Annual Report 2012

ooredoo

[Qatar Telecom (Qtel) Q.S.C.]

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

Contents

07 Our Vision

08 Chairman's Message

10 Group CEO's Message

13 Financial Review

19 Meet the Board of Directors

25 Corporate Governance Report

37 Our Strategy

41 Key Moments in 2012

47 Awards and Recognition

51 Our Business

55 Our Operations

56 Ooredoo in Qatar

58 Indosat in Indonesia

60 Wataniya in Kuwait

62 Nawras in Oman

64 Asiacell in Iraq

66 Nedjma in Algeria

68 Tunisiana in Tunisia

70 Wataniya in Palestine

72 Wataniya in The Maldives

74 wi-tribe in Pakistan and the Philippines

76 Asia Mobile Holdings and other Investments

79 Corporate Social Responsibility

84 Consolidated Financial Statements

Our Vision

"Enriching people's lives as a leading international communications company."

Chairman's Message

Dear Shareholders,

2012 was a remarkable year for Ooredoo, as we are now known.

Today, 92.9 million consumer and business customers in North Africa, the Middle East, Southeast Asia and the Asian subcontinent benefit from our services. But we are not just a communications company – we are a community-based company, with a commitment to enriching people's lives and enabling human growth.

We have delivered the strongest results in our company's history. We have achieved on-going growth in some of the most important sectors for the future, such as mobile data and broadband services. We have increased our ownership stakes in dynamic parts of our portfolio, including Wataniya Kuwait, Tunisiana in Tunisia and Asiacell in Iraq.

Thanks to our diversification efforts, 81.6 percent of our revenue now comes from outside of Qatar. We now have a market capitalisation of QAR 33.31 bn, and we have been the world's fastest-growing telecommunications operator in terms of revenue since 2006. To put that into context, our enterprise value has more than tripled since 2005.

Most importantly of all, our services are making a difference every day, from providing businesses with cutting-edge Ooredoo Cloud solutions in Qatar, to empowering women in Iraq with unique mobile services, to upgrading mobile Internet services in the mega-cities and rural communities of Indonesia.

We are taking the company to the next level, with a young, dynamic name that brings our strategy to life. By unifying our companies under our shared brand, Ooredoo, we can leverage our combined resources to better serve customers and deliver for shareholders. The results we present in this report demonstrate how much we have achieved – you will see even greater successes in the future.

Enabling Human Growth and Development

Our vision is based on enabling human growth, to help people fulfil their potential and reach their dreams and aspirations. Our work in building community-based relationships has a positive impact on economic and social development.

Let me explain our very personal vision for human growth. Everybody has the aspiration to grow, develop and live better lives. We want to deploy our resources to help people reach their aspirations. That is why we have chosen to become Ooredoo, which means "I want" – we help our customers achieve the things they want in their lives.

How is that expressed in practice? We have clear values and beliefs that inform every aspect of our work. We believe that every woman should have the opportunity to use a mobile phone, and be able to advance the economic standing, education and wellbeing of her family. Young people should be given life chances to educate themselves, to find purpose and meaning in their lives so they have the chance to grow. And underserved people, especially those living in rural areas, should be able to come online and experience the full benefits of life-enhancing technology.

Where there have been people in need, we have delivered. In Algeria, Nedjma collaborated with the Red Crescent to distribute a remarkable 35 tonnes of food during the Holy Month of Ramadan. In Oman, Nawras' Goodwill Journey saw volunteers travelling the Sultanate, touching the lives of thousands of people with charitable donations and enriching local communities. And when floods struck Indonesia, Indosat offered customers free local minutes, SMS and Internet access to help family members stay in touch.

These have been our commitments to the communities we serve, and we will continue to fulfil our vision in enabling human growth.

Ooredoo by Numbers

We are uniquely positioned in dynamic markets with strong GDP growth and highly-connected young populations. Our focus on growing business with the customer in mind yielded significant returns in 2012, with rapidly-emerging revenue streams, such as fixed/ mobile broadband and higher value data services, making a significant contribution to overall returns.

Consolidated revenue increased by 6.2 percent to QAR 33.7 billion (FY2011: QAR 31.8 billion). In the same period, net profit attributable to shareholders now stands at QAR 2.9 billion (FY 2011: QAR 2.6 billion), a 13 percent year-on-year increase.

Ooredoo EBITDA in the period increased by 5.1 percent year-on-year to stand at QAR 15.5 billion (FY 2011: QAR 14.8 billion). Ooredoo also maintained a solid EBITDA margin during the year, with EBITDA margin at the end of FY 2012 standing at 46 percent (FY 2011: 47 percent).

Growing and Modernising our Operations

An impressive combination of investment and strong organic growth puts the Company in a great position moving forward. Since the launch of our strategy for growth in 2005, we have analysed the possibility of increasing our shareholding in existing strategic assets.

In 2012, we saw significant progress for this strategy, with additional stakes acquired in Kuwait's Wataniya and its operations (from 52.5 percent to 92.1 percent), Iraq's Asiacell (from 30 percent to 53.9 percent, now at 64.1 percent as of 4 February 2013) and Wataniya and Ooredoo's stake in Tunisia's Tunisiana increased from 75 percent to 90 percent. This reinforcement not only improves our financial profile, it also provides us with greater capacity to leverage our increased scale and reach to improve the range of services we offer.

Dividends

After taking into account our growth and the need for future strategic investment, the Board of Directors is pleased to recommend to the General Assembly the distribution of a cash dividend of 50 percent of the nominal share value (QAR 5 per share).

Capital Structure

In 2012, the General Assembly approved the increase of Authorised Share Capital to QAR 5.0 billion. We also subsequently successfully issued 40 percent rights (two shares for every five shares held, after the distribution of bonus shares) at a price of QAR 75 per share.

The Board and Governance

I would like to thank the Board for all their efforts during 2012. Their guidance and support has provided the firm foundations that have enabled us to execute our most ambitious plans.

I would like to extend my enduring gratitude for the inspiring 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.

2012 was a landmark year and an undoubted step forward for Ooredoo. But we will not dwell on our achievements for long. Our aim is always the future, and we look forward to an even stronger performance in 2013.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman
3 March 2013

Group CEO's Message

Dear Shareholders,

As His Excellency the Chairman has outlined, 2012 saw a number of significant achievements for Ooredoo.

We have delivered record-setting financial results, and have taken important steps to make a difference in the lives of our communities by empowering people to discover their full economic and social potential.

Though our markets are diverse, our customers share three common attributes: they are young, they have clear aspirations and they are engaged with their communities and their countries. Our customers' emerging world is full of choices and promise – they want a better life, prosperity, growth and opportunity for themselves, their communities and their businesses.

Ooredoo reflects these aspirations and demonstrates our engagement with them in every aspect of their lives. I would like to highlight the progress made by our operating companies, and demonstrate our strategy for leveraging the commonalities between our customers and our markets as we grow and develop.

Record-Setting Results in Major Markets

In early 2012, we undertook a strategic evolution to support the aspirations of our customers, to manage the issues facing our industry, and to maintain confidence in sustaining our business growth both mid and long-term.

Despite the challenges facing the telecom field, our top operating companies continued to deliver impressive results.

Our flagship operator Ooredoo Qatar exceeded QAR 6 billion in revenue for the first time in company history.

Our operator with the largest customer base, Indosat in Indonesia, increased its consolidated customers to 58.6 million and full-year revenue to QAR 8.8 billion, thanks in part to launching new and successful customer-focused services.

Asiacell in Iraq crossed the 10 million consolidated customer milestone, while increasing network efficiency and forging new revenue streams.

Across our markets we have a renewed focus on customer intimacy, going beyond what we do for our customers, and focusing on how we do it. We are relentless in process and deliberate in detail to create the most relevant products and services. We must deliver them in a way that meets our customers' demands – ensuring that we thrive in this new environment.

Supporting a Better Life for All

In many of the countries where we operate, we're delivering financial, healthcare and women-empowering services that make a difference to our customers' lives.

Ooredoo Qatar's Mobile Money and Tunisiana's mobiflouss services provide financial services for customers who do not have bank accounts or limited access to banking services.

Our mHealth campaigns – including mobile clinics in Indonesia, customers in the Maldives pre-booking doctor's appointments, and diabetes alerts and information services in Kuwait, Iraq and Palestine – all of these initiatives serve as models of best practice.

mWomen services were at the heart of our initiatives in 2012. Asiacell in Iraq led the way with its pioneering "Almas" (Diamond) line service, launched in 2011. Since then, more than 1.8 million female customers have joined Asiacell, and its proportion of female customers has grown from 20 to 40 percent.

Indosat has also seen strong demand for its three customised mWomen services, its most recent aimed at women entrepreneurs.

Experimentation fuels these innovations. We have also created initiatives to support innovative small businesses and entrepreneurs like StartUp Factory in Tunisia and Give Kuwait in Kuwait.

Involving communities goes beyond providing them with services – we also want them to be shareholders, so they share our success. That's why we have been delighted to see our customers participate in IPOs of our businesses in Iraq, Oman and Palestine.

Taking Us to the Next Level

From a big picture perspective, Ooredoo can report significant progress for our fast-paced network modernisation programme, which will transform the customer experience for a potential audience of more than 250 million people.

