8,734,647)
Selling, general and administrative expenses	7	**(6,959,147)**	(6,047,570)
Depreciation and amortisation	8	**(7,014,704)**	(6,317,416)
Finance costs (net)	9	**(1,902,315)**	(1,804,387)
Impairment of intangibles and available-for-sale investments	17,39	**(221,516)**	(46,250)
Gain on previously held interest in an acquired subsidiary	4.1	**1,442,831**	-
Other income (expenses) – net	10	**71,196**	657,611
Share of results of associates	16	**(56,879)**	(129,636)
Royalties and fees	11	**(312,238)**	(320,815)
Net profit before income taxes		**6,854,190**	4,633,472
Income tax	19	**(910,996)**	(545,550)
Net profit for the year		**5,943,194**	4,087,922
Attributable to:			
Shareholders of the Parent		**2,605,550**	2,887,843
Non-controlling interests		**3,337,644**	1,200,079
		5,943,194	4,087,922
Basic and diluted earnings per share	12	**14.80**	16.41
(Attributable to shareholders of the Parent)			
(Expressed in QR per share)			

The attached notes 1 to 43 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2011

	Note	2011 QR'000	2010 QR'000
Net profit for the year		**5,943,194**	4,087,922
Other comprehensive income			
Net changes in fair value of available-for-sale investments	25	**285,169**	248,995
Effective portion of changes in fair value of cash flow hedges	25	**343,412**	3,748
Exchange differences on translation of foreign operations	25	**(415,069)**	1,053,835
Share of other comprehensive (expense) / income of associates	25	**(2,099)**	1,473
Other comprehensive income for the year		**211,413**	1,308,051
Total comprehensive income for the year		**6,154,607**	5,395,973
Attributable to:			
Shareholders of the Parent		**3,034,048**	3,948,758
Non-controlling interests		**3,120,559**	1,447,215
Total comprehensive income for the year		**6,154,607**	5,395,973

The attached notes 1 to 43 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
At 31 December 2011

	Note	2011 QR'000	2010 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**33,065,098**	32,172,984
Intangible assets	14	**36,741,077**	33,279,183
Investment in associates	16	**1,591,341**	2,126,315
Available-for-sale investments	17	**2,189,939**	1,862,006
Other non-current assets	18	**910,238**	967,889
Deferred tax asset	19	**286,776**	357,998
Total non-current assets		**74,784,469**	70,766,375
Current assets			
Inventories	20	**342,550**	316,584
Accounts receivable and prepayments	21	**5,817,075**	4,739,950
Bank balances and cash	22	**21,249,832**	25,575,667
Total current assets		**27,409,457**	30,632,201
TOTAL ASSETS		**102,193,926**	101,398,576
EQUITY			
Share capital	23	**1,760,000**	1,466,667
Legal reserve	24 (a)	**6,494,137**	6,494,137
Fair value reserve	24 (b)	**672,843**	49,996
Translation reserve	24 (c)	**1,586,124**	1,780,473
Other statutory reserves	24 (d)	**706,036**	404,580
Retained earnings		**9,836,707**	8,834,207
Attributable to shareholders of the Parent		**21,055,847**	19,030,060
Non-controlling interests		**18,336,947**	15,196,832
Total equity		**39,392,794**	34,226,892

Continued...

The attached notes 1 to 43 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
At 31 December 2011 (Continued)

	Note	2011 QR'000	2010 QR'000
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	26	**31,932,297**	43,742,821
Employees benefits	27	**801,162**	913,325
Deferred tax liability	19	**1,637,849**	1,631,787
Other non-current liabilities	28	**1,325,285**	3,185,399
Total non-current liabilities		**35,696,593**	49,473,332
Current liabilities			
Interest bearing loans and borrowings	26	**13,850,738**	2,518,853
Accounts payable and accruals	29	**11,217,810**	10,475,638
Current account with State of Qatar		**-**	2,891,194
Deferred income		**1,610,770**	1,351,216
Income tax payable		**425,221**	461,451
Total current liabilities		**27,104,539**	17,698,352
Total liabilities		**62,801,132**	67,171,684
TOTAL EQUITY AND LIABILITIES		**102,193,926**	101,398,576

Abdullah Bin Mohamed Bin Saud Al-Thani
Chairman

Ali Shareef Al-Emadi
Deputy Chairman

The attached notes 1 to 43 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 December 2011

	Note	2011 QR'000	2010 QR'000
OPERATING ACTIVITIES			
Net profit before income taxes		**6,854,190**	4,633,472
Adjustments for:			
Depreciation and amortisation	8	**7,014,704**	6,317,416
Dividend income	10	**(41,798)**	(25,767)
Impairment of intangibles and available-for-sale investments		**221,516**	46,250
Profit on disposal of available-for-sale investments	10	**(1,568)**	(40,516)
Profit on disposal of property, plant and equipment	10	**(26,520)**	(26,024)
Gain on previously held interest in an acquired subsidiary	4.1	**(1,442,831)**	-
Finance costs (net)		**1,902,315**	1,804,387
Provision for employees' end of service benefits	27	**1,476**	153,232
Share of results of associates	16	**56,879**	129,636
Operating profit before working capital changes		**14,538,363**	12,992,086
Working capital changes:			
Changes in inventories		**(22,248)**	(62,053)
Changes in accounts receivables and prepayments		**(842,061)**	(540,251)
Changes in accounts payables and accruals		**(2,529,477)**	595,465
Cash from operations		**11,144,577**	12,985,247
Finance costs paid		**(2,315,711)**	(2,326,968)
Employees benefits paid	27	**(55,670)**	(13,277)
Income tax paid		**(836,044)**	(449,599)
Net cash from operating activities		**7,937,152**	10,195,403
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	**(6,574,857)**	(6,941,775)
Purchase of intangible assets	14	**(302,713)**	(193,843)
Net cash outflows from acquisition of a subsidiary	4	**(2,289,568)**	-
Additional investment in associates		**(27,000)**	(156,001)
Purchase of available-for-sale investments		**(160,144)**	(19,866)
Proceeds from disposal of property, plant and equipment		**386,615**	564,544
Proceeds from disposal of available-for-sale investments		**92,288**	138,203
Movement in other non-current assets		**82,649**	71,973
Movement in restricted deposits		**(182,907)**	4,268
Dividend and interest received		**696,447**	587,972
Net cash used in investing activities		**(8,279,190)**	(5,944,525)

Continued...

The attached notes 1 to 43 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 December 2011 (Continued)

	Note	2011 QR'000	2010 QR'000
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		**2,505,638**	21,298,543
Repayment of interest bearing loans and borrowings		**(3,742,308)**	(10,698,669)
Acquisition of non-controlling interest		**(39,587)**	(4,948)
Proceeds from changes in ownership interest		**-**	624,777
Capital contribution by non-controlling interest		**-**	246,158
Additions to deferred financing costs	26	**(24,096)**	(335,870)
Funds received from an associate		**280,762**	-
Dividends paid to shareholders of the parent		**(733,333)**	(462,000)
Dividend paid to non-controlling interests		**(321,881)**	(254,869)
Movement in non-controlling interests		**7,031**	(6,982)
Movement in other non-current liabilities		**(1,872,341)**	(398,345)
Net cash (used in) / from financing activities		**(3,940,115)**	10,007,795
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(4,282,153)**	14,258,673
Net foreign exchange differences		**(224,879)**	(187,076)
Cash and cash equivalents at 1 January		**25,557,920**	11,486,323
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**21,050,888**	25,557,920

The attached notes 1 to 43 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended 31 December 2011

	Attributable to shareholders of the Parent								
	Share capital QR'000	Legal reserve QR'000	Fair value reserve QR'000	Translation reserve QR'000	Other statutory reserves QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interests QR'000	Total Equity QR'000
At 1 January 2011	1,466,667	6,494,137	49,996	1,780,473	404,580	8,834,207	19,030,060	15,196,832	34,226,892
Profit for the year	-	-	-	-	-	2,605,550	2,605,550	3,337,644	5,943,194
Other comprehensive income	-	-	622,847	(194,349)	-	-	428,498	(217,085)	211,413
Total comprehensive income for the year	-	-	622,847	(194,349)	-	2,605,550	3,034,048	3,120,559	6,154,607
Transactions with shareholders of the Parent, recognised directly in equity									
Dividends for 2010 (Note 30)	-	-	-	-	-	(733,333)	(733,333)	-	(733,333)
Bonus shares issued	293,333	-	-	-	-	(293,333)	-	-	-
Transfer to other statutory reserves	-	-	-	-	301,456	(301,456)	-	-	-
Transactions with non-controlling interest, recognised directly in equity									
Recognition of non-controlling interests' share of net assets (Note 4.1)	-	-	-	-	-	-	-	907,326	907,326
Net acquisition of ownership interests in subsidiaries (Note 4.2)	-	-	-	-	-	(33,988)	(33,988)	617	(33,371)
Acquisition of non-controlling interests – share of associates (Note 4.3)	-	-	-	-	-	(208,627)	(208,627)	-	(208,627)
Conversion of non-controlling interests to interest bearing loans and borrowings (Note 4.4)	-	-	-	-	-	-	-	(573,537)	(573,537)
Dividends from subsidiaries	-	-	-	-	-	-	-	(321,881)	(321,881)
Other movements	-	-	-	-	-	-	-	7,031	7,031
Transactions with non-owners of the Group									
Transfer to social and sports fund (Note 41)	-	-	-	-	-	(32,313)	(32,313)	-	(32,313)
At 31 December 2011	**1,760,000**	**6,494,137**	**672,843**	**1,586,124**	**706,036**	**9,836,707**	**21,055,847**	**18,336,947**	**39,392,794**

The attached notes 1 to 43 form part of these consolidated financial statements.

Continued...

Consolidated Statement of Changes in Equity

Year Ended 31 December 2011 (Continued)

	Attributable to shareholders of the Parent								
	Share capital QR'000	Legal reserve QR'000	Fair value reserve QR'000	Translation reserve QR'000	Other statutory reserves QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interests QR'000	Total Equity QR'000
At 1 January 2010	1,466,667	6,494,137	(185,501)	955,055	306,268	6,582,892	15,619,518	13,834,749	29,454,267
Profit for the year	-	-	-	-	-	2,887,843	2,887,843	1,200,079	4,087,922
Other comprehensive income	-	-	235,497	825,418	-	-	1,060,915	247,136	1,308,051
Total comprehensive income for the year	-	-	235,497	825,418	-	2,887,843	3,948,758	1,447,215	5,395,973
Transactions with shareholders of the Parent, recognised directly in equity									
Dividend paid for 2009 (Note 30)	-	-	-	-	-	(1,026,667)	(1,026,667)	-	(1,026,667)
Transfer to other statutory reserve	-	-	-	-	98,312	(98,312)	-	-	-
Transactions with non-controlling interest, recognised directly in equity									
Acquisition of non-controlling interest (Note 4.5)	-	-	-	-	-	(3,956)	(3,956)	(992)	(4,948)
Other changes in ownership interests (Note 4.6, 4.7, 4.8)	-	-	-	-	-	543,960	543,960	177,711	721,671
Dividends from subsidiaries	-	-	-	-	-	-	-	(254,869)	(254,869)
Other movements	-	-	-	-	-	-	-	(6,982)	(6,982)
Transactions with non-owners of the Group									
Transfer to social and sports fund (Note 41)	-	-	-	-	-	(51,553)	(51,553)	-	(51,553)
At 31 December 2010	1,466,667	6,494,137	49,996	1,780,473	404,580	8,834,207	19,030,060	15,196,832	34,226,892

The attached notes 1 to 43 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Public Telecommunications Corporation (the "Corporation") was formed on 29 June 1987 domiciled in the State of Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar. The Company's registered office is located at 100 Westbay Tower, Doha, 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.

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

The Company and its subsidiaries (together referred to as the "Group") provides domestic and international telecommunication services in Qatar and elsewhere in the Asia and MENA region.

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 4 March 2012.

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- Financial instruments at fair value through income statement are measured at fair value.
- Available-for-sale investments are measured at fair value.
- Derivative financial instruments are measured at fair value.

The methods used to measure fair values are discussed further in Note 36.

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 38.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

Basis of consolidation

The consolidated financial statements comprise the financial statements of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries (together referred to as the "Group"). These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

a) 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. In addition, control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. 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. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

b) Non-controlling interests

Non-controlling interests (previously referred to as minority interests) in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

c) Business combinations and goodwill

Business combinations from 1 January 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit 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.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. 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.

Business combinations prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

d) Loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. On loss of control over a subsidiary, the Group:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated income statement; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

e) Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Qatari riyals at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Qatari Riyals at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated income statement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

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

		Group effective shareholding percentage	
Name of subsidiaries	Country of incorporation	31 December 2011	31 December 2010
Qtel Investment Holdings S.P.C	Bahrain	**100%**	100%
Qtel International Investments L.L.C.	Qatar	**100%**	100%
Qtel International L.L.C.	Qatar	**100%**	100%
Qtel South East Asia Holding S.P.C ("QSEAH")	Bahrain	**100%**	100%
Qtel West Bay Holding S.P.C	Bahrain	**100%**	100%
Qatar Telecom (Asia) Pte. Ltd. ("QTA")	Singapore	**100%**	100%
Qtel Al Dafna Holding S.P.C ("QDH")	Bahrain	**100%**	100%
Qtel Al Khore Holding S.P.C ("QKH")	Bahrain	**100%**	100%
IP Holdings Limited (formerly known as Qtel Gulf Holdings Limited)	Cayman Islands	**100%**	100%

Continued...