For our customers, we want to be a "smarter broadband provider". We're using the latest technology in order to introduce 4G LTE services and manage the transition from 2G to 3G across key markets. Infrastructure sharing in key locations like Indonesia has allowed us to offer high-quality services while keeping costs down and sharing investment risk. This has been especially useful in developing technological areas like 4G LTE mobile broadband networks.

The improvements delivered by the programme will enable faster Internet speeds, both indoors and outdoors, so that businesses will be able to teleconference and telecommute more effectively, and consumers can easily and quickly update their online social media accounts.

Ooredoo Qatar and Wataniya Kuwait are in the process of commercially launching 4G LTE mobile broadband services, which Nawras launched in February 2013. Indosat successfully acquired the license to roll out an enhanced 3G/HSPA (U900) network using 3rd Generation Partnership Project ("3GPP") standard in the 900 MHz spectrum, and is using an enhanced Wi-Fi service in Indonesia to offer improved quality and data performance.

In Ooredoo markets with fixed infrastructure, we are deploying fibre-enabled integrated services that enable new revenue opportunities. We are tailoring fibre to meet each market's needs and continuing to invest ahead of customer demand in order to deliver the leading customer experience, such as with our QAR1 billion investment in the Ooredoo Fibre network in Qatar.

There were also significant investments for network enhancements in Palestine and Tunisia, where we connected entire communities previously without reliable mobile access, and further network enhancements in Indonesia, Iraq and Algeria.

Network modernisation will enhance revenue and cost savings. It is also an investment for the future, enabling us to deliver new technologies enabled by 3G, Fibre and 4G LTE as and when it becomes viable to do so.

As well, our cost optimisation strategy has helped to reduce overhead and strengthen our profitability. Leveraging our scale and global presence, we are pursuing frame agreements with suppliers at all levels that will help ensure we secure the best value for our investment.

Moving Forward

In 2012, we developed a full programme to further enhance our management model into one with a more integrated approach, to improve strategic guidance and management. This will be rolled-out across the business in 2013.

By leveraging the combined resources and assets of strong unified global operating companies, we can better serve the local customers in all our markets.

I would like to thank the Chairman, for his ongoing support and insight, and the Board for empowering us to take these bold steps.

Finally, on behalf of our Board of Directors, I thank you, our shareholders, for the trust you have placed in the company and your continued support as we embrace the possibilities of tomorrow.

Dr. Nasser Marafih
Group CEO
3 March 2013

Financial Review

Financial Review

Ooredoo showed solid consolidated performance throughout 2012.
Fuelled by a concerted focus on rapidly emerging revenue streams, such as fixed and mobile broadband, and higher value data services, Ooredoo revenue grew by 6.2 percent year-on-year to QAR 33.7 billion (FY 2011: QAR 31.8 billion).

As at 31 December 2012, Ooredoo's consolidated customer base stood at 92.9 million (FY 2011: 83.4 million), representing year-on-year growth of 11.5 percent. Ooredoo EBITDA in the period increased by 5.1 percent year-on-year to stand at QAR 15.5 billion (FY 2011: QAR 14.8 billion). Ooredoo also maintained a solid EBITDA margin during the year, with EBITDA margin at the end of FY 2012 standing at 46 percent (FY 2011: 47 percent).

Net profit attributable to Ooredoo shareholders rose to QAR 2.9 billion: a 13 percent year-on-year increase (FY 2011: QAR 2.6 billion).

2012 Financial and Operating Highlights

(QAR millions except per share amounts)	2012	2011	% change 2011 to 2012	2010	% change 2010 to 2012
Operations					
Revenue	33,714	31,745	6.2%	27,377	23.1%
EBITDA	15,546	14,796	5.1%	12,465	24.7%
EBITDA margin	46%	47%	-	46%	-
Net profit attributable to Ooredoo shareholders	2,944	2,606	13.0%	2,888	1.9%
Earnings per share (EPS) - basic and diluted[1]	9.88	9.90	-	16.41	-
Dividend declared per share	5.00	3.00	-	5.00	-
Dividend payout ratio[2]	54%	41%	-	36%	-
Operational cash flow	11,817	7,910	49.4%	10,195	15.9%
Capital expenditures	7,316	6,575	11.3%	6,942	5.4%
Employees	16,678	16,657	0.1%	18,436	-9.5%
Financial Position					
Total net assets	36,890	39,393	-6.4%	34,227	7.8%
Net debt[3]	28,401	27,268	4.2%	22,740	24.9%
Net debt to EBITDA	1.86	1.88	-	1.84	-
Free cash flow[4]	4,993	4,869	2.5%	3,380	47.7%
Market capitalization	33,313	24,781	34.4%	31,451	5.9%
Customers					
Wireless postpaid[5] (000's)	3,489	2,957	18%	2,727	28%
Wireless prepaid (000's)	88,591	79,584	11%	70,422	26%
Fixed line[6] (000's)	827	811	2%	991	-17%
Total Customers (000's)	92,907	83,352	11%	74,140	25%

Notes:
1) Earnings per share for 2012 and 2011 reflect the effect of bonus share issue of 30% and right share issue of 40% made in 2012
2) Dividend Payout Ratio = (Cash dividend + bonus) / Net profit to Ooredoo shareholder
3) 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)
4) Free cash flow = Net profit plus depreciation and amortization less capex; Capex includes license fee obligations; Net profit adjusted for extraordinary items
5) Includes wireless broadband
6) Includes fixed wireless

Investor Relations

Ooredoo Investor Relations activities are intended to promote understanding of the company by its shareholders and investors and other market participants, encourage them to properly assess the company's value, and feedback market opinions to the management of Ooredoo.

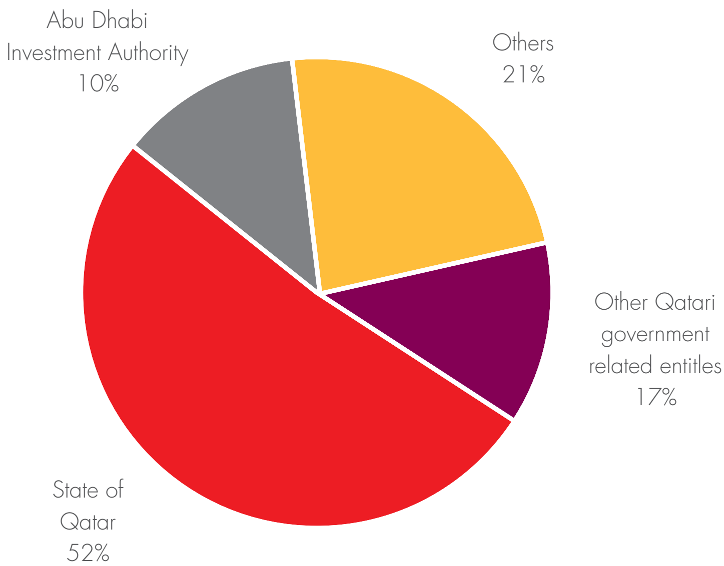
Key areas of focus:

- The delivery of timely and accurate information;
- Ensuring disclosure, transparency and governance practices continue to be enhanced and region leading; and
- Proactive investor outreach and management access via conferences, road-shows, calls and regularly scheduled meetings.

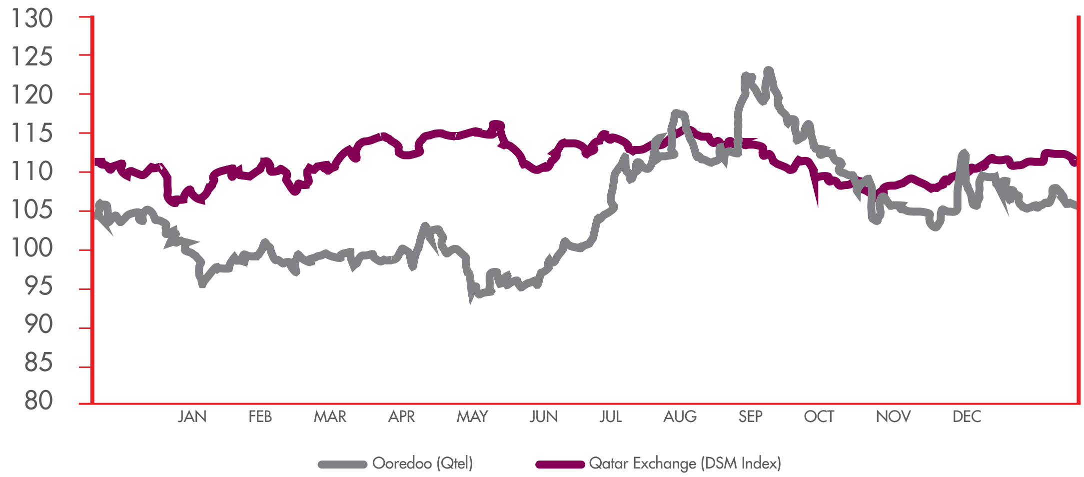
Dividend Policy

Ooredoo's parent company, Qatar Telecom (Qtel) Q.S.C., has a stated strategy of expanding organically and inorganically within key geographies and strategic lines of business. A key tenet of this strategy is ensuring flexibility for the Company in declaring dividend distributions. This flexibility allows Ooredoo to balance the demands of the growth strategy while still maintaining sufficient reserves and liquidity to address operational and financial needs. As a result, dividends will vary from year to year.