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

		Group effective shareholding percentage	
Name of subsidiaries	Country of incorporation	31 December 2011	31 December 2010
Qtel Gharafa Holdings Limited	Cayman Islands	**100%**	100%
wi-tribe Asia Limited ("WiTA")	Cayman Islands	**100%**	100%
World Trade Glory Ltd.	British Virgin Islands	**100%**	100%
JRAA – JHI Group	Philippines	**100%**	100%
Qatar Telecom (Qtel Asia) Pte. Ltd. ("QA")	Singapore	**100%**	100%
Indonesia Communications Limited ("ICLM")	Republic of Mauritius	**100%**	100%
QTEL International Finance Limited	Bermuda	**100%**	100%
Qtel MENA Investcom S.P.C ("MENA") (formerly known as TDC-Qtel MENA Investcom B.S.C.)	Bahrain	**100%**	100%
Qtel Malta Holding Company Ltd.	Malta	**100%**	100%
Omani Qatari Telecommunications Company S.A.O.G. ("NAWRAS")	Sultanate of Oman	**55.0%**	55.0%
Starlink W.L.L.	Qatar	**60.0%**	60.0%
National Mobile Telecommunications Company K.S.C. ("Wataniya Telecom")	Kuwait	**52.5%**	52.5%
Wataniya International FZ – L.L.C. (WTI)	United Arab Emirates	**52.5%**	52.5%
Al-Bahar United Company W.L.L. (Fono)	Kuwait	**52.5%**	52.5%
Al Wataniya Gulf Telecommunications Holding Company S.P.C ("WIH")	Bahrain	**52.5%**	52.5%
Al-Wataniya International for Intellectual Properties S.P.C (formerly known as Al-Wataniya International for Intellectual Properties B.S.C)	Bahrain	**52.5%**	52.5%
Wataniya Telecom Maldives Pvt Ltd (WTM)	Republic of Maldives	**52.5%**	52.5%
WARF Telecom International Private Limited (WARF) (i)	Republic of Maldives	**34.1%**	34.1%
Wataniya Telecom Algerie S.P.A. (WTA) (i)	Algeria	**46.3%**	46.3%
Guney Telekomunikasyon Hizmetleri A.S (i).	Turkey	**46.2%**	46.2%
Carthage Consortium Ltd.	Malta	**52.5%**	-
Qtel Tunisia Holding Company Ltd	Malta	**52.5%**	-
Tunisiana S.A (i)	Tunisia	**39.4%**	-
Tunisia Network S.A (i)	Tunisia	**36.8%**	-
Public Telecommunication Company Ltd. (PTC) (i)	Saudi Arabia	**29.2%**	29.2%
Wataniya Palestine Mobile Telecommunications Public Shareholding Company (i)	Palestine	**25.4%**	25.4%
Raywood Inc. (Raywood) (ii)	Cayman Islands	**61.2%**	61.2%
Al-Rowad General Services Limited (AL Rowad) (ii)	Iraq	**61.2%**	61.2%
Asiacell Communications PJSC (formerly known as Asiacell Communications L.L.C.) ("ACL, Iraq") (ii)	Iraq	**30.0%**	30.0%
wi-tribe Limited ("WiT")	Cayman Islands	**86.1%**	86.1%
wi-tribe Limited – Jordan P.S.C.	Jordan	**86.1%**	86.1%
wi-tribe Pakistan Limited	Pakistan	**86.1%**	86.1%
PT. Indosat Tbk	Indonesia	**65.0%**	65.0%

Continued...

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

		Group effective shareholding percentage	
Name of subsidiaries	Country of incorporation	31 December 2011	31 December 2010
Indosat Finance Company B.V. ("IFB")	Netherlands	**65.0%**	65.0%
Indosat International Finance Company B.V. ("IIFB")	Netherlands	**65.0%**	65.0%
Indosat Singapore Pte. Ltd. ("ISP")	Singapore	**65.0%**	65.0%
PT Indosat Mega Media ("IMM")	Indonesia	**64.9%**	64.9%
PT Starone Mitra Telekomunikasi ("SMT") (iii)	Indonesia	**47.2%**	47.2%
PT Aplikanusa Lintasarta ("Lintasarta") (iii)	Indonesia	**47.0%**	47.0%
PT Artajasa Pembayaran Elektronis ("APE") (iii)	Indonesia	**25.9%**	25.9%
Indosat Palapa Company B.V. ("IPBV")	Netherlands	**65.0%**	65.0%
Indosat Mentari Company B.V. ("IMBV")	Netherlands	**65.0%**	65.0%
PT Lintas Media Danawa ("LMD") (iii)	Indonesia	**32.9%**	32.9%
PT Interactive Vision Media ("IVM")	Indonesia	**64.9%**	-

Notes:

(i) The Group has the power, indirectly through Wataniya Telecom by virtue of Wataniya Telecom having more than 51% of the voting interests in these companies, to govern the financial and operating policies of WARF Telecom International Private Limited (WARF), Wataniya Telecom Algerie S.P.A. (WTA), Guney Telekomunikasyon Hizmetleri A.S. Tunisiana S.A, Tunisia Network S.A, Public Telecommunication Company Ltd. (PTC), Wataniya Palestine Mobile Telecommunications Public Shareholding Company, and accordingly, these companies have been considered as subsidiaries of the Group.

(ii) The Group incorporated Raywood Inc ("Raywood"), a special purpose entity registered in Cayman Islands with 61.2% voting interest held by the Group 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 Communications L.L.C. ("ACL, Iraq"), a company with license to provide telecommunication services in Iraq. The Group has the power to govern the financial and operating policies of ACL, Iraq by virtue of the shareholders' agreements entered into between Raywood, AL Rowad and ACL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and, accordingly ACL, Iraq is considered as a subsidiary of the Group.

(iii) The Group has the power, indirectly through PT Indosat Tbk ("Indosat ") by virtue of Indosat having more than 51% of the voting interest or control in these companies, to govern the financial and operating policies of PT Starone Mitra Telekomunikasi ("SMT"), PT Aplikanusa Lintasarta ("Lintasarta"), PT Artajasa Pembayaran Elektronis ("APE") and PT Lintas Media Danawa ("LMD") and accordingly, these companies have been considered as subsidiaries of the Group.

f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The following standards, amendments and interpretations, which became effective 1 January 2011, are relevant to the Group:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standard/ Interpretation	Content
IAS 24(Revised)	Related party disclosures
IAS 32 (amendment)	Classification of Rights Issues
IFRIC 14 (amendment)	Prepayments of a Minimum Funding Requirement
IFRIC 19 (amendment)	Extinguishing Financial Liabilities with Equity
Improvements to IFRS's (2010)	Issued in May 2010

a) IAS 24 (Revised) 'Related party disclosures'

The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

b) IAS 32 (amendment) 'Classification of Rights Issues'

The IASB amended IAS 32 Financial Instruments: Presentation to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment to IAS 32 did not have any significant impact on the consolidated financial statements of the Group.

c) IFRIC 14 (amendment) – Prepayments of a Minimum Funding Requirement

The amendment to IFRIC 14 removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement (MFR). The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. As required, the amendment has been applied retrospectively. The application of IFRIC 14 has no significant impact on the consolidated financial statements of the Group.

d) IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the issues in respect of the accounting by the debtor in a debt for equity swap transaction. An entity should measure equity instruments issued to a creditor to extinguish all or part of a financial liability at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The equity instruments are initially measured when the financial liability (or part of that liability) is extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of the equity instruments issued should be recognised in profit or loss. The application of IFRIC 19 has no significant impact on the consolidated financial statements of the Group.

e) Improvements to IFRSs (2010)

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no significant changes to the current accounting policies of the Group as a result of these amendments.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

The following standards and interpretations have been issued and are expected to be relevant to the Group in future periods, with effective dates on or after 1 January 2012:

Standard/ Interpretation	Content	Effective date
IAS 1 (amendment)	Presentation of items of other comprehensive income	1 July 2012
IAS 19	Employee benefits'	1 January 2013
IAS 28	Investment in Associates and Joint Ventures	1 January 2013
IFRS 7 (amendment)	Disclosures: Transfer of financial assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2015
IFRS 10 & IAS 27	Consolidated financial statements and Separate Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair Value measurement	1 January 2013

a) IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application. The application of this amendment has no significant impact on the consolidated financial statements of the Group.

b) IAS 19 (2011) - Employee benefits

The amended IAS 19 includes the following requirements:

- actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and
- expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

The amended standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

c) IAS 28 (2011) – Investment in Associates and Joint ventures

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) has been amended to include:

- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time.

d) IFRS 7 (amendment) – Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. The amendments are effective for annual periods beginning on or after 1 July 2011, but entities are not required to provide the disclosures for any period presented that begins before the date of initial application of the amendments. Early adoption is permitted.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (Continued)

e) IFRS 9 - Financial Instruments

Standard issued November 2009
IFRS 9 (2009) 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010
IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. In its November 2011 meeting, the IASB tentatively decided to defer the mandatory effective date to 1 January 2015.

f) IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation--Special Purpose Entities. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time. IFRS 10 is applied retrospectively when there is a change in the control conclusion between IAS 27/SIC-12 and IFRS 10. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

g) IFRS 11 – Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is all adopted at the same time.

h) IFRS 12 - Disclosures of interests in other entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite is adopted at the same time. Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (Continued)

i) IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group. The Group did not early adopt any new or amended standards or interpretations in 2011.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue
Revenue represents the fair value of consideration received or receivable for communication services and equipment sales net of discounts and sales taxes. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be measured reliably.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees, equipment sales and other related services.

The specific revenue recognition criteria applied to significant elements of revenue are set out below:

Revenue from rendering of services:
Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue arising from separable installation and connection services are recognised when it is earned. Subscription fee is recognised as revenue as the services are provided.

Interconnection revenue:
Revenues from network interconnection with other domestic and international telecommunications carriers are recognised based on the actual recorded traffic minutes.

Sales of prepaid cards:
Sale of prepaid cards is recognised as revenue based on the actual 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.

Sales of equipment:
Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and 'accepted by the customer.

Loyalty program:
The group has a customer loyalty programme whereby customers are awarded credits ("Points") based on the usage of products and services, entitling customers to the right to redeem the accumulated points via specified means. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of sale. The amount allocated to Points is estimated by reference to the fair value of the right to redeem it

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Loyalty program: (continued)
at a discount for the products of the Group or for products or services provided by third parties. The fair value of the right to redeem is estimated based on the amount of discount, adjusted to take into account the expected forfeiture rate. The amount allocated to Points is deferred and included in deferred revenue. Revenue is recognised when these Points are redeemed and the Group has fulfilled its obligations to the customer. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the Points will be redeemed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor:
The amounts due from lessees under finance leases are recorded as receivables at the amount of Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognized on a straight-line basis over the life of the contract. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee:
Rentals payable under operating leases are charged to the consolidated income statement on a straight –line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Other income

Other income represents income generated by the Group that arises from activities outside of the provision for communication services and equipment sales. Key components of other income are recognised as follows:

Interest income
Interest income is recognised on an accrual basis using the effective interest rate method.

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

Dividend income
Dividend income is recognised when the Group's right to receive the dividend is established.

Taxation

Some of the subsidiaries and the joint venture are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial reporting year.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the end of the financial reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unutilised tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unutlised tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the financial reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of the financial reporting year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the financial reporting year.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self constructed assets include the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised.

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 consolidated income statement as incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of these assets commences from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives of the property, plant and equipment are as follows:

Land lease rights under finance lease	50 years
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.

Derecognition

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the consolidated income statement on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated income statement on a systematic basis over the expected useful life of the related asset upon capitalisation.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated income statement in the year in which the expenditure is incurred.

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 each financial year. 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 consolidated income statement in the expense category consistent with the nature of the intangible asset.

Indefeasible rights of use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

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

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

		License costs	Customer contracts and related customer relationships	Brand/ Trade names	Concession intangible assets	IRU, software and other intangibles
Useful lives	:	Finite (10 – 50 years)	Finite (2 – 8 years)	Finite (6 - 25 years)	Finite (15 years)	Finite (3 - 15 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	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	Acquired	Acquired

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession arrangements
The Group accounts for service concession arrangements where it is an operator in accordance with IFRIC 12 "Service concession arrangements". Infrastructure within the scope of this interpretation is not recognised as property, plant and equipment of the Group as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the Group. Accordingly, the Group recognises such assets as "Concession intangible assets". The Group recognises these intangible assets at cost in accordance with IAS 38. These intangible assets are amortised over the period in which it is expected to be available for use by the Group. The Group recognises contract revenue and costs in accordance with IAS 11, Construction Contracts. The costs of each activity, namely construction, operation and maintenance are recognised as expenses by reference to the stage of completion of the related activity. Contract revenue, if any, i.e. the fair value of the amount due from the grantor for the activity undertaken, is recognised at the same time. The amount due from the grantor meets the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement. The receivable is measured initially at fair value. It is subsequently measured at amortised cost.

The Group accounts for revenue and costs relating to the services in accordance with IAS 18 as described in the accounting policy for revenue recognition. Borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred, unless the Group has a contractual right to receive an intangible asset (a right to charge user of the public service). If the Group has a contractual right to receive an intangible asset, borrowing costs attributable to the arrangement are capitalised during the construction phase of the arrangement.

Investment in associates
Associate companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position 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 consolidated 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, when applicable, in the consolidated 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.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Financial instruments

(i) Non-derivative financial assets:

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise bank balances and cash and accounts receivables and prepayments.

Bank balances and cash
Bank balances and cash comprise cash on hand, call deposits and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, call deposits and demand deposits with original maturity of less than three months.

Accounts receivable and prepayments
Accounts receivables and prepayments that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less impairment.

Appropriate allowances for estimated irrecoverable amounts are recognized in the consolidated income statement where there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale investments are recognised initially at fair value plus directly attributable costs. After initial recognition, available for sale investments are subsequently remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity as fair value reserve under other comprehensive income 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 consolidated income statement as "Dividend income" when the right to receive dividend has been established. All regular way purchases and sales of investment are recognised on the trade date when the Group becomes or cease to be a party to contractual provisions of the instrument.

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 at the end of the financial reporting year. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments recognised in the consolidated income statement are not subsequently reversed. Reversals of impairment losses on debt instruments are reversed through the consolidated 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 consolidated income statement.

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

Derecognition of financial assets

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

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

Impairment and uncollectibility of financial assets

An assessment is made at each end of the reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If any such evidence exists, impairment loss is recognised in the consolidated 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 consolidated 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.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Non derivative financial liabilities include interest bearing loans and borrowings and accounts payable and accruals.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised 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 amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those qualify for capitalisation.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. The bonus shares issued during the year are shown as an addition to the share capital and deducted from the accumulated retained earnings of the Group.

Dividends on ordinary share capital

Dividend distributions to the Group's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after balance sheet date.

(iv) Derivative financial instruments and hedging

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in described below for those derivative instruments designated for hedging cash flows, while changes in the fair value of derivative instruments not designated for cash flow hedges are charged directly to profit or loss.

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 consolidated 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 consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income and is taken directly to equity, while any ineffective portion is recognised immediately in the consolidated income statement.