Company Ownership Profile

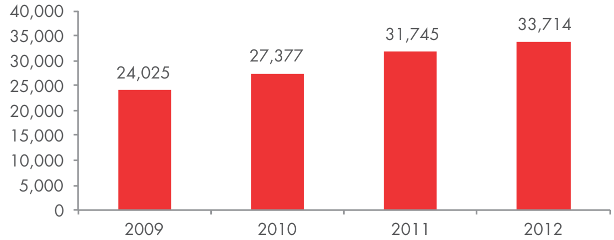


Share Price Performance – 1 January 2012 – 31 December 2012



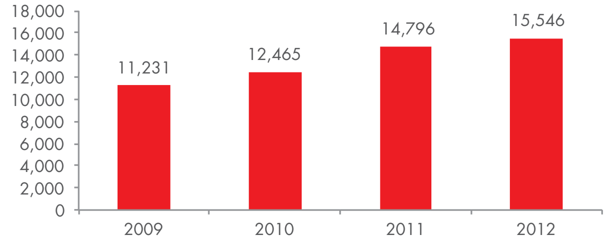
Revenue

Amount in QAR Millions



EBITDA

Amount in QAR Millions

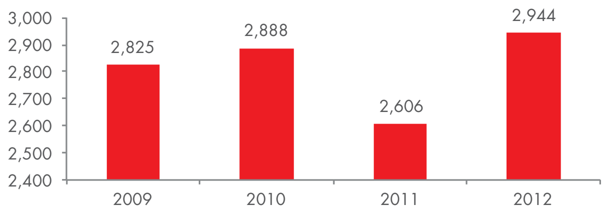


EBITDA Margin

2009	2010	2011	2012
47%	46%	47%	46%

Net Profit Attributable to Ooredoo Shareholders

Amount in QAR Millions

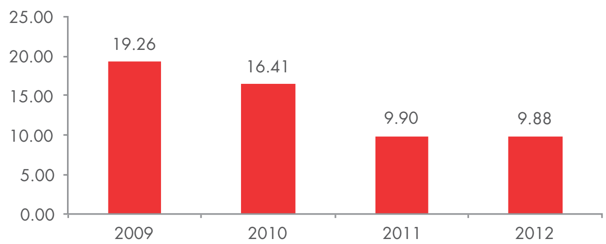


Note:

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 periods 2007-2009

Earnings per Share*

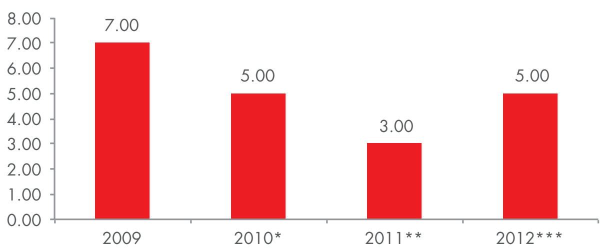
Amount in QAR



* Earnings per share have been adjusted as a result of the issuance of bonus shares in 2011 and 2012 and right shares issue in 2012

Cash Dividend per Share

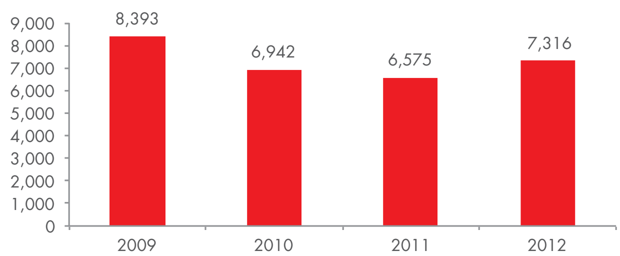
Amount in QAR



* 2010 + 20% Bonus Shares
** 2011 + 30% Bonus Shares
*** 2012 Recommended

Capital Expenditures*

Amount in QAR Millions

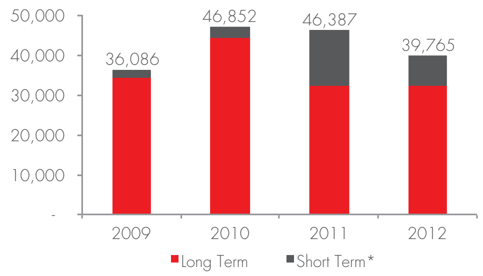


Capital Expenditures/Revenue

2009	2010	2011	2012
35%	26%	21%	22%

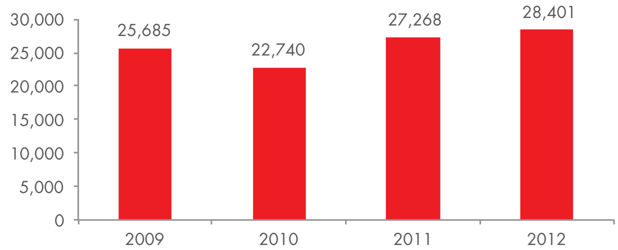
* Does not include intangibles

Total Group Debt
Amount in QAR Millions



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

Net Debt*
Amount in QAR Millions

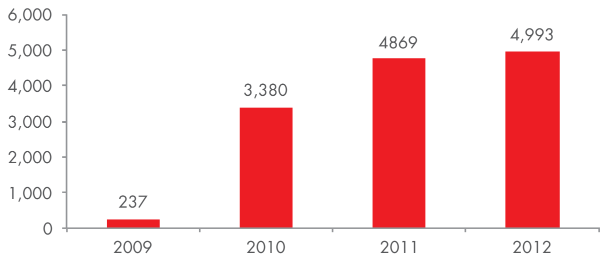


Net Debt/EBITDA

2009	2010	2011	2012
2.25	1.84	1.88	1.86

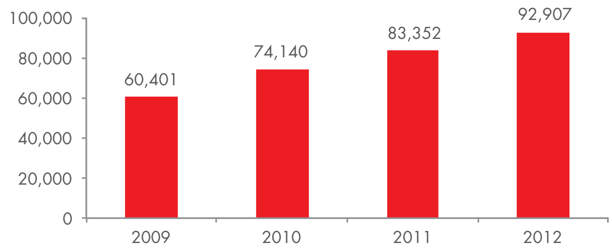
* Net Debt = Total interest bearing loans and borrowings + contingent liabilities (letters of guarantee + letters of credit + finance lease) + vendor financing less cash (net of restricted cash and below BBB+ rating)

Free Cash Flow*
Amount in QAR Millions

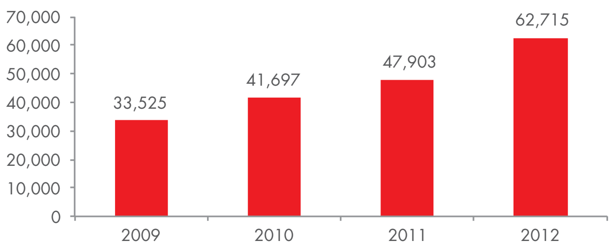


* Free cash Flow = Net profit plus depreciation and amortisation less capex; Capex excludes license fees; Net Profit adjusted for extraordinary items

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

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

Member

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

Member

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

Member

Mr. Al Darmaki joined the 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

Member

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-industries 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 Board.