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 consolidated statement of financial position at fair value and any resultant gain or loss on interest rate swaps contracts that qualify for hedge accounting is recognised as other comprehensive income and subsequently recognised in the consolidated income statement when the hedged transaction affects profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group uses cross currency swap contracts and forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. Further, the Group also have an interest rate swap which is not designated as a hedge. These cross currency swaps, forward currency contracts and the interest rate swaps which is not designated as hedge are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss in the fair value is recognised in the consolidated income statement.

The fair value of cross currency swaps and forward currency contracts is calculated by reference to respective instrument current 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.

Embedded derivative is presented with the host contract on the consolidated statement of financial position which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined with reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured as a best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Employee benefits

End of service benefits:

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 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.

Pensions and other post employment benefits:

Pension costs under the Group's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation. Actuarial gains or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the present value of the defined benefit obligation or fair value of plan assets, whichever is greater, at that date. These gains or losses in excess of the 10% corridor are recognised on a straight-line basis over the expected average remaining working lives of the employees. Past service cost is recognised over the estimated average remaining service periods of the employees.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Cash settled share-based payment transactions

The Group provides long term incentives in the form of shadow shares ("the benefit") to its employees. The entitlement to these benefits is based on individual performance and overall performance of the Group, subject to fulfilling certain conditions ("vesting conditions") under documented plan and is payable upon end of the vesting period ("the exercise date"). The benefit is linked to the share price of the Group, and the Group proportionately recognise the liability against these benefits over the vesting period through the consolidated income statement, until the employees become unconditionally entitled to the benefit.

The fair value of the liability is reassessed on each reporting date and any changes in the fair value of the benefit are recognized through the consolidated income statement.

Once the benefit is settled in cash at the exercise date, the liability is derecognised. The amount of cash settlement is determined based on the share price of the Group at the exercise date. On breach of the vesting conditions, the liability is derecognised through the consolidated income statement.

Foreign currencies

The Group's consolidated financial statements are presented in Qatari Riyals (QR), which is also the Parent Company's functional currency (the currency of the primary economic environment in which the Parent Company) operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the financial reporting year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the consolidated statement of financial position date.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS

4.1 Step acquisition of Tunisiana S.A. (formerly known as Orascom Telecom Tunisie S.A.) ("Tunisiana")

On 4 January 2011 ("the acquisition date"), the Group acquired 25% additional shareholding interest in Tunisiana As a result of the above, the Group's ownership and voting interests in Tunisiana, previously treated as a joint venture and accounted for under proportionate consolidation method, increased from 50% to 75%. Consequently, Tunisiana is fully consolidated within the Group's consolidated financial statements for the year ended 31 December 2011 starting from the date control has been obtained.

Moreover, the Group re-measured its previously held interests in Tunisiana at fair value and recognised a revaluation gain of QR 1,442,831 thousand in the profit or loss for the year. The revaluation of previously held interests was based on the same price that was paid for the additional controlling interests acquired during the period, after adjusting for control premium.

Since the date of acquisition and up to 31 December 2011, Tunisiana contributed a net profit of QR 699.2 million. The management expects that taking control of Tunisiana will enable the Group in expanding its telecommunication activities and operations in the Tunisian market.

(a) Identifiable assets acquired and liabilities assumed, and resulting gain on previously held interest

The fair values of the identifiable assets and liabilities of Tunisiana recognised as a result of the step acquisition were as follows:

	Carrying amounts immediately prior to acquisition QR'000	Fair value adjustment QR'000	Fair values at the acquisition date QR'000
Cash and bank balances	314,809	-	314,809
Trade and other receivables	387,846	-	387,846
Inventories	7,437	-	7,437
Property, plant and equipment	1,285,571	-	1,285,571
License costs	735,973	1,708,927	2,444,900
Customer contracts and related customer relationship	-	156,148	156,148
Trade names	-	203,884	203,884
Other intangibles	3,659	-	3,659
Deferred tax assets	46,255	-	46,255
Other non-current assets	49,992	-	49,992
Total provisional fair value of acquired identifiable assets at the date of acquisition	2,831,542	2,068,959	4,900,501
Trade and other payables	967,295	-	967,295
Borrowings	280,856	-	280,856
Other non-current liabilities	24,455	-	24,455
Total fair value of assumed liabilities at the date of acquisition	1,272,606	-	1,272,606
Fair value of net identifiable assets at the date of acquisition	**1,558,936**	**2,068,959**	**3,627,895**

Fair value of previously held interest in an acquired subsidiary	4,369,802
Less: Carrying value of previously held interest in an acquired subsidiary	(2,926,971)
Gain recognised on previously held interest in an acquired subsidiary	**1,442,831**

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)

4.1 Step acquisition of Tunisiana S.A. (continued)

(b) Goodwill resulting on the step acquisition

Goodwill has been recognised as a result of the acquisition as follows:

	QR'000
Acquisition cost	2,405,957
Non-controlling interest	907,326
Fair value of previously held interest in an acquired subsidiary	4,369,802
Sub-total	7,683,085
Less: provisional fair value of net identifiable assets at date of acquisition	(3,627,895)
Goodwill recognised at date of acquisition	**4,055,190**

(c) Cash outflow from the acquisition

	QR'000
Acquisition cost	(2,405,957)
Add: Receivable from acquired subsidiary	(41,130)
Consideration paid	(2,447,087)
Less: Cash acquired from the subsidiary	314,809
Add: Derecognition of previously recorded cash under proportionate consolidation method	(157,290)
Net cash outflow from the acquisition	**(2,289,568)**

In 2010, the following amounts were included in the Group's consolidated financial statements as a result of the proportionate consolidation of Tunisiana:

	2010 QR'000
Share of joint venture's statement of financial position:	
Current assets	355,188
Non-current assets	1,061,494
Current liabilities	(623,006)
Non-current liabilities	(12,937)
Carrying amount of net assets	780,739

	2010 QR'000
Share of joint venture's income statement:	
Revenue	1,286,588
Other income (expenses)	(2,243)
General and administrative expenses	(798,587)
Finance costs	(4,332)
Income tax	(180,604)
Profit for the year	300,822

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)

4.2 Net acquisition of ownership interests in subsidiaries

These represent acquisition of minor additional ownership interests in the following subsidiaries:

- National Mobile Telecommunications Company K.S.C. ("Wataniya Telecom"),
- wi Tribe Limited and
- wi Tribe Asia Limited

These are transactions with non -controlling interest without any change in control and have been directly recognised in the consolidated statement of changes in equity.

4.3 Acquisition of additional interest in a subsidiary by an associate

This represents the increase in stake by one of the Group's associates, Asia Mobile Holdings Pte. Ltd. (AMH) in its subsidiary. This is a transaction with non -controlling interest of the associate without any change in control and accordingly has been recognised in the equity of the associate. The group's share of this transaction has been directly recognised in the consolidated statement of changes in equity.

4.4 Conversion of non-controlling interests to interest bearing loans and borrowings

This represents amounts due to the shareholders of one of the Group's subsidiaries Asiacell Communications LLC, Iraq (ACL) which has been reclassified as interest bearing loans and borrowings pursuant to the recent capitalization of the company on account of its conversion to a private joint stock company (PJSC). This transaction has been directly recognised in the consolidated statement of changes in equity and also reflected as interest bearing loans and borrowings (Note 26).

4.5 Acquisition of non-controlling interest in Starlink WLL

On 20 December 2010, the Group acquired an additional 9% stake in Starlink W.L.L. As a result, the group increased its stake in Starlink W.L.L. from 51% to 60%. A cash consideration of QR 4,948 thousands was paid to the non-controlling interests of Starlink W.L.L. The carrying value of the net assets immediately prior to the additional acquisition of Starlink W.L.L. was QR 11,017 thousands and the share of carrying value of the additional interest acquired was QR 992 thousands. The excess of the cash consideration over the carrying values of net assets acquired amounting to QR 3,956 thousands has been recognised in the consolidated statement of changes in equity under retained earnings.

4.6 Changes in ownership interest in Omani Qatari Telecommunications Company S.A.O.G. ("Nawras")

In 2010, The Group offered 15% of its holding in Nawras held through TDC- Qtel MENA Investcom B.S.C. (MENA) as part of the Nawras initial public offering ("IPO") on the Muscat Securities Market ("MSM") in November 2010. The IPO proceeds received by the Group amounted to QR 624,777 thousands and the value of net assets representing the shares offered by the Group in the public issue was QR 192,996 thousands.

The Group also acquired an effective stake of 14.4 % in Nawras from the non-controlling shareholder in MENA based on an existing agreement for a cash consideration of QR 60,995 thousands. The value of net assets acquired from the non-controlling interest was QR 186,057 thousands.

The net effect of the above mentioned transactions was a net disposal of 0.6% of the Group's effective stake in Nawras which resulted in a movement of non-controlling interests amounting to QR 6,939 thousands and a cumulative amount of QR 556,843 thousands being the difference between the amount by which the non-controlling interests are adjusted and the net consideration received, is recognised in the consolidated statement of changes in equity under retained earnings.

4.7 Changes in ownership interest in Wataniya Palestine Mobile Telecommunication Limited P.S.C. ("WPT")

In 2010, the Group contributed an amount of QR 102,329 thousands towards an increase in the share capital of WPT. In addition, WPT had offered through an Initial Public Offering (the "IPO") new shares equivalent to 15 per cent of its authorised share capital followed by a listing on the Palestine Exchange (the "PEX"). This transaction resulted in a decrease in the Group's effective shareholding in WPT from 29.9% to 25.4% without a loss of control over WPT. As a result, the Group recognised an amount of QR 23,339 thousands as part of retained earnings in the consolidated statement of changes in equity.

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)

4.8 Changes in ownership interest in wi-tribe Limited

Additional issue of shares made by wi-tribe limited during the year was not proportionately subscribed by the non-controlling interests of wi-tribe Limited. This resulted in an increase in the Group's shareholding to 86.1%. As a result the Group has recognised an amount of QR 36,222 thousands in retained earnings representing the adjustment to reflect the changes in the interest in the subsidiary with the corresponding amount included under non-controlling interest.

5 REVENUE

	2011 QR'000	2010 QR'000
Revenue from rendering of services	**31,199,888**	26,716,373
Sale of telecommunications equipment	**342,966**	420,327
Revenue from use of assets by others	**195,226**	100,999
Network construction revenue (Note 15)	**27,266**	138,883
	31,765,346	27,376,582

6 OPERATING EXPENSES

	2011 QR'000	2010 QR'000
Outpayments and interconnect charges	**3,216,707**	2,853,327
Regulatory and related fees	**1,989,845**	1,857,848
Rentals and utilities	**1,655,133**	1,337,471
Network operation and maintenance	**1,111,601**	936,969
Cost of equipment sold and other services	**1,226,340**	955,994
Repairs and maintenance	**708,140**	647,497
Network construction costs (Note 15)	**27,266**	138,883
Provision for obsolete and slow moving inventories (Note 20)	**23,352**	6,658
	9,958,384	8,734,647

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2011 QR'000	2010 QR'000
Employee salaries and associated costs	**3,164,408**	2,784,336
Marketing costs and sponsorship	**1,159,976**	1,172,497
Legal and professional fees	**333,348**	329,377
Commission on cards	**1,166,862**	824,739
Allowance for impairment of accounts receivable (Note 21)	**247,706**	199,364
Other expenses	**886,847**	737,257
	6,959,147	6,047,570

8 DEPRECIATION AND AMORTISATION

	2011 QR'000	2010 QR'000
Depreciation (Note 13)	**5,224,678**	4,696,409
Amortisation of intangibles (Note 14)	**1,790,026**	1,621,007
	7,014,704	6,317,416

9 FINANCE COSTS - NET

	2011 QR'000	2010 QR'000
Interest expenses	**2,391,945**	2,202,844
Amortisation of deferred financing costs (Note 26)	**150,761**	152,632
Other finance charges	**14,942**	11,223
Ineffective portion of cash flow hedges transferred (Note 25)	**(684)**	(107)
	2,556,964	2,366,592
Less: Interest income	**(654,649)**	(562,205)
	1,902,315	1,804,387

10 OTHER INCOME (EXPENSES) - NET

	2011 QR'000	2010 QR'000
(Loss) / gain on foreign currency exchange (net)	**(72,636)**	152,380
Profit on disposal of available-for-sale investments	**1,568**	40,516
Profit on disposal of plant and equipment	**26,520**	26,024
Dividend income	**41,798**	25,767
Rental income from building	**16,620**	17,023
Change in fair value of derivatives (net)	**23,295**	(179,122)
Miscellaneous income (Note 11)	**34,031**	575,023
	71,196	657,611

11 ROYALTIES AND FEES

	2011 QR'000	2010 QR'000
Royalty to the Government of Sultanate of Oman	**119,904**	110,954
Industry fees	**149,921**	156,191
Other statutory fees	**42,413**	53,670
	312,238	320,815

Royalties:
In accordance with Law No. 6 of 2002, effective 1 January 2005, Qtel was 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. The royalty payable was calculated based on 25% of the profits attributable to the shareholders of the parent. 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 services in Qatar.

The Group deemed that another operator licensed under the Law commenced commercial operations on 1 March 2009, when the second operator switched on its network for two way communication, broadly consistent with the requirements prescribed by the provisions of license granted to Qtel by ictQATAR and had discontinued payment of royalties from such date. However, as per the Decree issued by the Government of Qatar, the payment of royalties had to be discontinued with effect from 7 October 2007 and replaced with 12.5% industry fees on the profits and 1% of license fees on the net regulated revenues generated from the Group's operations in Qatar. This has resulted in a write back of accruals amounting to QR 554 million, which has been included under Other Income (Expenses) - Net (Note 10) during the year ended 31 December 2010. During the year, the royalty payable to Government of State of Qatar was settled.

In accordance with the terms of a license granted to Omani Qatari Telecommunications Company S.A.O.G. to operate telecommunication services in the Sultanate of Oman, royalty is payable to the Government of the Sultanate of Oman, effective from March 2005. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and operating expenses.

Industry fees:
In accordance with the Minister of Economy and Finance of the State of Qatar Decree in 2010, effective from 7 October 2007, the Group has provided for a 12.5% Industry fee on profits generated from the Group's operations in Qatar.

Other statutory fees:
Contributions to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat are included under other statutory fees.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders 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 diluted earnings per share is equal to the basic earnings per share.

	2011	2010
Profit for the year attributable to shareholders of the parent (QR'000)	**2,605,550**	2,887,843
Weighted average number of shares (in thousands)	**176,000**	176,000
Basic and diluted earnings per share (QR)	**14.80**	16.41

The weighted average number of shares has been calculated as follows:

Qualifying shares at 1 January (in thousands)	**146,667**	146,667
Effect of bonus share issue (in thousands)	**29,333**	29,333
Total outstanding number of shares (in thousands)	**176,000**	176,000

During the year, the Group issued bonus shares and accordingly, the previously reported earnings per share have been restated. If the effect of the bonus shares issues during the year was not considered on the earnings per share of the previous year, the basic earnings per share would have been QR 19.69 per share for the year ended 31 December 2010.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings QR'000	Exchange and networks assets QR'000	Subscriber apparatus and other equipment QR'000	Capital work in progress QR'000	Total QR'000
Cost:					
At 1 January 2010	5,649,298	35,332,101	4,215,455	4,349,775	49,546,629
Additions	14,409	1,024,222	61,892	5,841,252	6,941,775
Transfers	581,655	5,628,926	474,249	(6,684,830)	-
Disposals	(28,761)	(2,453,719)	(81,519)	(700)	(2,564,699)
Reclassification	-	29,571	1,115	-	30,686
Exchange adjustment	185,038	484,967	3,617	117,570	791,192
At 31 December 2010	6,401,639	40,046,068	4,674,809	3,623,067	54,745,583
Derecognition of joint venture	-	(1,105,254)	(112,914)	(126,696)	(1,344,864)
Acquisition of subsidiary (Note 4.1)	-	2,210,507	225,828	253,393	2,689,728
Additions	24,441	898,383	108,740	5,543,293	6,574,857
Transfers	327,262	4,498,030	438,664	(5,263,956)	-
Disposals	(47,181)	(1,063,149)	(108,623)	(174)	(1,219,127)
Reclassification	297,105	(1,257,266)	(547,542)	162,322	(1,345,381)
Exchange adjustment	(47,678)	(257,843)	(20,229)	(38,090)	(363,840)
At 31 December 2011	**6,955,588**	**43,969,476**	**4,658,733**	**4,153,159**	**59,736,956**
Depreciation:					
At 1 January 2010	2,009,950	15,048,173	2,721,991	-	19,780,114
Provided during the year	433,064	3,725,805	537,540	-	4,696,409
Relating to disposals	(28,750)	(1,923,836)	(73,593)	-	(2,026,179)
Reclassification	-	15,927	597	-	16,524
Exchange adjustment	51,927	(5,972)	59,776	-	105,731
At 31 December 2010	2,466,191	16,860,097	3,246,311	-	22,572,599
Derecognition of joint venture	-	(621,522)	(80,556)	-	(702,078)
Acquisition of subsidiary (Note 4.1)	-	1,243,045	161,112	-	1,404,157
Provided during the year	493,320	4,182,857	548,501	-	5,224,678
Relating to disposals	(46,842)	(741,257)	(103,770)	-	(891,869)
Reclassification	129,255	(493,366)	(333,599)	-	(697,710)
Exchange adjustment	(30,889)	(184,124)	(22,906)	-	(237,919)
At 31 December 2011	**3,011,035**	**20,245,730**	**3,415,093**	**-**	**26,671,858**
Carrying value:					
At 31 December 2011	**3,944,553**	**23,723,746**	**1,243,640**	**4,153,159**	**33,065,098**
At 31 December 2010	3,935,448	23,185,971	1,428,498	3,623,067	32,172,984

Notes:

i) Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR 1,178 thousands (2010: QR 7,573 thousands).

ii) The property, plant and equipment of the subsidiaries Wataniya Telecom Algeria S.P.A, Wataniya Telecom Maldives Pvt Ltd and Wataniya Palestine Mobile Telecommunications Public Shareholding Company amounting to QR 3,226,266 thousands (2010: QR 3,322,178 thousands) are under registered mortgage to secure bank loans (Note 26).

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

14 INTANGIBLE ASSETS

	License costs QR'000	Goodwill QR'000	Customer contracts and related customer relationship QR'000	Brand/ Trade names QR'000	Concessions intangible assets QR'000	IRU, software and other intangibles QR'000	Total QR'000
Cost:							
At 1 January 2010	23,708,022	10,567,500	893,551	3,434,993	636,496	283,187	39,523,749
Additions	-	-	-	33,894	139,059	20,890	193,843
Reclassification	-	-	-	-	(43,085)	12,399	(30,686)
Exchange adjustment	219,866	302,247	36,366	124,036	2,418	2,198	687,131
At 31 December 2010	23,927,888	10,869,747	929,917	3,592,923	734,888	318,674	40,374,037
De-recognition of a Joint venture	(1,444,425)	(1,594,697)	(103,016)	(103,016)	-	(2,157)	(3,247,311)
Acquisition of a subsidiary (Note 4.1)	2,444,900	4,055,190	156,148	203,884	-	4,313	6,864,435
Additions	151,524	-	-	1,162	27,081	122,946	302,713
Reclassification	(171,970)	-	-	-	32,884	1,484,467	1,345,381
Exchange adjustment	(82,759)	(212,125)	(12,709)	(22,613)	(438)	(33,423)	(364,067)
At 31 December 2011	**24,825,158**	**13,118,115**	**970,340**	**3,672,340**	**794,415**	**1,894,820**	**45,275,188**
Amortisation and impairment:							
At 1 January 2010	3,497,629	448,176	619,461	430,945	182,164	241,322	5,419,697
Amortisation during the year	1,142,002	-	188,778	211,173	71,258	7,796	1,621,007
Impairment during the year	36,251	-	-	-	-	-	36,251
Reclassification	-	-	-	-	(28,923)	12,399	(16,524)
Exchange adjustment	(32,085)	943	18,918	24,649	20,564	1,434	34,423
At 31 December 2010	4,643,797	449,119	827,157	666,767	245,063	262,951	7,094,854
Derecognition of joint venture	(697,780)	-	(78,312)	(48,939)	-	(327)	(825,358)
Acquisition of subsidiary (Note 4.1)	-	-	-	-	-	654	654
Amortisation during the year	1,124,819	-	77,518	337,263	76,206	174,220	1,790,026
Reclassification	35,045	-	-	-	-	662,665	697,710
Exchange adjustment	(120,688)	(54,486)	(10,501)	(6,111)	(682)	(31,307)	(223,775)
At 31 December 2011	**4,985,193**	**394,633**	**815,862**	**948,980**	**320,587**	**1,068,856**	**8,534,111**
Net book value:							
At 31 December 2011	**19,839,965**	**12,723,482**	**154,478**	**2,723,360**	**473,828**	**825,964**	**36,741,077**
At 31 December 2010	19,284,091	10,420,628	102,760	2,926,156	489,825	55,723	33,279,183

Note:

The Group has recorded impairment of license costs amounting to QR 36,251 thousands during 2010 based on the management's assessment of the related assets.

15 BUILD-OPERATE-TRANSFER AGREEMENT

On 9 January 2002, a subsidiary, Public Telecommunications Company Ltd. ("PTC") has signed a Build-Operate-Transfer ("BOT") agreement with Saudi Telecom Company ("STC") to offer digital radio network services based on IDEN technology ("the Project") to the public and corporate sectors in the Kingdom of Saudi Arabia ("KSA"). The services offered include call services, data services, control & monitoring services and other optional services. The key features of the BOT agreement are as described below:

a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (f) below and renewal in accordance with the terms of the agreement.

b) PTC will be responsible for the Project (including the completion of each project phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by PTC to comply with specified network performance requirements.

c) The prices to be charged from users by PTC are subject to regulation by STC.

d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.

e) PTC shall pay STC revenue fees, site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in The Kingdom of Saudi Arabia is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).

f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.

g) The agreement may be modified in writing signed by the duly authorised representatives of STC and PTC.

The assets under BOT agreement are shown separately as "Concession intangible assets" (Notes 14). Each item of the concession intangible asset is amortised over the period from the date of its addition to 2020 (as the BOT agreement expires in 2020). The network construction revenue and network construction costs are included under revenue and other operating expenses respectively.

In the opinion of management, PTC does not have any contractual obligations to fulfil as a condition of its licence.

(i) to maintain the infrastructure to a specified level of serviceability, or

(ii) to restore the infrastructure to a specified condition before it is handed over to the STC at the end of the BOT arrangement. The future network enhancements will be able to sustain the network on transferring to STC as mentioned in (d) above.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

16 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Principal activity	Country of incorporation	Ownership 2011	Ownership 2010
Navlink, Inc.,	Managed Service Provider delivering technology solutions in the enterprise data market	United State of America	38%	38%
Asia Mobile Holdings Pte Ltd ("AMH")	Holding company	Singapore	25%	25%
PT Multi Media Asia Indonesia	Satellite based telecommunication services	Indonesia	27%	27%
Liberty Telecoms Holdings Inc. ("LTHI")	Telecommunication services	Philippines	40%	40%
MEEZA QSTP LLC	Information technology services	Qatar	20%	20%

(i) Navlink Inc. a Delaware Corporation is engaged in managing service delivery and providing technology solutions in the enterprise data market.

(ii) On 1 March 2007, the Group acquired a 25% stake in AMH. AMH is the holding company for ST Telemedia's ("STT") stake in Star Hub Ltd., Singapore.

(iii) On 8 May 2008, the Group acquired 27% of LTHI, a company incorporated in Philippines which is engaged in providing telecommunication services in Philippines and increased its stake to 40% on 9 December 2008.

(iv) PT Multi Media Asia Indonesia was acquired through PT Indosat Tbk.

(v) MEEZA QSTP LLC is registered as a limited liability company incorporated in the State of Qatar and is engaged in ITservices.

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

	2011 QR'000	2010 QR'000
Group's share of associates' statement of financial position:		
Current assets	**537,805**	1,478,339
Non-current assets	**2,497,178**	1,821,929
Current liabilities	**(810,960)**	(859,130)
Non-current liabilities	**(1,859,649)**	(1,567,500)
Net assets	**364,374**	873,638
Goodwill	**1,226,967**	1,252,677
Carrying amount of the investment	**1,591,341**	2,126,315
Group's share of associates' revenues and results:		
Revenues	**1,740,445**	1,563,997
Results	**(56,879)**	(129,636)

17 AVAILABLE-FOR-SALE INVESTMENTS

	2011 QR'000	2010 QR'000
Quoted equity investments	**561,993**	545,899
Unquoted equity investments	**692,161**	404,296
Unquoted debt securities	**119,612**	117,227
Investments in funds	**816,173**	794,584
	2,189,939	1,862,006

At 31 December 2011, certain unquoted equity investments amounting to QR 173,596 thousands (2010: QR 287,505 thousands) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of QR 25,396 thousands (2010: QR 9,999 thousands) on certain available-for-sale investments. In the opinion of the management, based on the currently available information, there is no evidence of further impairment in the value of available-for-sale investments.

18 OTHER NON-CURRENT ASSETS

	2011 QR'000	2010 QR'000
Prepaid rentals (i)	**307,748**	303,955
Long term advances (ii)	**363,058**	417,348
Long term loans (iii)	**140,341**	140,437
Others (iv)	**99,091**	106,149
	910,238	967,889

(i) Prepaid rentals represent the long term portion of prepaid rentals on sites and towers.

(ii) Long term advances represents advances to suppliers and contractors for the procurement or construction of property, plant and equipment and advances against investments, which will be reclassified to the respective class of assets upon completion or receipt of these assets purchased.

(iii) Long term loans represent loans granted to third parties for the purpose of investing in telecommunications outside Qatar, which carries interest at LIBOR plus margin 8% and is repayable within a period of five years. The loans are secured against pledge of shares of the invested telecommunication companies.

(iv) Others includes an amount of QR 41,435 thousands (2010: QR 45,097 thousands) relating to long term portion of prepaid pension costs (Note 27).

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

19 INCOME TAX

The income tax represents amounts recognised by subsidiary companies. The major components of the income tax expense for the years 2011 and 2010 are:

	2011 QR'000	2010 QR'000
Current income tax:		
Current income tax charge	**800,856**	519,558
Adjustments in respect of previous years' income tax	**(1,042)**	-
Deferred income tax:		
Relating to origination and reversal of temporary differences	**111,182**	25,992
Income tax included in the consolidated income statement	**910,996**	545,550

The Company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiaries is in the range of 10% to 35% (2010: 10% to 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were 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 of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.
The reconciliation between tax expense and the product of accounting profit multiplied by the Group's effective tax rate is as follows:

	2011 QR'000	2010 QR'000
Accounting consolidated profit before tax	**6,854,190**	4,633,472
The Company and its subsidiaries that are not subject to corporate income tax	**(2,552,747)**	(1,804,760)
Accounting profit of subsidiaries and associates that are subject to corporate income tax	**4,301,443**	2,828,712
Add:		
Allowances, accruals and other temporary differences	**61,027**	8,340
Expenses and income that are not subject to corporate tax	**62,569**	677,661
Deduct:		
Depreciation-net	**(414,442)**	(908,643)
Unutilised tax losses brought forward	**(274,422)**	(80,554)
Taxable profit of subsidiaries and associates that are subject to corporate income tax	**3,736,175**	2,525,516
Current income tax charge at the effective income tax rate of 21% (2010: 21%)	**800,856**	519,558

19 INCOME TAX (CONTINUED)

	Consolidated statement of financial position		Consolidated income statement	
	2011 QR'000	2010 QR'000	2011 QR'000	2010 QR'000
Accelerated depreciation for tax purposes	**(1,009,389)**	(926,801)	**(98,081)**	(256,250)
Losses available to offset against future taxable income	**392,041**	465,244	**(73,204)**	166,198
Allowances, accruals and other temporary differences	**59,139**	32,006	**14,392**	(22,150)
Deferred tax origination on Purchase Price Allocation	**(792,864)**	(844,238)	**45,711**	86,210
Deferred tax expense			**(111,182)**	(25,992)
Deferred tax liability - net	**(1,351,073)**	(1,273,789)		

Reflected in the consolidated statement of financial position as follows:

	2011 QR'000	2010 QR'000
Deferred tax asset	**286,776**	357,998
Deferred tax liability	**(1,637,849)**	(1,631,787)
	(1,351,073)	(1,273,789)

Reconciliation of deferred tax liability – net

	2011 QR'000	2010 QR'000
At 1 January	**1,273,789**	1,178,065
Derecognition of joint venture	**23,128**	-
Acquisition of subsidiaries (Note 4.1)	**(46,255)**	-
Tax expense during the year	**111,182**	25,992
Tax on other comprehensive income	**1,911**	(2,924)
Exchange adjustment	**(12,682)**	72,656
At 31 December	**1,351,073**	1,273,789

Unrecognised deferred tax assets

At 31 December 2011, deferred tax assets of QR 32,774 thousands (2010: QR 22,577 thousands) for temporary differences of QR 143,195 thousands (2010: QR 94,071 thousands) related to investments in subsidiaries were not recognised because the subsidiaries were unable to assess with reasonable certainty that sufficient taxable profit would be available to recover the asset in the foreseeable future.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

20 INVENTORIES

	2011 QR'000	2010 QR'000
Subscribers' equipment	**203,280**	177,262
Other equipment	**141,033**	137,065
Cables and transmission equipment	**43,936**	36,835
	388,249	351,162
Less: Provision for obsolete and slow moving inventories	**(45,699)**	(34,578)
	342,550	316,584

Inventories consumed and recognised as expense during the year included, as part of cost of equipment sold and other services under operating expenses, amounting to QR 690,769 thousands (2010: QR 749,745 thousands).