Hamad Abdullah Al Shamsi

Member

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

Member

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

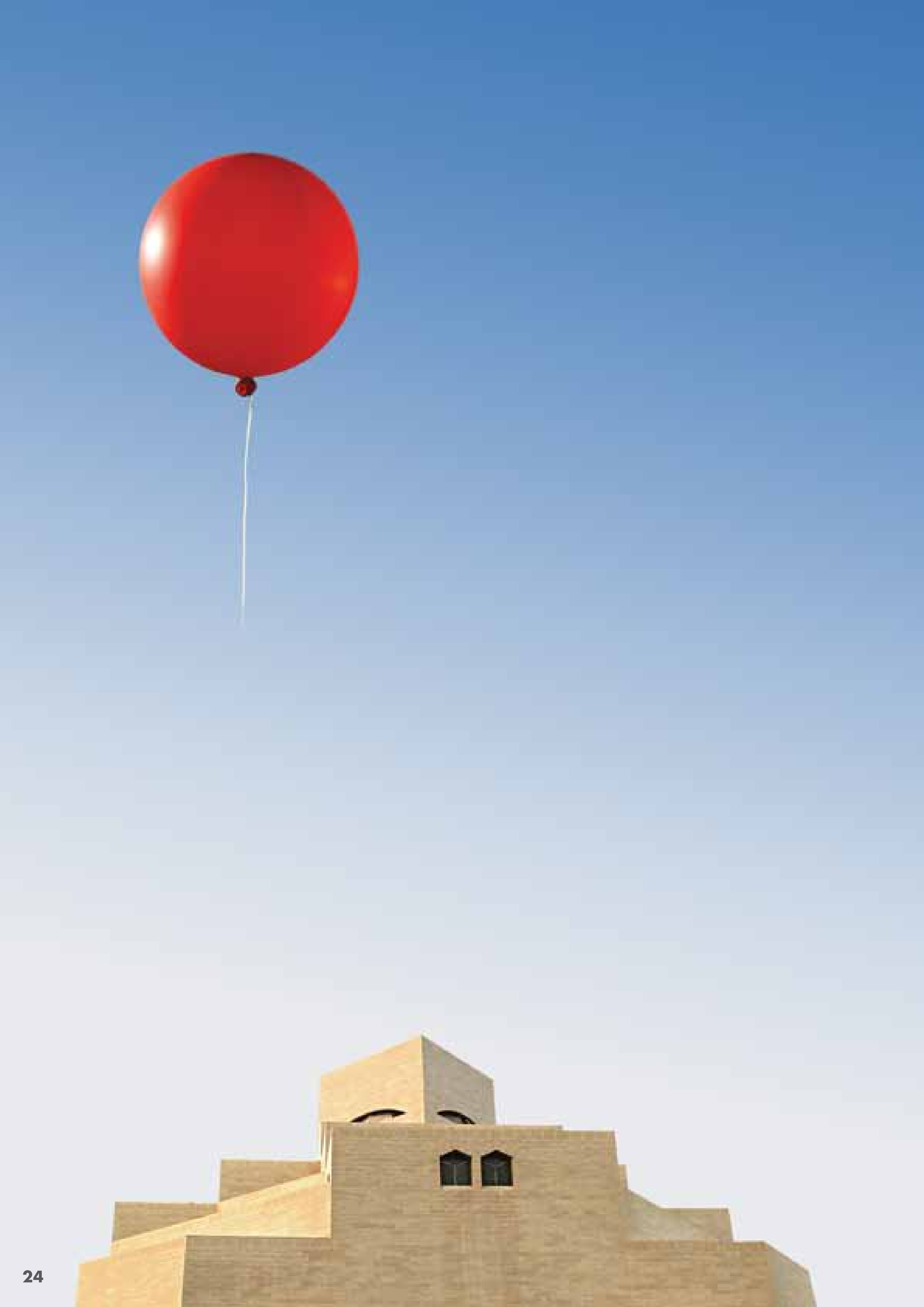
Member

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

Member

Mr. Al-Binali joined the Board in 2011. He is currently Director of the Executive Office of the Qatar Investment Authority, following earlier roles in 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 the overseeing and managing of Ooredoo, and this important responsibility requires commitment, objectivity and accountability from those in leadership positions.

Our role is represented in ensuring the implementation of highest governance principles and ethics in the company. We implement the best practices in accordance with the requirements of stock markets in which Ooredoo is listed.

We assure our shareholders that the principles and policies of governance we implement are the base for each decision we issue or procedure implemented at Ooredoo.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman of the Board, Ooredoo
(Qatar Telecom (Qtel) Q.S.C.)

Ooredoo Values and Corporate Governance

Ooredoo'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 Ooredoo continues its rapid growth and global expansion, it is particularly critical 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.

Ooredoo 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 on-going 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 governance framework of the Company in particular the articles of association of the operating companies and Corporate Governance Manual in addition to Commercial Companies Law No. (5) for 2002 and article 14 of the Corporate Governance Code issued by the Qatar Financial Markets Authority which was incorporated as an annex the Corporate Governance Manual of the Company.

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

Within this framework, the Board of Directors undertakes major responsibilities and duties, amongst them are the followings:

- **Vision and Strategy:**
  including determining and refining the Ooredoo vision and objectives, which are the foundation for all the actions and decisions of the Board and management.
- **Management Oversight:**
  including appointing, establishing the duties and powers of, and assessing the performance of and determining the remuneration of the CEO, and nominating the chairman, Board members and the key officers of Ooredoo.
- **Financial and Investment:**
  including reviewing and approving reports and accounts and overseeing the Ooredoo financial positions.
- **Governance and Compliance:**
  including preparing and adopting the corporate governance rules for Ooredoo and establishing the guidelines for the governance of the operating companies.
- **Communications with Stakeholders:**
  including overseeing shareholder reporting and communications.

The Board of Directors is also responsible for disclosure of information to shareholders of Ooredoo in an accurate and timely manner. All shareholders can access information relating 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.

Based on the above, disclosure to stock markets in Qatar and Abu Dhabi where Ooredoo's stocks are listed, as well as the stock market in London where Ooredoo has Global Depositary Receipt (GDR) by means of quarterly reports and complete annual financial statements, something that reflects Ooredoo's commitment to terms and conditions of relating stock markets.

Board Members

Ooredoo's Board of Directors has the following members:

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

Pursuant to Article 31 of the Company's Articles of Association, the Secretary of the Board shall be responsible for all the general secretarial duties. The duties of the Board's secretary are contained in the Company's Corporate Governance Manual and the Corporate Governance Code issued by the Qatar Financial Markets Authority.

Board Meetings

Board meetings are concluded regularly, given that there should be no less than 6 Board meetings in the annual financial year, in accordance with Article 27 of the Company's Articles of Association and Article (103) of Commercial Companies Law No. (5) for 2002. It is worth mentioning in this context that the Board of Directors held six (6) meetings in 2012.

In accordance with Ooredoo'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 Card at the Company's level, then at the level of the major sectors of the Company.

Composition of the Board

The Board of Directors is composed in accordance with Article 20 of the Company's Articles of Association. 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 according to the applicability of the terms of the nomination on them. Only shareholders owning at least ten percent (10%) 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 for that shareholders holding no less than 1/10 of the capital have the right to call for a General Assembly meeting.

The Company pursues separation between positions where H.E. Sh. Abdullah Bin Mohammed Bin Saud Al Thani is the Chairman, Sh. Saud Bin Nasser Bin Faleh Al Thani is the CEO of Ooredoo Qatar, and Dr. Nasser Marafih is the Group CEO of Ooredoo.

The Board conducts an annual evaluation of its performance and that of its committees to investigate the familiarity of the Chairman and members of the Board with the duties as set forth in the Corporate Governance Manual and the Articles of Association of the Company, the Commercial Companies Law No. (5) and the Corporate Governance Code issued by the Qatar Financial Markets Authority, as well as to inform them of the latest developments in the field of governance, and based on some requirements or the results of the evaluation process, development programs are built per board member. In case of real deficiency in the performance of a Board member, which was not solved at the appropriate time, then the Board shall have the right to take the appropriate action in accordance with Law and Corporate Governance. In addition, the performance of the Executive Management is reviewed annually based on an institutional evaluation card and a business sector evaluation card.

The Company adopts a policy that ensures the accuracy and correctness of the reports on any illegal actions relating to employees and general performance measures which are clarified in Ooredoo's Code of Business Conduct and Ethics which include the expected behaviours of the employees particularly with regard to compliance with the laws and regulations, and avoid engaging in practices or situations related to conflicts of interest, particularly in commercial transactions and business administration and activities and the use of the company's assets, records and information, and the relationship with the related party outside the Company, and to accept or request gifts or bribes, loans or bonuses, prizes or commissions among other matters.

Board Activities in 2012

In 2012, Ooredoo's Board of Directors achieved a number of major goals and supervised the implementation of a number of key successful initiatives including the following:

- Adoption of a number of technical decisions relating to investment opportunities.
- Adoption of Ooredoo's 5 years strategy and the allocation of the budget needed to implement.
- Adoption of Ooredoo Treasury Policy.
- Identify risk tolerance allowed for operating companies.
- Adoption of the Company's capital restructuring.
- Adoption of the new brand strategy for Ooredoo.
- Adoption of Ooredoo governance model.

Role of Board Committees

In order to make the decision-making process more efficient and to support the vision relating to corporate governance, in 2012 Ooredoo Board restructured its committees to become three main committees which are: 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 has the right to replace any of the committees' members at any time.

Each of the Board committees works in accordance with a written charter approved by the Board of Directors that clarifies its responsibilities and authorities. The charter of each committee has taken into consideration that it is in line with the Corporate Governance Code and Articles of Association of the Company and the Commercial Companies Law No. (5) for 2002 and the Corporate Governance Code of the Qatar Financial Markets Authority.

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 Issa Al Mohannadi	Member
	Mr. Hareb Masoud Al Darmaki	Member
	Mr. Aziz Aluthman Fakhroo	Member
Audit Committee	Mr. Turki Mohammed Al Khater	Chairman
	Mr. Nasser Rashid Al Humaidi	Vice Chairman
	Mr. Hamad Said Al Badi	Member
	Mr. Tami Hajar Al Binali	Member
Nomination and Remuneration Committee	H.E. Mohammed Bin Issa Al Mohannadi	Chairman
	Mr. Turki Mohammed Al Khater	Vice Chairman
	Mr. Nasser Rashid Al Humaidi	Member
	Mr. Tami Hajar Al Binali	Member

A. **Executive Committee**

The committee aims at ensuring that 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 Ooredoo's strategy and method deployed for adopting financial and strategic investments.

In 2012, the Committee completed a number of major works including:

- Reviewed investment opportunities and raise recommendations to the Board of Directors.
- Reviewed recommendations for the award of contracts, and took appropriate decisions.
- Reviewed the conditions of Ooredoo companies to determine its suitability and place in the markets in which it operates, and raised recommendations to the Board of Directors.
- Reviewed the Company's financial portfolio.
- The Committee held (4) meetings in 2012.

B. **Audit Committee**

The Committee assists Ooredoo Board in the oversight of the integrity of the Company's financial statements. It also provides consultancy to the Board regarding the efficiency and adequacy of internal control system and arrangements as to risk management. The Committee is also responsible for ensuring the independence and objectivity of internal and external audit functions.

The Committee also reviews the annual internal audit and auditors' reports and prepares reports on issues arising from auditing of the Company and its subsidiaries including the management's reaction, and the level of cooperation and the provision of information during the audit process, and the usefulness of the audit report versus cost. The Committee also sets up means and communication channels between the executive management and internal and external auditors.

In 2012, 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.
- Reviewed the results of the Internal Audit Quality Assurance Review for Ooredoo and operating companies.
- Adopted a new organisational structure for the Internal Audit Department to achieve synergy and address strategic Internal Audit Function issues.
- Introduced some amendments to the Committee Charter to be able to perform its oversight responsibilities in an effective manner.
- Reviewed the quarterly and annual Enterprise Risk Management Reports for Ooredoo and its operating companies.
- Supported management in reviewing major risks and audit plans.
- The Committee held nine (9) meetings in 2012.

C. **Nomination and Remuneration Committee**

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

In 2012, the Committee completed a number of major works including:

- Completion of the first phase of job evaluation and grades in the company.
- Developed criteria and mechanisms for the nomination and selection of Ooredoo representatives of in subsidiaries.
- Reviewed and appointed candidates in various departments and Board of Directors of subsidiary companies.
- Reviewed the Human Resources Policy of the company and approved the amendments relating to educational assistance to employees and patient escort leave.
- The Committee held seven (7) meetings in 2012.

Corporate Governance Department and Governance Committee

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 Ooredoo and its operating companies.

To ensure continuous monitoring and following up of issues and policies of corporate governance, Corporate Governance Committee was established presided by Ooredoo Legal Counsel, and composed of two members from

Ooredoo legal department, Ooredoo Board Secretary, Ooredoo Legal Counsel, Group Chief Audit Executive, CFO of Ooredoo, and Director of Investor Relations in Ooredoo who will have undertaken the role and responsibilities of the Compliance Officer.

In 2012, the Corporate Governance Department completed a number of major works including:

- Adoption of risk management procedures in Ooredoo operating companies.
- Adoption of whistle-blowing procedures for Ooredoo and the operating companies.
- Monitor the implementation of the Corporate Governance in the operating companies.
- Adoption of employee disclosure procedure for non-Ooredoo interests.
- Monitor the publication of Corporate Governance code in the operating companies.
- Assist the Board of Directors in the annual assessment and evaluation of adherence to the Code of Conduct.
- The Committee held four (4) meetings in 2012.

Internal Audit Objects and Activities

Providing independent and objective consultancy services drafted in a way that contributes to adding more value and improving Ooredoo's processes. These tasks are performed under the supervision of 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 respond to any issue or topic raised by auditors.

In 2012, the Internal Audit Department completed a number of major works including:

- Review and evaluate the internal control framework through the implementation of the approved internal audit plan.
- Review quarterly and annual Enterprise Risk Reports of Ooredoo and its operating companies, and assess the effectiveness of the plans to reduce these risks.
- Develop the Internal Audit Manual based on the International Standards for the Professional Practice of Internal Auditing to provide practical guidance throughout the internal audit activity.
- Review the quarterly Internal Audit reports for the operating companies.
- Review Internal Audit plans for the group companies.
- Coordinate between External Auditors, Audit Bureau Qatar and the Management.
- Support operating companies' Internal Audit Functions.
- Carry out investigations based on the request of the Board of Directors or the Audit Committee or the Management.

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.

Supervising and Controlling Ooredoo

The monitoring and supervision at Ooredoo level has separate lines for strategy and financial control in a full review in each of the operating companies. This is done according to a regular cycle of visits and meetings of the executive management of Ooredoo with the executive managements of the operating companies supported by a specific schedule for reports on internal performance. This detailed inspection of the performance of each operating company is considered a primarily source of information provided to shareholders through quarterly or annual reports. In addition, Ooredoo has a vision for the decisions and actions of the Board of Directors and audit committee of each operating company. Control and surveillance measures would vary in each operating company in a manner that reflects the delegation of powers to the Board of Directors and executive management of each of the companies, yet, all operating companies are required to abide by the issuance of reports according to what is expected from them. The process of unification of the above mentioned charters of Audit Committees will ensure that overseeing the system of internal control shall be delegated to audit committees in line with international best practices.

Risk Management and Internal Control

Ooredoo has established a system for overseeing, managing and controlling internal risks that is meant to protect the Company's investments and operations inside and outside Qatar. This system is designed to:

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

The board is responsible for establishing the risk management system and review the effectiveness of its implementation in Ooredoo and its operating companies. 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 controls and well-established systems that control its transactions and relationships with related parties.

Ooredoo implements a risk management policy, where it states that the Board of Directors, supported by Audit Committee and Internal Audit Department, shall annually review all risks that Ooredoo and its subsidiaries might face. Identifying risks that might face any of the operating companies is the responsibility of its executive management and employees. Ooredoo's Risk Management examines the risk ratings determined and the action plans to address these risks.

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

High level financial measurements are collected at Ooredoo 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 operating company, 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 on-going basis. The Company has already started to study offers of developers of automated systems that can be used at group level to collect and manage risks databases that have been identified, and procedures that have been taken to address them. The Department works on analysing risk management efficiency in Ooredoo, in addition to internal compliance and control systems and their efficiency as well.

In 2012, the department completed a number of major works including:

- Completed a project led by an external company to identify risks in Ooredoo.
- Established Enterprise Risk Management (ERM) policy.
- 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 system. There are decisions and clear instructions from the Board of Directors, Audit Committee and senior executive management that emphasizes on 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 of informing them of any suspicious transactions, this policy has been included as part of the Code of Ethics and Business Conduct.

Availability of Information

The Company guarantees for all shareholders the right to review all relating information and disclosures through publishing same on its website and annual reports that are made available to all shareholders, further to allowing them to have all information relating to Board members and their qualifications including the number of shares they own in the Company, their presidencies or membership on the boards of directors of other companies, as well as information on executive management of the Company. All shareholders are entitled to access to all relevant information.

In Article (48) of the Company's Articles of Association, the rights of minority shareholders has 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

- Based on Board of Directors recommendation.
- Resolution of the Company's Ordinary General Assembly meeting in view of Article (53) of the Company's Articles of Association.

Shareholder Records

Subject to the provisions of Article 10 of the Company's Article of Association, Article 159 of the Commercial Companies Law No. (5) for 2002 and Article 10 of the Corporate Governance Code issued by the Qatar Financial Markets Authority and at the direction of Qatar Exchange, the Company keeps true and accurate, and up-to-date records of the Company's shareholders, via the central system for shareholders, which is run by the Stock Exchange.

Any shareholder or any related parties can look at the shareholders' register, and get all the relevant information.

Fair Treatment for the Shareholders and Voting Rights

According to the provisions of Article 16 of the Company's Articles of Association which states that "each share shall give its holder equal propriety rights as other shareholders without any discrimination, in the Company's assets and equal rights to receive dividends as herein-after provided", the dividend will be distributed to the shareholders.

According to the provisions of Article 38 of the Company's Articles of Association, each shareholder has the right to attend the General Assembly either personally or by proxy.

Employees of the Company

The human resources policy adopted and applied by the Company is prepared in accordance with the provisions of the Labour Law No. 14 of 2004, and related ministerial decisions which serve the interests of the Company and its employees, and takes into account at the same time the principles of justice, equality and non-discrimination on the basis of sex, race or religion.

Finally, we would like to highlight that the Company continued throughout 2012 to deliver on its vision of enriching the lives of customers across its footprint. Ooredoo increased its ownership stake in its most successful operations, rolled out enhanced networks and introduced new services to deliver social benefits.

This report was prepared by Ooredoo's Legal Department, Investors Relation Department, and Compliance Officer in the Company, after considering the views of all competent authorities in the Company, and by reference to all sources of information including the Articles of Association and Corporate Governance Manual.

Our Strategy

Our Strategy

We recognise that our industry is changing, and are prepared to face the challenges and seize the opportunities this change is creating. Our vision and the effectiveness of our performance have made us a telecommunications industry leader in terms of size and pace of growth and results.

As we continue to grow, our ambition remains to be a leading international communications company. We also need to stay close to our customers in each market, retaining our local touch while growing globally, and ensuring that we are a community company with a drive to make a difference in the communities in which we work and live.

There are three key pillars to this approach:

Differentiate on Customer Experience

We know our customers and they trust us. We are constantly improving customer support and service, along with enhancing our understanding of customer expectations in order to meet their needs. We are engaging on the front-line to truly understand the communities in which we work. A vibrant customer-centric culture exists at every level of the organisation, and we're building that culture every day.

Strengthen our Foundations

A stronger foundation gives us more confidence for future momentum, whether we're evolving as a business or planting the seeds for future success stories. We are focused on improving productivity and operational excellence – both in our day-to-day operations and in our capital investments.