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

	2011 QR'000	2010 QR'000
At 1 January	**34,578**	27,911
Derecognition of joint venture	**(32)**	-
Acquisition of subsidiary (Note 4.1)	**64**	-
Provided during the year (Note 6)	**23,352**	6,658
Amounts written off	**(12,307)**	(192)
Exchange adjustment	**44**	201
At 31 December	**45,699**	34,578

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 QR'000	2010 QR'000
Accounts receivable – net of impairment allowances	**2,466,164**	2,180,994
Other receivables and prepayments	**2,637,416**	2,148,648
Unbilled subscriber revenue	**346,890**	280,471
Amounts due from international carriers	**301,766**	98,703
Positive fair value of derivatives contracts (Note 31)	**63,991**	30,358
Net prepaid pension costs (Note 27)	**848**	776
	5,817,075	4,739,950

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

At 31 December 2011, accounts receivable amounting to QR 893,416 thousands (2010: QR 783,646 thousands) were impaired and fully provided for.

Movement in the allowance for impairment of accounts receivable is as follows:

	2011 QR'000	2010 QR'000
At 1 January	**783,646**	654,393
Derecognition of joint venture	**(14,419)**	-
Acquisition of subsidiary (Note 4.1)	**28,839**	-
Charge for the year (Note 7)	**247,706**	199,364
Amounts written off	**(116,455)**	(71,507)
Amount recovered	**(30,881)**	(8,473)
Exchange adjustment	**(5,020)**	9,869
At 31 December	**893,416**	783,646

At 31 December 2011, the ageing of unimpaired accounts receivable is as follows:

			Past due not impaired			
	Total QR '000	Neither past due nor impaired QR '000	< 30days QR '000	30-60 Days QR '000	60-90 Days QR '000	> 90 days QR '000
2011	**2,466,164**	**619,672**	**385,081**	**446,844**	**278,190**	**736,377**
2010	2,180,994	504,503	406,977	251,791	186,107	831,616

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 majorities are therefore, unsecured.

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following items:

	2011 QR'000	2010 QR'000
Bank balances and cash	**21,249,832**	25,575,667
Bank overdraft (Note 26)	**-**	(1,710)
Total bank balances and cash as at 31 December	**21,249,832**	25,573,957
Less:		
Restricted deposits	**(198,944)**	(16,037)
Cash and cash equivalents as per consolidated statement of cash flows at 31 December	**21,050,888**	25,557,920

22 CASH AND CASH EQUIVALENTS (CONTINUED)

Notes:

(i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 13,860,975 thousands (2010: QR 15,804,342 thousands). The management is of the opinion that these fixed deposits are readily convertible to cash and is held to meet short-term commitments.

(ii) Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and the interest on the respective short term deposit rates range from 0.35% to 9.75% (2010: 0.76% to 10%)

23 SHARE CAPITAL

	2011 QR'000	2010 QR'000
Authorised		
200,000,000 Ordinary shares of QR 10 each	**2,000,000**	2,000,000
Issued and fully paid up		
176,000,000 Ordinary shares of QR 10 each	**1,760,000**	1,466,667

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

24 RESERVES

a) 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 share capital. During 2008, an amount of QR 5,494,137 thousands, being the net share premium amount arising out of the rights issue was transferred to 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. No Such transfer has been made during the year as the legal reserve has already exceeded 50% of the paid up share capital.

b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments and effective portion of qualifying cash flow hedges.

c) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

d) Other statutory reserves

In accordance with the statutory regulations of the various subsidiaries, a share of their respective annual profits should be transferred to a non-distributable statutory reserve.

25 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2011 QR'000	2010 QR'000
Available-for-sale investments:		
Gain arising during the year	**261,341**	279,512
Reclassification adjustments for profit included in the consolidated income statement	**(1,568)**	(40,516)
Transfer to income statement on impairment (Note 17)	**25,396**	9,999
	285,169	248,995
Cash flow hedges:		
Gain arising during the year	**345,951**	1,627
Income tax effect	**(1,855)**	2,228
Ineffective portion of cash flow hedges transferred to income statement (Note 9)	**(684)**	(107)
	343,412	3,748
Associates:		
Share of changes in fair value of cash flow hedges	**(2,099)**	1,473
Translation reserves:		
Exchange differences on translation of foreign operations	**(415,013)**	1,053,146
Income tax benefits	**(56)**	689
	(415,069)	1,053,835
Other comprehensive income for the year, net of tax	**211,413**	1,308,051

26 INTEREST BEARING LOANS AND BORROWINGS

The interest bearing loans and borrowings presented in the consolidated statement of financial position consist of the following:

	Maturity	2011 QR'000	2010 QR'000
The Company's loans:			
Loan 1	Aug 2012	**10,924,500**	10,924,500
Loan 2	Various	**7,283,000**	7,283,000
Subsidiaries' loans:			
Qtel International Finance Limited			
Loan 3	Jun 2014	**3,277,350**	3,277,350
Loan 4	Jun 2019	**2,184,900**	2,184,900
Loan 5	Oct 2016	**3,641,500**	3,641,500
Loan 6	Feb 2021	**3,641,500**	3,641,500
Loan 7	Oct 2025	**2,731,125**	2,731,125
Omani Qatari Telecommunications Company S.A.O.G.			
Loan 8	Mar 2012	**522,275**	672,675
National Mobile Telecommunications Company K.S.C. and its subsidiaries:			
Loan 9	Various	**1,175,236**	1,319,554
Loan 10	Mar 2012	**-**	140,530
Loan 11	Nov 2013	**21,849**	43,698
Loan 12	Various	**260,597**	317,610
Loan 13	Jan 2014	**-**	364,988
Wi tribe Limited:			
Loan 14	May 2011	**-**	425,321
Asiacell Communications PJSC:			
Loan 15	Mar 2012	**455,188**	-
Loan 16	-	**573,536**	-
PT Indosat Tbk and its subsidiaries:			
Loan 17	Feb 2014	**835,724**	1,638,691
Loan 18	Nov 2019	**586,680**	660,021
Loan 19	Sep 2012	**401,577**	526,526
Loan 20	Feb 2014	**602,365**	-
Loan 21	Sep 2012	**401,577**	526,526
Loan 22	Feb 2014	**602,365**	-
Loan 23	May 2012	**194,290**	198,012
Loan 24	Various	**864,861**	810,242
Loan 25	Jun 2011	**-**	330,091
Loan 26	Various	**1,044,100**	1,053,052
Loan 27	Various	**433,704**	437,421
Loan 28	Various	**522,050**	526,526

Continued...

Notes to the Consolidated Financial Statements

Year Ended 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	Maturity	2011 QR'000	2010 QR'000
Loan 29	Jul 2020	**2,366,976**	2,366,998
Loan 30	Jun 2011	**-**	115,431
Loan 31	May 2014	**160,631**	162,008
Loan 32	Apr 2013	**228,899**	230,861
Loan 33	Various	**80,315**	81,004
Others:			
Loan 34	Various	**227,729**	218,825
Bank overdrafts (Note 22)		**-**	1,710
		46,246,399	46,852,196
Less: Deferred financing costs		**(463,364)**	(590,522)
		45,783,035	46,261,674

Presented in the consolidated statement of financial position as:

	Principal repayment amount QR'000	Deferred financing costs QR'000	2011 QR'000	2010 QR'000
Current portion	**13,953,354**	**(102,616)**	**13,850,738**	2,518,853
Non-current portion	**32,293,045**	**(360,748)**	**31,932,297**	43,742,821
	46,246,399	**(463,364)**	**45,783,035**	46,261,674

The deferred financing costs consist of arrangement and commitment fees. Movement in deferred financing costs was as follows:

	2011 QR'000	2010 QR'000
At 1 January	**590,522**	402,826
Additions during the year	**24,096**	335,870
Amortised during the year (Note 9)	**(150,761)**	(152,632)
Exchange adjustment	**(493)**	4,458
At 31 December	**463,364**	590,522

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Notes:

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Qatar Telecom (Qtel) Q.S.C.					
Loan 1	USD 3.0 billion / QR 10.9 billion	Unsecured	LIBOR Plus Margin	Refinancing of QR. 9.10 billion old bridge loan facility and general corporate purposes	The loan was fully drawn on September 2007.
Loan 2	USD 2.0 billion / QR 7.3 billion			For general corporate purposes	The loan will mature in 2 tranches of USD 1.25 billion on May 2013 and USD 0.75 billion on May 2015.
Qatar International Finance Limited					
Loan 3	USD 0.9 billion / QR 3.3 billion	Unconditional and irrevocable guarantee by Qtel (Parent)	6.50%	For general corporate purposes	In May 2009, the Group established a US$ 5 Billion (QR 18.2 Billion) Global Medium Term Note Programme ("Notes"). The Notes were issued in 2 tranches - the first tranch covering Loans 3 and 4 amounting to USD 1.5 billion (QR 5.4 billion) was issued on June 2009. The second tranch covering Loans 5, 6 and 7 amounting to USD 2.75 billion (QR 10 billion) was issued on October 2010.
Loan 4	USD 0.6 billion / QR 2.2 billion		7.88%		
Loan 5	USD 1.0 billion / QR 3.64 billion		3.38%		
Loan 6	USD 1.0 billion / QR 3.64 billion		4.75%		
Loan 7	USD 0.75 billion / QR 2.73 billion		5.00%		
Omani Qatari Telecommunications Company S.A.O.G. (Nawras).					
Loan 8	USD 270 million / QR 983 million	Secured by a charge on the company's dollar proceeds account and the insurance proceeds of property, plant and equipment and corporate guarantees of shareholders of Nawras.	LIBOR Plus Margin	For general corporate purposes	The loan agreement contains certain restrictive covenants. The loan is repayable in nine semi-annual installments which commenced from March 2008. The subsidiary has received a market disruption clause notice from some of its lenders which request that finance cost on the commercial loan facility be based on LIBOR plus an additional margin from March 2009. The average annual additional interest paid in relation to this during the year was 0.89% (2010: 1.18%).

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
National Mobile Telecommunications Company K.S.C. and subsidiaries					
Loan 9	QR 1.18 Billion	These loans are secured by pledges on the respective subsidiaries assets.	Algerian Repo rate plus 1.3% to 3.4% per annum and LIBOR plus 1.10% to 4.15% per annum	For general corporate purposes	Repayable in instalments over a period from December 2005 to March 2015.
Loan 10	-		EURIBOR plus 1% per annum and Tunisia money market rate plus 2% per annum		Repayable over a period of 4 years in instalments starting from March 2008. During the year, the loan has been repaid in full.
Loan 11	QR 21.8 million		6 months LIBOR plus 3.5%		Repayable over a period of 5 years in instalments starting from November 2008.
Loan 12	QR 261 million		LIBOR plus 5.31% to 6.34% per annum		Repayable in semi-annual instalments commencing January 2011 and ending January 2016.
Loan 13	-	Unsecured	1% per annum over the Central Bank of Kuwait discount rate		Repayable in instalments or at maturity by December 2013. During the year, the loan has been repaid in full.
wi-tribe Limited					
Loan 14	USD 151 million / QR 550 million	Unsecured revolving credit facility	6%	For general corporate purposes	The loan was repayable by 11 May 2011. During the year, the loan has been repaid in full.

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Asiacell					
Loan 15	USD 250 million / QR 910 million	Unsecured	LIBOR plus 3%	This facility was utilised to finance the settlement of outstanding license costs along with interest and other fees to Communications and Media Commission, Iraq (CMC)	The loan is repayable in 6 equal monthly installments and the first installment was paid on 20 October 2011.
Loan 16	USD 157.5 million QR 573.5 million	Unsecured	9%	For general corporate purposes	This relates to the amounts due to the shareholders of ACL which has been reclassified pursuant to recent capitalization of the company on account of its conversion to a private joint stock company (PJSC). The terms of the facility is still under negotiation.
PT Indosat Tbk and its subsidiaries:					
Loan 17	USD 450 million / QR 1.64 billion	Unsecured	US Dollar LIBOR plus 1.9% p.a. for onshore and 1.85% p.a. for offshore lenders	To finance the subsidiary's capital expenditure, purchase of a portion of its Guaranteed notes due on 2010 and 2012 and for general working capital requirements.	The Syndicated US dollar loan facility was signed in June 2008 and is repayable semi-annually over a period of 4 to 5 years. Based on the loan agreement the subsidiary is required to maintain certain loan covenants such as maintaining certain financial ratios.
Loan 18	USD 160 million / QR 583 million	-	5.69% p.a.	To finance 85% of the French content under the Palapa D Satellite and 100% of the COFACE premium	12 year - COFACE term facility Payable in twenty semi-annual instalments
	USD 44 million / QR 160 million	-	USD LIBOR + 0.35% p.a.	To finance 85% of the launch service contract under the Palapa D Satellite	12 year - SINOSURE term facility Payable in twenty semi-annual installments

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 19	Rp 2,000 billion / QR 810 million	Unsecured	Year 1 - 9.75% Year 2 - 10.5% Year 3 to 5 - JIBOR+1.5%	Purchase of telecommunication equipments	Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.
Loan 20	Rp 1,500 billion / QR 602 million	Unsecured	1-month JIBOR plus 1.25%	To finance the company's operational working capital, capital expenditure and/or refinancing requirements	In June 2011 the company entered into a revolving loan facility agreement. In Dec. 2011 the company drew down from this facility. Based on the facility agreement, the Company is required to comply with certain covenants such as maintaining financial ratios.
Loan 21	Rp 2,000 Billion / QR 810 million	Unsecured	Year 1 - 9.75% Year 2 - 10.5% Year 3 to 5 - JIBOR+1.5%	Purchase of telecommunication equipments and repayment of old loan facility	In September, October and December 2007, the subsidiary made draw downs for the full loan amounts. Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.
Loan 22	Rp 1,500 Billion / QR 607.5 million	Unsecured	JIBOR + 1.4% p.a. However, starting December 1, 2011, JIBOR + 1.25% p.a	For general corporate purposes	The revolving time loan had an initial maximum amount of Rp1,000,000. In December, 2011, the facility was amended to increase the amount up to Rp1,500,000 and change the interest rate. Each drawdown matures 1 month from the drawdown date. Subsequently, on August 2011, the Company obtained an approval from BCA to amend the maturity date of each drawdown to become at the latest on February 2014

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 23	Rp 434.3 billion / QR 174.4 million	Unsecured	8.75% per annum If FX conversion option is opted , starting May 30, 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US$50 million.	Purchase of telecommunication equipments	Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.
Loan 24	USD 0.32 billion / QR 1.80 billion	Unsecured	Facility A: Margin of 0.25%, LIBOR, SEK Funding Cost of 1.05% and EKN Premium Margin of 1.58% Facility B: Margin of 0.05%, Commercial Interest Reference Rate ("CIRR") and EKN Premium Margin of 1.61% Facility C: Margin of 0.05%, CIRR and EKN Premium Margin of 1.61% payable semi-annually	Purchase of telecommunication equipments	Credit facilities consisting of facilities A,B and C with maximum amounts of US $100 million, US$155 million and US$ 60 million respectively Loan drawdowns are payable semi-annually
Loan 25	Rp 815 billion / QR 327 million	All assets as pari-passu security	12% per annum	For capital expenditure purposes	These are 4th Indosat Bonds issued in 2005 with BRI as the trustee. Buy-back option available at market price on 1st anniversary. Early settlement option at 100% of bonds nominal value on 4th anniversary. Certain financial ratios to be maintained as part of loan covenants. During the year the bond was repaid in full.
Loan 26	Rp 2,600 billion / QR 1.05 billion	All assets as pari-passu security	Series A 10.2% and series B 10.65%	For capital expenditure purposes	The loan represents the fifth Indosat bonds and consists of 2 series: Series A amounting to Rp 1,230 billion (QR 494 million) issued on May 2007 and maturing May 2014; and Series B amounting to Rp 1,370 billion (QR 550 million) issued on May 2007 and maturing May 2017

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 27	Rp 1,080 billion (QR 434 million)	All assets as pari-passu security	Series A 10.25% and series B 10.80%	For Capital Expenditure purposes	The loan represents the sixth Indosat bonds and consists of 2 series with BRI as the trustee: Series A amounting to Rp 760 billion (QR 305 million) issued on April 2008 and maturing on April 2013; and Series B amounting to Rp 320 billion (QR 128.5 million) issued on April 2008 and maturing on April 2015. The subsidiary is required to maintain certain financial ratios as required by the loan agreement.
Loan 28	Rp 1,300 billion (QR 522 million)	All assets as pari-passu security	Series A 11.25% and series B 11.75%	Purchase of base station subsystem to expand the subsidiary's cellular network	The loan represents the seventh Indosat bonds consists of 2 series:- Series A amounting to Rp 700 billion (QR 281 million) issued on December 2009 and maturing on December 2014; and Series B amounting to Rp 600 billion (QR 241 million) issued on March 2010 and maturing on 8 December 2016. The subsidiary is required to maintain certain financial ratios as required by the loan agreement.
Loan 29	USD 650 million QR 2.37 billion	Unconditionally and irrevocably guaranteed	7.375%	For purchase of Guarantee notes maturing in 2010 and 2012 and for refinancing part of the existing facilities	This represents the Guaranteed Notes ("GN") 2020 issued at 99.478% of their principal amount and bear interest at the fixed rate of 7.375% per annum payable semi-annually on 29 January and 29 July of each year, commencing on 29 January 2011. The notes will mature on July 29, 2020. The notes will be redeemable at the option of IPBV, in whole or in part, at any time on or after 29 July 2015 at prices equal to 103.6875%, 102.4583%, 101.2292% and 100% of the principal amount during the 12-month period commencing 29 July 2015, 2016, 2017 and 2018 and thereafter, respectively, plus accrued and unpaid interest. Certain financial ratios to be maintained as part of the covenants.

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 30	Rp 285 billion QR 115 million	All assets as pari-passu security	Yearly QR 13.8 million fixed Ijarah costs	For Capital Expenditure purposes	Syari'ah Ijarah Bonds issued in 2005 with BRI as the trustee. Buyback option is embedded at market price on 1st anniversary (expired). Early settlement option is available at 100% of bonds nominal value on 4th anniversary. Certain financial ratios need to be maintained as part of the covenants. During the year the bond was repaid in full.
Loan 31	Rp 400 billion QR 161 million	All assets as pari-passu security	Yearly QR 16.5 million fixed Ijarah costs	For Capital Expenditure purposes	Sukuk Ijarah II bonds were issued on May 2007 with BRI as the trustee. Buyback option is embedded at the market price on 1st anniversary (expired). Early settlement option is available at 100% of bonds nominal value on 4th anniversary. Certain financial ratios need to be maintained as part of the covenants.
Loan 32	Rp 570 billion QR 230 million	All assets as pari-passu security	Yearly QR 23.7 million fixed Ijarah costs	For capital expenditure purposes	Sukuk Ijarah III bonds were issued on April 2008 BRI is the trustee. Buyback option is embedded at the market price on the 1st anniversary (expired). Early settlement option available at 100% of bond nominal value on 4th anniversary. Certain financial ratios need to be maintained as part of the covenants.
Loan 33	Rp 200 billion QR 81 million	Unsecured	Annual fixed Ijarah return. Series A bonds QR 1.2 million and Series B bonds QR 8.1 million	For the purchase of Base Station Subsystem to expand the subsidiary's cellular network.	Sukuk Ijarah IV bonds were issued in year 2009 with BRI as the trustee. Series A bonds amounting to Rp 28 billion (QR 11 million) with annual fixed Ijarah return totalling Rp 3,1 billion (QR 1.2 million) payable on a quarterly basis starting March 2010 up to December 2014. Series B bonds amounting to Rp 172 billion (QR 69 million) with annual fixed Ijarah return totaling Rp 20.2 billion (QR 8.1 million) payable on a quarterly basis starting March 2010 up to December 2016. The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Others - Loan 34:

This represents the following facilities as at 31st December 2011:

- Indosat - 9-Year Commercial Loan
- Indosat - Second Indosat Bond - Series B
- Indosat - Lintasarta Limited bonds I
- Indosat - Lintasarta Limited bonds II
- Indosat - CIMB Niaga 5 - this was repaid in full during the year
- Indosat - CIMB Niaga 6
- Indosat – FEC facility - this was repaid in full during the year
- Asiacell - Hermes Facility with HSBC
- Starlink - Bank facility

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Year Ended 31 December 2011

27 EMPLOYEE BENEFITS

	2011 QR'000	2010 QR'000
Employees' end of service benefits	**378,869**	337,640
Post retirement health care plan	**223,177**	258,917
Cash settled share based payments	**177,641**	235,018
Defined benefit pension plan/Labour Law No. 13/2003	**78,038**	76,121
Other employee benefits	**14,952**	18,304
Total employee benefits	**872,677**	926,000
Current portion of cash settled share based payments	**(71,515)**	(12,675)
Employee benefits – non current	**801,162**	913,325

Movement in the provision for employee benefits are as follows:

	2011 QR'000	2010 QR'000
At 1 January	**926,000**	770,262
Provided during the year	**1,476**	153,232
Paid during the year	**(55,670)**	(13,277)
Exchange adjustment	**871**	15,783
At 31 December	**872,677**	926,000

The details of the benefit plans operated by the Group are as follows:

Employees' end of service benefits

The Company and its certain subsidiaries provide end of service benefits to their 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 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.

The subsidiaries, Indosat, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their qualified permanent employees.

27 EMPLOYEE BENEFITS (CONTINUED)

Post-retirement healthcare plan

The subsidiary provides post-retirement healthcare benefits to its employees who leave after the employees fulfill the early retirement requirement. The spouse and children who have been officially registered in the administration records of the subsidiary are also eligible to receive benefits. If the employees die, the spouse and children are still eligible for the post-retirement healthcare until the spouse dies or remarries and the children reach the age of 25 or get married.

The utilization of post-retirement healthcare is limited to an annual maximum ceiling that refers to monthly pension from Jiwasraya as follows:

- 16 times the Jiwasraya monthly pension for a pensioner who receives monthly pension from Jiwasraya.
- 16 times the equality monthly pension for a pensioner who became permanent employee after 1 September 2000.
- 16 times the last monthly pension for a pensioner who retired after 1 July 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the year ended 31 December 2011 was calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:v

	2011 QR'000	2010 QR'000
Annual discount rate	**8.0%**	9.5%
Ultimate cost trend rate	**6.0%**	6.0%
Next year trend rate	**12.0%**	14.0%
Period to reach ultimate cost trend rate	**4 Years**	4 years

a) The composition of the periodic post-retirement healthcare cost for the year ended 31 December is as follows:

	2011 QR'000	2010 QR'000
Interest cost	**28,643**	26,416
Service cost	**10,031**	11,312
Amortization of unrecognized past service cost	**3,778**	4,189
Amortisation of unrecognised actuarial loss	**2,230**	-
Curtailment gain	**(75,527)**	-
Periodic post-retirement healthcare cost	**(30,845)**	41,917

b) The composition of the accrued post-retirement healthcare cost as of 31 December is as follows:

	2011 QR'000	2010 QR'000
Projected benefit obligation	**276,200**	342,905
Unrecognized actuarial loss	**(41,635)**	(65,388)
Unrecognized past service cost	**(6,185)**	(12,658)
Accrued post-retirement healthcare cost	**228,380**	264,859

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

27 EMPLOYEE BENEFITS (CONTINUED)

Post-retirement healthcare plan (continued)

c) Movements in the accrued post-retirement healthcare cost during the year ended 31 December is as follows:

	2011 QR'000	2010 QR'000
At 1 January	**264,859**	217,638
Net periodic post-retirement healthcare cost	**(30,844)**	41,917
Benefit payment	**(4,409)**	(5,049)
Exchange adjustment	**(1,226)**	10,353
Total post retirement healthcare benefits	**228,380**	264,859
Current portion of post retirement healthcare benefits (included in note 29)	**(5,203)**	(5,942)
Non-current portion of post retirement healthcare benefits	**223,177**	258,917

d) The effect of 1% change in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the year ended 31 December and accumulated post-retirement healthcare benefit obligation as of 31 December is as follows:

	2011 QR'000	2010 QR'000
Increase		
Service and interest costs	**47,568**	47,218
Accumulated post-retirement healthcare benefit obligation	**339,177**	417,551
Decrease		
Service and interest costs	**29,567**	31,133
Accumulated post-retirement healthcare benefit obligation	**227,544**	284,580

Defined Benefit Pension Plan/Labour Law No. 13/2003

i) Labour Law No. 13/2003

Indosat, Lintasarta and IMM also accrue benefits under Indonesian Labour Law No. 13/2003 ("Labour Law") dated 25 March 2003. Their employees will receive the benefits under this law or the defined benefit pension plan, whichever amount is higher.

The net periodic pension cost under the Labour Law for the year ended 31 December 2011 is calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2011 QR'000	2010 QR'000
Annual discount rate	**7.5%**	8.5% - 9.0%
Annual rate of increase in compensation	**8.0% - 9.0%**	8.0% - 9.0%

27 EMPLOYEE BENEFITS (CONTINUED)

i) Labour Law No. 13/2003 (continued)

a) The composition of the periodic pension cost under the Labour Law for the year ended 31 December is as follows:

	2011 QR'000	2010 QR'000
Service cost	**12,194**	8,715
Interest cost	**6,600**	7,849
Amortisation of recognised actuarial loss	**297**	601
Amortisation of unrecognised actuarial loss	**7**	-
Curtailment gain	**(14,802)**	-
Periodic pension cost	**4,296**	17,165

b) The composition of the accrued pension cost under the Labour Law during the year ended 31 December is as follows:

	2011 QR'000	2010 QR'000
Projected benefit obligation	**116,913**	88,195
Unrecognised actuarial loss	**(33,529)**	(6,985)
Unrecognised past service cost	**(3,458)**	(3,901)
Accrued pension cost	**79,926**	77,309
Current portion accrued pension costs (included in note 29)	**(1,888)**	(1,188)
Non-current portion accrued pension cost	**78,038**	76,121

ii) Defined Benefit Pension Plan

The subsidiaries, Indosat, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement are based on the employees' most recent basic salary and number of years of service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on an amendment dated 22 December 2000 of the subsidiaries pension plan, which was further amended on 29 March 2001, the benefits and premium payment pattern were changed. Before the amendment, the premium was regularly paid annually until the plan would be fully funded and the benefits consisted of retirement benefit (regular monthly or lump-sum pension) and death insurance. In conjunction with the amendment, the plan would be fully funded after making installment payments up to January 2002 of the required amount to fully fund the plan determined as of 1 September 2000. The amendment also includes an additional benefit in the form of thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of 1 September 2000 and includes an increase in basic salary pension by 9% compounded annually starting from 1 September 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to QR 142,560 thousands and were paid on due dates.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

27 EMPLOYEE BENEFITS (CONTINUED)

ii) Defined Benefit Pension Plan (continued)

On 1 March 2007, one of the subsidiary entered into an agreement with Jiwasraya to provide defined death insurance plan to 1,276 employees as of 1 January 2007, who are not covered by the defined benefit pension plan as stated above. Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or
- Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

On 25 June 2003, Satelindo entered into an agreement with Jiwasraya to amend the benefits and premium payment pattern of the former's pension plan. The amendment covers employees registered as participants of the pension plan as of 25 December 2002 up to 25 June 2003. Other new conditions include the following:

- An increase in pension basic salary at 6% compounded annually starting from 25 December 2002.
- Thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri.
- An increase in periodic payment of retirement benefit at 6% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On 15 April 2005, Lintasarta entered into an agreement with Jiwasraya to replace their existing agreement. Based on the new agreement, the benefits and premium payment pattern were changed. This agreement is effective starting 1 January 2005. The total premium installments based on the agreement amounted to QR 24,746 thousands which is payable in 10 annual installments starting 2005 until 2015.