In 2012, we developed a full programme to transform our Ooredoo Management Model into a more integrated model. This will see the Executive Committee play a bigger role in strategic guidance, strategic management and corporate governance, and ensure greater performance oversight across the business. Over the coming year, we will roll out this new model across the business.

It goes without saying that the engine that makes all of this happen is our people. We need to keep them satisfied, and are working hard to maintain our reputation as an employer of choice.

Invest in New Growth

We are looking beyond our current sources of revenue in order to extend our growth path. Our blueprint for progress includes raising the bar for mobility services, broadband solutions, digital futures and fibre technologies, and laying the groundwork for continuous improvement at every turn.

But our investment strategy is not just limited to necessary incremental tweaks, operational infrastructure ramp-ups or business as usual. Our aim is also to innovate and introduce cutting-edge services in areas like the enterprise, finance services, entertainment and education.

Key Moments in 2012

Throughout 2012, Ooredoo continued to deliver on its vision to enrich the lives of its customers across its footprint. Ooredoo increased its ownership stake in key operations, rolled out enhanced networks and introduced new services to deliver social benefits.

January

Ooredoo Launches Strategy Evolution Programme

To start the year, Ooredoo launched a Strategy Evolution Programme, to build on the existing strategy and increase the focus on differentiated customer experience, transforming the way operations are managed and embracing emerging and parallel business opportunities. The DRIVE Strategy would shape key initiatives throughout 2012.

Ooredoo Qatar Commercially Launches Ooredoo Fibre Home Broadband Network

Ooredoo Qatar commercially launched Ooredoo Fibre, the home fibre optic network, which went live for more than 16,000 homes across Qatar. Ooredoo Fibre provides ultrafast Internet and cutting-edge Next Generation MozaicTV, including HD picture quality, On Demand features like pausing and recording live TV, and a Video on Demand library of more than 500 of the latest blockbuster movies. By the end of 2012, Ooredoo Qatar would install Ooredoo Fibre in more than 36,000 homes and pass another 131,000 homes for later activation.

February

Indosat Signs Sale-Leaseback with Tower Bersama for 2,500 Towers

Indosat agreed to a sale-and-leaseback with Tower Bersama for 2,500 towers, which were 25 percent of Indosat's existing towers, for an upfront consideration of USD 406 million. By selling a portion of non-core assets, Indosat saw a tangible return on investment and was able to increase its focus on core wireless services. The cash proceeds from the transaction will be applied towards repayment of outstanding debt, on-going capital investment and general corporate purposes.

Indosat Announces Innovative "Info Wanita" Service

Inodsat announced its "Info Wanita" (Information for Women) service, which provides free information via SMS on improving families' quality of life, and includes the "Hebat Keluarga" (Great Family) service for stay-at-home mums. For the service, Indosat partnered with Nokia and the GSMA's mWomen Programme, which seeks to reduce the global mobile gender gap.

March

Ooredoo Posts Best-Ever Fiscal Year in 2011

Ooredoo marked its stunning growth as the fastest-growing mobile operator in the world by revenue for the past five years by posting its highest-ever fiscal year revenue at QR 31.8 billion and highest-ever consolidated customer base at 83.4 million.

May

Tunisiana Awarded 3G and Fixed-Line Licenses

Tunisiana was awarded licenses to launch and operate a 3G mobile network and a fixed-line network by the Tunisian Ministry of Information Technologies and Communication for a combined USD 135 million. Tunisiana successfully launched the 3G network only a few weeks later in July 2012, while preparing fixed-line service for launch in 2013.

Tunisiana Launches mobiflouss Mobile Money Service

Tunisiana launched the innovative new mobile banking service "mobiflouss," in partnership with the Tunisian Post Office (La Poste Tunisienne). mobiflouss enables customers to access a range of payment services and transfer money from their mobile phone, using a prepaid MasterCard e-DINAR SMART card. By the end of 2012, more than 100,000 active customers would subscribe to the service.

Ooredoo Rights Issue Fully Subscribed
Following a successful subscription period, Ooredoo announced the completion of a fully subscribed Rights Issue, which raised QAR 6.8 billion. The capital increase aligned with Ooredoo's continuing strategy in optimising its capital structure to ensure the financial efficiency of the company.

June

Ooredoo Increases Stake in Asiacell
Ooredoo agreed to increase its shareholding in Iraqi operator Asiacell to 60%, for a total consideration of USD 1.47 billion. Ooredoo would initially increase its ownership in Asiacell to 53.9%, while the further increase in shareholding was dependent on approval from the Iraqi Government and Regulatory Authority.

The acquisition was in line with Ooredoo'slong term strategy of active portfolio development to increase ownership in companies with significant potential, as the Iraqi market approaches a period of rapid broadband and data growth.

Ooredoo Qatar Launches Refaq Programme
Ooredoo Qatar launched the innovative Refaq Programme as part of its corporate social responsibility strategy. During the project, 50 volunteers refurbished the homes of families living in poor conditions, and distributed vouchers to them for purchasing appliances and furniture. Refaq's first phase continued through the Holy Month of Ramadan, with volunteers giving back to the community by distributing gifts and sweets during the Holy Month of Ramadan, Eid Al Fitr and Eid Al Adha.

July

Tunisiana Launches 3G Services
Tunisiana launched 3G services that covered 48 percent of the population, followed by an aggressive rollout that would cover nearly three-quarters of the population by the end of 2012. Tunisiana's license allowed them to deploy an HSPA+ network on 900 Mhz and 2100 Mhz bands, providing deeper indoor coverage and HD voice quality.

Nedjma Sees Strong Response to Internet Pack Promotion
Algerian operator Nedjma saw a strong response to its promotion on the "N'ternet Pack" prepaid Internet package during the Holy Month of Ramadan. The "N'ternet Pack" provides affordable unlimited Internet access, with a new postpaid rate plan aimed at youth, and helped to lay the foundation for the introduction of 3G services.

September

Asiacell Leads Support for Mobile Access for Women in Iraq
Asiacell welcomed a visit from the GSMA, the global organisation representing mobile operators, to find out more about Asiacell's success in significantly increasing economic opportunities for women in Iraq through its mWomen initiatives. Asiacell has 3 million female customers, of whom 1.8 million have joined since the 2011 launch of the Almas (Diamond) line of mobile products and services designed for female customers.

Operating Companies Prepare 4G LTE Networks for Commercial Launches
Three operating companies – Ooredoo Qatar, Nawras in Oman and Wataniya Kuwait – were preparing their 4G Long-Term-Evolution (LTE) networks for commercial launches in 2013. The ultrafast 4G Long-Term-Evolution (LTE) networks will let customers easily stream high-

bandwidth content and help boost each country's knowledge-based economy. In September 2012, hundreds of Ooredoo Qatar customers took part in one of the region's largest tests of the4G LTE network.

Ooredoo Group CEO Appointed Chairman of GSMA Mobile for Development Foundation

The GSMA announced that Dr. Nasser Marafih, Group CEO of Ooredoo, was appointed Chairman of the Board of the GSMA Mobile for Development Foundation (previously the GSMA Foundation), which promotes the work of GSMA Mobile for Development with the international development community and brokers and manages public-private partnerships in 30 countries.

October

Ooredoo Increases Stake in Wataniya Telecom Kuwait to 92.1%

Ooredoo increased its shareholding in Wataniya Telecom Kuwait from 52.5 percent to 92.1 percent for USD 1.8 billion. There is substantial scope for growth as Wataniya's core markets role out robust data networks and continue to improve customer service and operational efficiency. Wataniya in turn has stakes in Wataniya-Maldives, Wataniya-Palestine, Nedjma in Algeria, and Tunisiana in Tunisia.

Ooredoo Chairman Leads Mobile Industry at UN and ITU Conferences

Ooredoo Chairman H.E. Sheikh Abdullah bin Mohammed bin Saud AlThani led the mobile sector at two major industry events. At ITU Telecom World 2012, he challenged the telecommunications sector's operators, regulators and partners to work together to support new broadband infrastructure projects and simplify international roaming charges. At the UN Broadband Commission meeting, he emphasised that mobile operators should follow Ooredoo's lead in using mobile technology to address key social issues and drive creativity.

December

Nedjma Wins CommsMEA Award for Innovative Marketing Campaign

Nedjma in Algeria won the CommsMEA award for "Best Marketing Campaign of the Year" for its "Mazal Wakfin" ("Still Standing Up") national campaign, on the occasion of the 50th anniversary of Algerian independence. The campaign showed the images of prominent artists singing "Mazal Wakfin," surrounded by a crowd of Algerians of all generations holding national flags.

Ooredoo Achieves Further Success in Bond Market

Ooredoo issued USD 1.0 billion, 10-year senior unsecured notes under a new USD 3.0 billion Global Medium Term Note Programme. The combination of significant international market demand, long-term financing and attractive pricing levels was a strong indication of the continuing confidence of the fixed income community in Ooredoo and its strategy.

Asiacell Announces Intention to List on Iraq Stock Exchange

Asiacell announced its intention to list on the Iraq Stock Exchange, in what was expected to be Iraq's biggest initial public offering since 2003. Asiacell's founding shareholders agreed to offer 25 percent of their shares on the Iraq Stock Exchange. This listing will demonstrate the strong links of investment between Qatar and Iraq, following the earlier increase in ownership stake, and the optimism on investing in Iraq as the country's economy improves.

Ooredoo Agrees to Increase Stake in Tunisiana

Ooredoo reached an agreement with the Tunisian Government to acquire a further 15 percent stake Tunisiana for USD 360 million. Ooredoo and its subsidiaries increased their total holding in Tunisiana from 75 percent to 90 percent. This agreement underlines the strong bonds that link Qatar with Tunisia, and demonstrates the ongoing and evolving opportunities for joint investment and development.

Awards and Industry Recognition

Ooredoo's on-going investment in people and innovation was recognised in a series of major industry awards in 2012, with honours for Ooredoo and its operating companies. Below are some of the highlights from a much-lauded year of achievement.

First Oman Customer Care Conference 2012 – February

Nawras – Oman Customer Service Excellence Award

Global Telecoms Business Awards 2012 – June

Indosat – Emerging Market Service Innovation Award

Arabian Business Power 500 List – June

Dr. Nasser Marafih, Ooredoo Group CEO, ranked 112 out of world's top 500 most powerful Arab nationals and the 4thhighest ranking of all the telecom CEOs.

Middle East Call Centre Awards 2012 – June

Ooredoo Qatar – Best Voice of Customer Programme (Large Company)

Asia Pacific HRM Congress Communications Awards 2012 – September

Nawras – Best Organisation with Innovative HR Practices

Arabian Business Qatar Awards 2012 – September

Ooredoo Qatar – Telecom Company of the Year

Global Telecoms Business Power 100 in 2012 – September

Dr. Nasser Marafih, Ooredoo Group CEO, was named No. 62 in the ranking of the 100 most powerful and influential people in the industry.

Telecom People Awards 2012 – October

Nedjma – Best Mobile Operator in North Africa (Voice) Award

Telecoms World Middle East Awards 2012 – October

Ooredoo – Best Operator
Ooredoo Qatar – Best Middle Eastern Wholesale Carrier
Nawras – Best Customer Strategy

Middle East Investor Relations Society Awards 2012 – November

Ooredoo – Best Investor Relations Team for Corporate Governance in the Middle East
Ooredoo – Best Company for Investor Relations for Qatar

CommsMEA Awards 2012– December

Ooredoo Qatar – Converged Service Provider of the Year
Nedjma – Best Marketing Campaign of the Year
Nawras – Customer Service Provider of the Year
Wataniya-Kuwait – Best Corporate Social Responsibility for "Give Kuwait"

KWD Middle East Webranking Survey and Awards 2012 – December

Ooredoo Qatar – Best Corporate Website 2012 (Qatar)
Nawras – Best Corporate Website in Oman for Investor Relations

EMEA Finance Magazine Achievement Awards – 2012

Ooredoo – Best M&A deal in the Middle East Wataniya Telecom Mandatory Tender Offer
Ooredoo – 2012 Borrower of the Year

Our Business

Our Business

Ooredoo is a leading international communications company delivering mobile, fixed, broadband Internet and corporate managed services tailored to the needs of consumers and businesses across markets in the Middle East, North Africa and South-East Asia. As of 31 December 2012, Ooredoo's consolidated customer base stood at 92.9 million.

As a community-focused company, Ooredoo is guided by its vision of enriching people's lives and its belief that it can stimulate human growth by leveraging communications to help people achieve their full potential. Ooredoo has a presence in markets such as Qatar, Kuwait, Oman, Algeria, Tunisia, Iraq, Palestine, the Maldives and Indonesia. Ooredoo's ultimate parent company is Qatar Telecom (Qtel) Q.S.C., whose shares are listed on the Qatar Exchange and Abu Dhabi Securities Exchange.

Ooredoo's Main Shareholdings, Subsidiaries and Associates, as of December 31, 2012

Qatar Telecom (Qtel) QSC	Effective Stake
Ooredoo[1]	100%
Nawras	55%
Wataniya (NMTC)	92.1%
Asiacell	53.9%
Asia Mobile Holdings	25%
wi-tribe	86.1%
Indosat	65%
Liberty Telecom	40%
Navlink	38.2%
Wataniya (NMTC)	**Effective Stake (Dec. 31, 2012)**
Wataniya Kuwait[2]	100%
Wataniya Maldives[3]	100%
Nedjma[4]	80%
Wataniya Palestine	48.5%
Tunisiana[5]	90%
Asia Mobile Holdings	**Effective Stake (Dec. 31, 2012)**
StarHub	56.5%
Shenington Investments	49%
wi-tribe	**Effective Stake (Dec. 31, 2012)**
wi-tribe Pakistan	100%

1) Operations integrated within Qatar Telecom (Qtel) QSC; also holds 72.5% of Starlink Qatar.
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) 75% is held via NMTC and a 15% stake is held via a wholly-owned subsidiary of Qatar Telecom (Qtel) QSC.

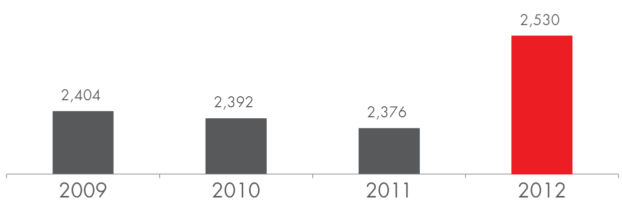
Our Operations

Ooredoo in Qatar

Ooredoo (Qatar Telecom (Qtel) Q.S.C.) is Qatar's leading communications provider. Today, it stands as one of the most diverse, innovative operators in the Middle East, delivering a range of world-class GSM, fixed, cable, entertainment, enterprise and technology services to consumers and businesses. Having supported the people of Qatar for over 50 years, Ooredoo continues to fuel a sense of technological excitement and satisfaction across all of its communities.

Qatar	2012
Population[1]	1.8m
Mobile Penetration[2]	159%
Market Share[2]	69%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	5,686	5,597	5,704	6,220
EBITDA (QARm)	3,296	2,878	2,948	3,249
EBITDA%	58%	51%	52%	52%
Blended ARPU[3]	123.2	112.6	145.2	148.7
Employees	2,106	2,143	2,069	1,841

Operator Importance to Group	
Customers	3%
Revenue	18%
EBITDA	21%
Capex	7%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Ownership

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

Ooredoo: Achievements

Ooredoo Qatar continues to lead the way in a rapidly-evolving market, having consolidated its position as the country's top telecommunications provider, as well as moved up the enterprise value chain into managed ICT services like the cloud.

Revenue exceeded QAR 6 billion for the first time in company history, at QAR 6.22 billion, representing a 9 percent growth on 2011 figures.

From an operational standpoint, Ooredoo Qatar was given a major overhaul through the Al Manara restructuring programme. Moving forward, a series of cost-optimising initiatives are expected to make significant savings across the business.

Ooredoo Qatar's dominant performance was vividly illustrated by the 2012 capture of over two thirds of Qatar's overall market revenue growth, half of the mobile market revenue growth, and four fifths of all new mobile customers.

Crucially, Ooredoo Qatar remains an employer of choice. A 40 percent Qatarisation target was surpassed and a host of training and support mechanisms were refined to ensure retention of the brightest and best talent. The ECHO feedback survey indicated that workplace satisfaction remains well above industry norms.

Project-wise, there were successful commercial trials for Qatar's first 4G LTE broadband network, while the Ooredoo Fibre project continued to gain traction according to plan, connecting more than 36,000 homes and laying the groundwork to activate a further 131,000 in the near future. 2012 also saw the roll-out of the Fibre-enabled Next Generation Mozaic TV, which provides high-definition picture quality, Video on Demand, and the ability to pause, rewind and record live TV.

One of the year's most significant developments was the go-live of the world's first Mobile Money MoneyGram service. Ooredoo Qatar now enables Qatar-based customers to transfer money to 196 countries around the world.

In the enterprise space, Ooredoo Qatar launched its enhanced cloud services offering, delivering managed software and infrastructure services to businesses of all sizes.

To help sustain growth and maintain customer intimacy, Ooredoo Qatar focused on value-added promotions and services, including expanding benefits for Nojoom and Al Nokhba members, launching a high-definition voice services for a wide range of handsets, expanding eShop offerings, and providing improved ePayment options.

Ooredoo in the Year Ahead

Qtel Qatar took on the new brand Ooredoo on 11 March 2013.

This year is set to be another year of strategic growth driven by operational excellence and analytics-derived insight. Fuelled by its new strategy, Ooredoo Qatar will aim to build on successes in proven areas, as well as differentiate itself in emerging technological fields. Extensive opportunities are expected to transpire from the health and education sectors, as well as major infrastructure projects relating to the 2022 FIFA World Cup. Furthermore, strong growth is anticipated in high-speed broadband, triple play packages and B2B services, including managed and cloud services.

Major Ooredoo Qatar developments are expected to centre on the launch of its 4G LTE mobile broadband network, and the aggressive ramp-up of Ooredoo Fibre for both homes and businesses. Other initiatives include launching a platform for Mobile Number Portability, pushing increased mobile data usage by lowering entry barriers for customers, and continuing to market Ooredoo Cloud services to small and medium sized enterprises.