The new agreement covers employees registered as participants of the pension plan as of 1 April 2003. The conditions under the new agreement include the following:

- An increase in pension basic salary by 3% (previously was estimated at 8%) compounded annually starting 1 April 2003.
- An increase in periodic payment of retirement benefit at 5% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On 2 May 2005, Lintasarta entered into an agreement with Jiwasraya to amend the above agreement. The amendment covers employees registered as participants of the pension plan as of 1 April 2003 up to 30 November 2004 with additional 10 annual premium installments totalling QR 663.8 thousands which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to QR 3,876 thousands each for the year ended 31 December 2011 (2010: QR 3, 910 thousands).

The net periodic pension cost for the pension plans for the year ended 31 December 2011 is calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

27 EMPLOYEE BENEFITS (CONTINUED)

ii) Defined Benefit Pension Plan (continued)

	2011 QR'000	2010 QR'000
Annual discount rate	**7.0% - 7.5%**	8.5% -9.0%
Expected annual rate of return on plan assets	**4.5% - 9.0%**	4.5% - 8.0%
Annual rate of increase in compensation	**3.0% - 9.0%**	3.0 – 9.0%
Mortality rate	**TMI 1999**	TMI 1999

a) The composition of the net periodic pension cost for the year ended 31 December is as follows:

	2011 QR'000	2010 QR'000
Interest cost	**19,928**	29,878
Service cost	**12,880**	16,730
Settlement loss	**1,934**	-
Amortisation of unrecognised actuarial loss	**496**	341
Return on plan assets	**(21,689)**	(28,640)
Curtailment gain	**(6,926)**	-
Net periodic pension cost	**6,623**	18,309

b) The funded status of the plans as of 31 December is as follows:

	2011 QR'000	2010 QR'000
Plan assets at fair value	**216,411**	345,465
Projected benefit obligation	**(185,960)**	(304,018)
Excess of plan assets over projected benefit obligation	**30,451**	41,447
Unrecognised actuarial loss	**11,832**	4,426
Total prepaid pension cost	**42,283**	45,873

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

27 EMPLOYEE BENEFITS (CONTINUED)

ii) Defined Benefit Pension Plan (continued)

c) Movement in the prepaid pension cost during the year ended 31 December was as follows:

	2011 QR'000	2010 QR'000
At 1 January	**45,873**	58,038
Net periodic pension cost	**(6,623)**	(18,309)
Refund	**(826)**	(261)
Contribution	**4,028**	3,958
Exchange adjustment	**(169)**	2,447
At 31 December	**42,283**	45,873
Presented in the consolidated statement of financial position as follows:		
Current portion (Note 21)	**848**	776
Long-term portion (Note 18)	**41,435**	45,097
	42,283	45,873

Plan assets as of 31 December 2011 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

iii) Defined Contribution Pension Plan

In May 2001 and January 2003, the subsidiary PT Indosat Tbk and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, the subsidiary also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the subsidiary does not contribute to the plans. Total contributions of employees for the year ended 31 December 2011 amounted to QR 17,553 thousands (2010: QR 18,857 thousands). The plan assets are being administered and managed by seven financial institutions appointed by the subsidiary, based on the choice of the employees.

28 OTHER NON-CURRENT LIABILITIES

	2011 QR'000	2010 QR'000
Communications and Media Commission (CMC) Iraq (i)	-	1,365,563
Ministry of Communication and Technology ('MOCIT') Indonesia (ii)	939,596	1,044,706
Non-current portion of negative fair value of derivatives (Note 31)	-	357,004
Ministry of Telecommunications and Information Technology - Palestine	197,903	197,903
Telecommunications Regulatory Commission ("TRC") Jordan (iii)	21,838	24,391
Site restoration provision (iv)	59,485	30,601
Others	106,463	165,231
	1,325,285	3,185,399

Notes:

(i) In August 2007, the CMC granted Asiacell Communications LLC, Iraq ("ACL, Iraq") a 15 year license, which may be extended by an additional 5 years, to operate a public mobile terrestrial wireless cellular telecommunications network. The license requires that ACL, Iraq pay a license fee of QR 4,551,875 thousands to the CMC of which QR 1,820,750 thousands was outstanding as at 31 December 2010. This was fully settled during the year along with the interest.

(ii) This amount represents the amounts payable to the Ministry of Communication and Technology with respect to the 3G license and Broadband Wireless Access (WDA) and amounting to QR 883,482 thousands (2010: QR 985,061 thousands) and QR 56,114 thousands (2010: QR 59,645 thousands) respectively. The 3G license was obtained in two phases, the first during the year 2006 and the second in 2009. The payment terms of the amount outstanding is based on a payment scheme considering the auction prices while obtaining the respective license and is subject to interest at the Certificate of Bank of Indonesia rate.

(iii) Amounts payable to TRC represents the fair value of obtaining the Radio Spectrum License by a subsidiary in the Hashemite Kingdom of Jordan. As agreed with TRC, the subsidiary should settle the license costs amounting to QR 36,512 thousands in annual installments of QR 4,348 thousands bearing a compound interest rate of 9%.

(iv) This amount represents the site restoration provision in the books of a subsidiary as of the reporting date. The subsidiary is committed to restore each site as it is vacated.

Notes to the Consolidated Financial Statements
Year Ended 31 December 2011

29 ACCOUNTS PAYABLE AND ACCRUALS

	2011 QR'000	2010 QR'000
Accounts payable	3,400,641	3,826,538
Accrued expenses	4,079,854	3,275,951
Interest payable	483,476	392,300
License costs payable (Note i)	2,553	459,759
Amounts due to international carriers	368,396	104,232
Negative fair value of derivatives (Note 31)	382,251	405,241
Other payables (Note ii)	2,500,639	2,011,617
	11,217,810	10,475,638

(i) License costs payable include current portion of the unpaid license fees payable to Communications and Media Commission (CMC) Iraq and Telecommunications Regulatory Commission ("TRC") Jordan, as more explained in Notes 28 (i) and 28 (iii) respectively.

(ii) Included in other payables is an amount of QR 358,515 thousands (2010: QR294,498 thousands) due to a Saudi operator for the usage of network which is net of costs incurred to setup and install the network equipment in the Saudi operator's facilities as per the BOT agreement.

30 DIVIDENDS AND BONUS SHARES

Dividends paid and proposed

	2011 QR'000	2010 QR'000
Declared, accrued and paid during the year: Final dividend for 2010, QR 5 per share (2009: QR 7 per share)	733,333	1,026,667
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December): Final dividend for 2011, QR 3 per share (2010: QR 5 per share)	528,000	733,333

Bonus shares:

The Board of Directors has proposed the issue of bonus shares of 30% (2010: 20%) of the share capital as at 31 December 2011 amounting to QR 528,000 thousands (2010: QR 293,333 thousands).

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

31 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not designated as hedging instruments

The Group uses cross currency swap contracts, currency forward contracts and interest rate swaps to manage some of the currency transaction exposure and interest rate exposure. These contracts are not designated as cash flow, fair value or net investment hedges and are accounted for as derivative financial instruments:

	Notional amounts	
	2011 QR'000	2010 QR'000
Cross currency swaps	**365,971**	1,001,413
Currency forward contracts	**977,369**	6,155
Interest rate swaps	**1,715,099**	1,759,708
	3,058,439	2,767,276

	Fair values			
	2011		2010	
	Positive QR'000	Negative QR'000	Positive QR'000	Negative QR'000
Cross currency swaps	**8,890**	**2,803**	28,082	6,489
Currency forward contracts	**55,101**	**67**	16	105
Interest rate swaps	**-**	**52,691**	-	80,754
	63,991	**55,561**	28,098	87,348

Cash flow hedges

The Group has several interest rates swap and basis swap agreements with a view to limit its floating interest rate exposure on its term loans. Under the interest rate swap arrangements, the Group will pay an agreed fixed interest rate and receive floating interest rates based on US$ LIBOR.

The swap arrangements qualify for hedge accounting under IAS 39, the hedging relationship and objective, including details of the hedged items and hedging instruments are formally documented as the transactions are accounted as cash flow hedges.

The table below shows the positive and negative fair values of derivative financial instruments held as cash flow hedges together with the notional amounts:

	Negative fair value QR'000	Positive fair value QR'000	Notional Amounts QR'000
Interest rate swaps			
31 December 2011	**326,690**	**-**	**23,568,106**
31 December 2010	674,897	2,260	23,666,548

32 COMMITMENTS

Capital expenditure commitments

	2011 QR'000	2010 QR'000
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	**2,332,682**	2,832,404
Intangible assets		
For the acquisition of Palestine mobile license	**575,558**	515,641

Operating lease commitments

	2011 QR'000	2010 QR'000
Future minimum lease payments:		
Not later than one year	**208,731**	180,612
Later than one year and not later than five years	**489,708**	515,269
Later than five years	**248,370**	302,158
Total operating lease expenditure contracted for at 31 December	**946,809**	998,039

33 CONTINGENT LIABILITIES

	2011 QR'000	2010 QR'000
Letters of guarantees	**532,770**	493,341
Letters of credit	**17,213**	19,341
Claims against the Group not acknowledged as debts	**43,386**	4,678

Filings against the Company

In 2010, Vodafone Qatar filed a complaint with ictQATAR alleging that Qtel's launch of Virgin Mobile services violated the Telecommunications Law because Virgin Mobile had been established as a third mobile telecommunications provider in Qatar without a license.

Following an investigation, ictQATAR determined that Virgin Mobile was a branded service of Qtel and not an unlicensed third mobile telecommunications provider. However, ictQATAR determined that Qtel's Virgin Mobile was marketed in a way that was misleading for the period commencing 13 May 2010 and ending 18 May 2010. Accordingly, Qtel was issued a notice in 2011 to discontinue the Virgin Mobile operations. As a result Qtel has written down license costs amounting to QR 26.5 million associated with Virgin Mobile during the year.

34 TAX CLAIM

A tax claim was made to Tunisiana in 2007, relating to the electronic recharge sales made in 2006. The total amount claimed by the Tunisian Tax Authority was equivalent to QR 170,992 thousands without penalties (2010: QR 177,902 thousands).

In May 2007, Tunisiana received the first judgement which reduced the claimed amount to QR 37,156 thousands (2010: QR 38,662 thousands). In 2007, Tunisiana filed an appeal against the first judgement.

Tunisiana has made a total provision of QR 37,156 thousands (2010: QR38,662 thousands) with regards to this claim. In 2009, the court of appeal confirmed its first judgement. Tunisiana has appealed to the cassation court and awaits the decision.

On the basis of the information available at the reporting date, management believes that the provision is adequate.

35 FINANCIAL RISK MANAGEMENT

Objectives and policies

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

The Group also enters into derivative transactions, primarily interest rate swaps, cross currency 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 summarized 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.

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. 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 end of the financial reporting year.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional amount. The swaps are designated to hedge underlying debt obligations. At 31 December 2011, after taking into the effect of interest rate swaps, approximately 73% of the Group's borrowings are at a fixed rate of interest (2010: 75%).

The following table demonstrates the sensitivity of the consolidated 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 consolidated 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. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

	Consolidated income statement +25b.p QR'000	Equity +25b.p QR'000
At 31 December 2011		
US$ LIBOR	**(25,421)**	**29,788**
Others	**(5,934)**	**-**
At 31 December 2010		
US$ LIBOR	(27,359)	30,034
Others	(1,699)	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

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

	2011 QR'000 Assets (Liabilities)	2010 QR'000 Assets (Liabilities)
Indonesian Rupiah (Rp)	**3,779,610**	3,662,563
Kuwaiti Dinar (KD)	**6,266,327**	5,895,629
US Dollars (US$)	**(6,988,248)**	(7,650,079)
Euro	**(379,798)**	(165,817)
Great British Pounds (GBP)	**(5,073)**	(5,029)
Tunisian Dinar (TND)	**4,108,410**	861,473
Algerian Dinar (DZD)	**3,524,888**	1,993,075
Others	**(506,210)**	(225,921)

The US Dollar denominated balances are not considered to represent a significant currency risk as Qatari Riyal is pegged to US Dollar.

The following table demonstrates the sensitivity to consolidated income statement and equity for a reasonably possible change in the following currencies against Qatari Riyal, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities and the Group's equity on account of translation of foreign subsidiaries. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown:

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

	Effect on consolidated income statement		Effect on equity	
	2011 +10% QR'000	2010 +10% QR'000	2011 +10% QR'000	2010 +10% QR'000
Indonesian Rupiah	**-**	-	**379,961**	366,256
KD	**-**	-	**626,633**	589,563
Tunisian Dinar	**-**	-	**410,841**	86,147
Algerian Dinar	**-**	-	**352,489**	199,307
US Dollars	**(698,825)**	(765,008)	**-**	-
Euro	**(37,980)**	(16,582)	**-**	-
GBP	**(508)**	(503)	**-**	-

More than 75% of the Group's foreign currency risks attributable to fluctuations in the US dollar are arising from its subsidiary PT Indosat Tbk. As of 31 December 2011, 27% of the Indosat's U.S. dollar-denominated debts were hedged from exchange rate risk by entering into several cross currency swap and currency forward contracts.

Equity price risk

The following table demonstrates the sensitivity of the fair value reserve 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.

	Changes in equity indices	Effect on equity QR'000
2011		
Qatar Exchange (QE)	**+10%**	**53,406**
Kuwait Stock Exchange (KSE)	**+15%**	**4,191**
2010		
Qatar Exchange (QE)	+10%	49,640
Kuwait Stock Exchange (KSE)	+15%	7,425

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 debt instruments and loans receivable and positive fair value of 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 allowance for impairment as at 31 December is as follows:

	2011 QR'000	2010 QR'000
Qatar	**666,301**	615,062
Other countries	**1,799,863**	1,565,932
	2,466,164	2,180,994

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:

	2011 QR'000	2010 QR'000
Available-for-sale debt instruments	**119,612**	117,227
Bank balances (excluding cash)	**21,191,375**	25,536,973
Positive fair value of derivatives	**63,991**	30,358
Amounts due from international carriers	**301,766**	98,703
Unbilled subscriber revenue	**346,890**	280,471
Other non-current assets	**140,341**	140,437
	22,163,975	26,204,169

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks, 84% of bank balances represents balances maintained with local banks in Qatar with a rating of A+ for long term and A1 for short term. Credit risk arising from derivative financial instruments is at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. With gross settled derivatives, the Group is also exposed to settlement risk.

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'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 summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

	On demand QR'000	Less than 1 year QR'000	1 to 2 years QR'000	2 to 5 years QR'000	>5 years QR'000	Total QR'000
At 31 December 2011						
Interest bearing loans and borrowings	-	**15,688,275**	**8,451,072**	**17,397,395**	**16,426,944**	**57,963,686**
Accounts payable	-	**3,400,641**	-	-	-	**3,400,641**
License costs payable	-	**267,451**	**250,347**	**765,784**	**216,366**	**1,499,948**
Other financial liabilities	-	**830,508**	**165,611**	-	-	**996,119**
	-	**20,186,875**	**8,867,030**	**18,163,179**	**16,643,310**	**63,860,394**

	On demand QR'000	Less than 1 year QR'000	1 to 2 years QR'000	2 to 5 years QR'000	>5 years QR'000	Total QR'000
At 31 December 2010						
Interest bearing loans and borrowings	1,710	4,815,303	15,153,921	19,177,445	20,405,155	59,553,534
Accounts payable	-	3,826,538	-		-	3,826,538
License costs payable	-	834,915	789,290	1,850,040	308,795	3,783,040
Other financial liabilities	-	3,405,377	387,574	248,062	-	4,041,013
	1,710	12,882,133	16,330,785	21,275,547	20,713,950	71,204,125

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization 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 2011 and 31 December 2010.

Capital includes share capital, legal reserve, other statutory reserves and retained earnings and is measured at QR 18,796,880 thousands at 31 December 2011 (2010: QR 17,199,591 thousands).

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

	Carrying amounts		Fair value	
	2011 QR'000	2010 QR'000	2011 QR'000	2010 QR'000
Financial assets				
Available-for-sale investments	**2,189,939**	1,862,006	**2,189,939**	1,862,006
Other non-current assets	**140,341**	140,437	**140,341**	140,437
Accounts receivable	**3,178,811**	2,590,526	**3,178,811**	2,590,526
Bank balances and cash	**21,249,832**	25,575,667	**21,249,832**	25,575,667
Financial liabilities				
Interest bearing loans and borrowings	**46,246,399**	46,852,196	**46,387,410**	46,210,611
Other non-current liabilities	**1,159,337**	2,989,567	**1,159,337**	2,989,567
Accounts payable	**7,137,956**	7,199,687	**7,137,956**	7,199,687
Current account with State of Qatar	**-**	2,891,194	**-**	2,891,194
Income tax payable	**425,221**	461,451	**425,221**	461,451

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. At the end of the reporting period, the carrying amounts of such receivables, net of allowances, approximate their fair values.

- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of unquoted investments, loans from banks and other financial indebtedness, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair values of unquoted financial assets are estimated using appropriate valuation techniques.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and interest rate curves.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1:	Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
Level 2:	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3:	Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets

	2011 QR'000	level 1 QR'000	level 2 QR'000	level 3 QR'000
Available-for-sale investments	**2,016,343**	**677,983**	**1,244,945**	**93,415**
Derivative financial instruments	**63,991**	**-**	**63,991**	**-**
	2,080,334	**677,983**	**1,308,936**	**93,415**

	2010 QR'000	level 1 QR'000	level 2 QR'000	level 3 QR'000
Available-for-sale investments	1,574,733	662,270	794,584	117,879
Derivative financial instruments	30,358	-	30,358	-
	1,605,091	662,270	824,942	117,879

Financial liabilities

	2011 QR'000	level 1 QR'000	level 2 QR'000	level 3 QR'000
Derivative financial instruments	**382,251**	**-**	**382,251**	**-**

	2010 QR'000	level 1 QR'000	level 2 QR'000	level 3 QR'000
Derivative financial instruments	762,245	-	762,245	-

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial instruments which were recorded at fair value:

	2011 QR'000	2010 QR'000
At 1 January	**117,879**	146,905
Gain / (loss) to consolidated income statement	**-**	(182)
Revaluation (loss) / gain transferred to fair value reserve	**(2,073)**	22,295
Purchases / sales	**(23,751)**	(53,045)
Exchange differences	**1,360**	1,906
At 31 December	**93,415**	117,879

37 RELATED PARTY DISCLOSURES

Related party transactions and balances

Related parties include associated companies including Government and semi Government agencies, associates (refer note 16), 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.

The Group has significant transactions with the Government of Qatar which mainly represents royalty payable (Note 11). The current account payable to the State of Qatar amounts to QR Nil (2010: QR 2,891,194 thousands). In addition, the Group enters into commercial transactions with other Government related entities in the ordinary course of business which includes of providing telecommunication services, placement of deposits and obtaining credit facilities. In the quarter four of 2011, the Company has settled the dividends and royalty fees amounting to QR 2,785,378 thousands which was included in the current account with the State of Qatar. The remaining outstanding balance of QR 532,557 thousands is included in other payables.

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 thousands was proposed for the year ended 31 December 2011 (2010: QR 10,700 thousands). In addition, an amount of QR 780 thousands (2010: QR 724 thousands) was provided to members of the Committees of the Board of Directors. The compensation and benefits related to key management personnel amounted to QR 133,935 thousands (2010: QR 153,101 thousands) and end of service benefits amounted to QR 41,087 thousands (2010: QR 15,664 thousands). The remuneration to the Board of Directors has been included under the caption "employees salaries and associated costs" in Selling, general and administration expenses in Note 7.

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. All 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 20-30% or more and 'prolonged' greater than nine (9) 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

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

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.

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Revenue recognition – fair value determination for customer loyalty programmes

The Group estimates the fair value of points awarded under the customer loyalty programme estimating the weighted average cost for redemption of the points. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences.

Hedge effectiveness for cash flow hedges

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be effective. The fair values of the interest rate swaps and basis swaps are determined based on future expected LIBOR rates.

39 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGUs) for impairment testing as follows:

Cash generating units	Carrying value 2011 QR'000	Carrying value 2010 QR'000
Kuwait	**616,229**	609,162
Algeria	**2,320,382**	2,293,787
Tunisia	**4,533,185**	2,218,131
Indonesia	**4,828,671**	4,870,071
Iraq	**353,408**	353,408
Others	**71,607**	76,069
	12,723,482	10,420,628

Goodwill was tested for impairment as at 31 December 2011. The recoverable amount of the CGUs was determined based on value in use calculated using cash flows projections by senior management covering a period of five to ten years. In case the management considers, the annual growth rate of the CGUs being assessed will differ from the average growth rates for the countries concerned, a period of more than five years is used.

Key Assumptions used in value in use calculations

Key Assumptions

The principal assumptions used in the projections relate to the number of subscribers, in roaming revenue, average revenues per user, operating costs, taxes and EBITDA. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Discount rates

Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU. In determining the appropriate discount rates for each unit, the yield on a ten-year US Treasury bond and specific risk factors for each country has been taken into consideration.

39 IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

Growth rate estimates

For the periods beyond that covered by the projections, long-term growth rates are based on management's best estimates of the growth rates relevant to telecommunications industry in the particular country.

Cash generating units	(Expressed in percentage)			
	Discount rate		Terminal value growth rate	
	2011	2010	2011	2010
Kuwait	**10.3%**	10.6%	**2.75%**	2.75%
Algeria	**10.4%**	12.2%	**2.75%**	2.75%
Tunisia	**10.0%**	10.1%	**2.75%**	2.75%
Indonesia	**12.1%**	12.7%	**2.75%**	2.75%
Iraq	**14.9%**	15.1%	**2.75%**	2.75%

Management considers that changes to the discount rate could cause the carrying value of the following CGUs to exceed their recoverable amount. If the discount rate is increased by the percentages as mentioned below, the recoverable amount equals the carrying value:

	2011	2010
Kuwait	**5.2%**	1.2%
Algeria	**6.4%**	1.45%
Tunisia	**2.7%**	1.45%
Indonesia	**3.4%**	6.48%
Iraq	**70.6%**	36.80%

During the year, based on impairment testing, the Group has recorded an impairment of QR 196,120 thousand in respect of certain assets in some subsidiaries.

40 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into business units based on their geographical area covered, and has six reportable segments as follows:

1. Qtel is a provider of domestic and international telecommunication services within the State of Qatar;
2. Asiacell is a provider of mobile telecommunication services in Iraq;
3. Wataniya is a provider of mobile telephone and pager systems and services in Kuwait and elsewhere in the Middle East and North African (MENA) region;
4. Indosat is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia;
5. Nawras is a provider of mobile telecommunication services in Oman and has been awarded a license to operate fixed telecommunication services; and
6. Others include some of the Group's subsidiaries which are providers of wireless and telecommunication services.

Management monitors the operating results of its operating subsidiaries separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these reportable segments. Transfer pricing between reportable segments are on an arm's length basis in a manner similar to transactions with third parties.

40 SEGMENT INFORMATION (CONTINUED)

Operating segments

The following tables' present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2011 and 2010:

Year ended 31 December 2011

	Qtel QR'000	Asiacell QR'000	Wataniya QR'000	Indosat QR'000	Nawras QR'000	Others QR'000	Adjustments and eliminations QR'000		Total QR'000
Revenue									
Third party	5,590,591	5,859,891	9,526,760	8,526,287	1,932,305	329,512	-		31,765,346
Inter-segment	113,775	73,935	115,628	23,780	6,849	170,298	(504,265)	(i)	-
Total revenue	**5,704,366**	**5,933,826**	**9,642,388**	**8,550,067**	**1,939,154**	**499,810**	**(504,265)**		**31,765,346**
Results									
Segment profit before tax	**1,506,855**	**2,010,793**	**3,643,298**	**495,667**	**566,881**	**(654,459)**	**(714,845)**	**(ii)**	**6,854,190**
Depreciation and amortisation	**652,536**	**810,090**	**1,574,449**	**2,905,305**	**265,467**	**92,012**	**714,845**	**(iii)**	**7,014,704**
Finance costs (net)	**46,160**	**91,882**	**83,214**	**786,389**	**30,305**	**864,365**			**1,902,315**
Share of profit / (loss) of equity-accounted investees	**4,450**	-	-	-	-	**(61,329)**	-		**(56,879)**

40 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2010

	Qtel QR'000	Asiacell QR'000	Wataniya QR'000	Indosat QR'000	Nawras QR'000	Others QR'000	Adjustments and Eliminations QR'000		Total QR'000
Revenue									
Third party	5,496,805	4,979,835	6,942,710	7,929,272	1,855,496	172,464	-		27,376,582
Inter-segment	100,362	74,484	75,632	12,411	8,687	249,021	(520,597)	(i)	-
Total revenue	5,597,167	5,054,319	7,018,342	7,941,683	1,864,183	421,485	(520,597)		27,376,582
Results									
Segment profit before tax	2,135,935	1,500,009	1,282,980	513,641	592,371	(601,037)	(790,427)	(ii)	4,633,472
Depreciation and amortisation	641,332	688,302	1,269,382	2,632,297	229,587	66,089	790,427	(iii)	6,317,416
Finance costs (net)	237,058	95,011	90,436	859,081	36,313	486,488	-		1,804,387
Share of profit / (loss) of equity-accounted investees	(88,172)	-	-	-	-	(41,464)	-		(129,636)

40 SEGMENT INFORMATION (CONTINUED)

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Segment profit before tax does not include the following:

	2011 QR'000	2010 QR'000
Amortisation of additional intangibles identified in PPA	**(714,845)**	(790,427)
	(714,845)	(790,427)

(iii) Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.

40 SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets of the Group's operating segments as at 31 December 2011 and 2010.

	Qtel QR'000	Asiacell QR'000	Wataniya QR'000	Indosat QR'000	Nawras QR'000	Others QR'000	Adjustments and Eliminations QR'000	Total QR'000
Segment assets (i)								
At 31 December 2011	**27,298,376**	**8,004,974**	**26,002,367**	**23,937,514**	**2,832,775**	**1,394,438**	**12,723,482**	**102,193,926**
At 31 December 2010	29,312,421	7,838,815	25,126,862	24,634,552	2,754,167	1,311,131	10,420,628	101,398,576
Capital expenditure (ii)								
At 31 December 2011	**1,129,661**	**989,096**	**1,847,196**	**2,451,670**	**386,877**	**73,070**	**-**	**6,877,570**
At 31 December 2010	1,323,468	1,351,582	1,366,259	2,216,969	701,264	176,076	-	7,135,618
Equity- accounted investees								
At 31 December 2011	**1,475,374**	**-**	**-**	**-**	**-**	**115,967**	**-**	**1,591,341**
At 31 December 2010	1,948,889	-	-	-	-	177,426	-	2,126,315

Notes:

(i) Goodwill amounting to QR 12,723,482 thousands (31 December 2010: QR 10,420,628 thousands) was not considered as part of segment assets as goodwill is not used by the Chief Decision Making officers for strategic decision making purposes.

(ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

41 CONTRIBUTION TO SOCIAL AND SPORTS FUND

According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the group is required to contribute 2.5% of its annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in statement of changes in equity.

During the year, the group appropriated an amount of QR 32,313 thousands (2010: QR 51,553 thousands) representing 2.5% of the net profit generated from Qatar Operations.

42 COMPARATIVE INFORMATION

Reclassification of comparative financial statements

Corresponding figures for 2010 have been reclassified in order to conform with the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or shareholder's equity.

	As reclassified QR'000	As reported in 2010 QR'000
Consolidated income statement		
Revenue	27,376,582	27,178,999
Operating expenses	(8,734,647)	(8,537,064)
Consolidated statement of financial position		
Other statutory reserves	404,580	-
Retained earnings	8,834,207	9,238,787
Employee benefits	913,325	690,982
Other non-current liabilities	3,185,399	3,407,742

43 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 7 February 2012, one of the Group's subsidiaries PT Indosat Tbk entered into an asset purchase agreement to sell 2,500 of its telecommunication towers to another company in Indonesia for a total potential consideration of US$ 519 million. On the same date, the company also entered into a master lease agreement with the buyer to leaseback the 2,500 site spaces on telecommunication towers for an initial period of ten years.