An expansion programmed for Next Generation Mozaic TV will also take place, including a series of partnerships with leading brands to produce original programming.

Sheikh Saud Bin Nasser Al Thani, CEO, Ooredoo Qatar

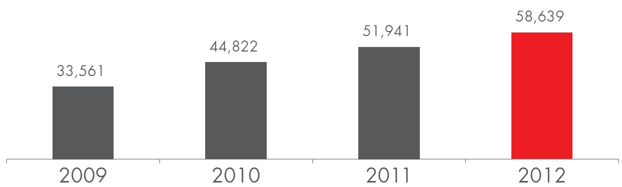
"2012 was another year of exceptional growth for Ooredoo Qatar. By remaining attuned to both customer needs and emerging technology trends, we have been able to craft a strategic plan for the future that dramatically improves our prospects as a company. Inspired by Qatar's 2030 Vision, the drive for progress and to enrich lives continues across the company. I am truly honoured to work with such a diverse, talented and passionate team."

Indosat in Indonesia

Indosat is a fully integrated telecommunication network and services provider operating in Indonesia, which is the fourth most populous nation on earth. Indosat is the country's second largest mobile operator with over 58 million customers connected to its nationwide network. As one of the operators mandated to provide national and international long-distance telecommunications services, Indosat is a significant force offering a broad and sophisticated product suite that spans voice, Internet, data and VoIP.

Indonesia	2012
Population[1]	241.0m
Mobile Penetration[2]	127%
Market Share[2]	26%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	6,579	7,942	8,550	8,804
EBITDA (QARm)	3,207	4,034	4,159	4,414
EBITDA%	49%	51%	49%	50%
Blended ARPU[3]	16.4	13.4	10.2	9.9
Employees	7,135	6,694	4,461	3,827

Operator Importance to Group	
Customers	63%
Revenue	26%
EBITDA	28%
Capex	49%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Ownership

Ooredoo has a 65 percent stake in Indosat.

Indosat: Achievements

During 2012, Indosat delivered on its commitment to improve and enhance performance. The company's resilience and high levels of brand awareness continue to be driven by a clear and effective strategy: to provide increasingly innovative services in valuable customer segments, over a reliable and flexible network. Last year, the Indosat team made further progress with this strategy, increasing the company's relevance to key subscriber groups and making important improvements to the network.

Customer experience, which is a significant differentiator in Indonesia's highly competitive mobile market, remained an important focus. During the year, Indosat set new standards for customer service. This included launching new online and social media channels for customers to manage their accounts and receive help. At the same time, network enhancements – such as the launch of additional 2G and 3G sites, regional modernisation works and improvements to network availability – boosted quality and reliability for users. These types of initiatives helped Indosat increase its customer satisfaction score from 87 percent in 2011 to 94 percent in 2012.

In parallel, Indosat also made further advances in terms of its service offering. In line with its segment strategy, Indosat launched new, dedicated services for Small and Medium Enterprises. Constituting 58 million people across Indonesia, this important economic group is now able to benefit from effective and reliable phone and Internet services tailored to business needs.

Other notable new service launches included the innovative Indosat SUPERWiFi, which allows Indosat customers to seamlessly access the Internet from their mobile and tablet devices via a network of high-speed, Indosat Wi-Fi hotspots.

Indosat: The Year Ahead

Indonesian consumers continue to respond well to new technologies and communication methods. An increasing demand for data-driven services sits at the heart of this push, with levels of smartphone penetration and Internet usage in Indonesia increasing at a rapid rate. In the year ahead, Indosat will continue to take advantage of these trends, launching new services that capture consumer imagination, while at the same time ensuring that network capacity remains strong. The company will also remain focused on delivering the highest levels of efficiency right across its operations to ensure that benefits fromrecent operational structure improvements are maintained.

Alexander Rusli, President Director and CEO, Indosat

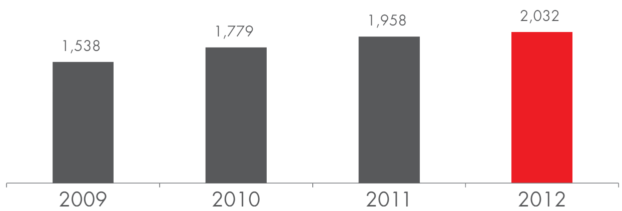
"Indosat continues to progress along the right strategic path, deriving tangible benefits from each of the initiatives we have set in motion this year. We are driving greater adoption and loyalty among subscribers in our most valuable target segments, which are supported by a renewed focus on ensuring network reliability and service excellence. This commitment to excellence will remain at the heart of our plans in the year ahead, as we seek to consolidate our market position by delivering the quality and services our customers demand."

Wataniya in Kuwait

Wataniya Kuwait is the second largest mobile telecommunications operator in Kuwait, serving a significant share of the country's mobile customers. Wataniya's success lies in its commitment to deliver innovative services and an outstanding customer experience.

Kuwait	2012
Population[1]	3.7m
Mobile Penetration[2]	148%
Market Share[2]	36%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	2,580	2,827	3,223	2,880
EBITDA (QARm)	1,188	1,262	1,469	1,101
EBITDA%	46%	45%	46%	38%
Blended ARPU[3]	137.1	131.6	118.8	96.2
Employees	855	1,008	1,000	1,078

Operator Importance to Group	
Customers	2%
Revenue	9%
EBITDA	7%
Capex	4%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Wataniya provides a wide range of communication and Internet services to both individuals and corporate customers. The company offers a portfolio of secure wireless Internet and mobile services along with business efficiency tools for corporate customers under the WPro brand. Wataniya has tailored offers and experiences to complement the needs of its diverse customer segments such as The W's Plan for its most valued customers, InTouch for foreign residents living in Kuwait and the pre-paid Xpress plan. In addition, Wataniya has introduced a range of value-added services to optimise the user experience such as Rent-a-Number, SMS bundles, international top-up service and a mobile self-care app.

Ownership

Ooredoo holds a 92.1 percent stake in Wataniya Telecom (NMTC), which is listed on the Kuwait Stock Exchange. NMTC is the legal entity with an ownership stake in Wataniya Maldives, Bravo, Tunisiana, Nedjma and Wataniya Mobile Palestine.

Wataniya in Kuwait: Achievements

In 2012, Wataniya achieved a historical milestone by crossing the two million customer mark, despite increasing levels of competition and a mobile penetration rate of over 145 percent in Kuwait. This was driven in part by focusing on three key areas: strengthening the customer experience to attract and retain customers, driving postpaid plan adoption to secure greater customer life-time value, and enhancing the network and Internet services to provide compelling and reliable services. These efforts resulted in an almost 30 percent increase in postpaid customers, in addition to growing the smartphone data service (Net-on-Phone) customer base by 2.5 times.

As part of its Customer Experience Revolution Program, Wataniya strengthened its customer service touch points and invested in new technology platforms to better serve its end-users. Wataniya also became the first mobile provider in Kuwait to utilise social media for customer interaction. Additionally, the customer loyalty program was further enhanced by partnering with international brands such as IKEA and Jazeera Airways. As a result, the program was named the "Best Loyalty Program in the Middle East for 2012" by Gartner-Customer 360 (ME).

Wataniya continued to invest in its network, aiming to provide a highly reliable and seamless service to a growing base of customers. The company now boasts one of most advanced billing systems in the Middle East, enabling efficient delivery of innovative new products and packages to postpaid and prepaid customers.

In addition to improving top line performance, Wataniya launched its 'Project Horizon' program, a strategic push to drive operating efficiency through improved working methods. This includes improving the efficiency of existing processes, improving productivity through technology enablement, and identifying and developing activities that have consistently proven to have a positive impact.

Wataniya in Kuwait: The Year Ahead

Wataniya enters 2013 with great optimism, as data growth opportunities remain largely untapped in Kuwait. The company's differentiation and innovation strategy will be central in exploiting these opportunities. New investments and network modernization will remain a priority, enabling the effective deployment of the very latest 4G LTE technology and enhancements of existing data services. Wataniya's customers will enjoy faster Internet access in conjunction with excellent quality of service. The growing data customer base and network assets will also create opportunities to facilitate a smart-enabler platform for partners to develop and bring compelling localised services to market.

Dr. Bassam Hannoun, CEO, Wataniya Kuwait

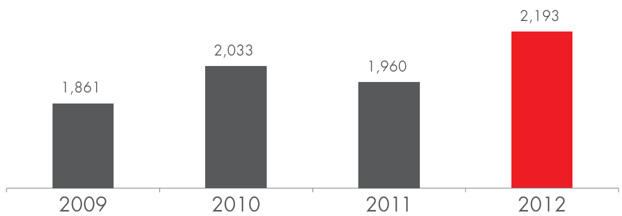
"2013 will be a year of differentiation. In particular, we will work to elevate and intensify our customer service offerings and touch points. This year will also see us further capitalise on our ability to deploy the latest and most advanced technology to both attract newcomers and please our loyal customers."

Nawras in Oman

Nawras is Oman's second full-service operator, commanding an important share of the country's mobile customers based on a strategy of service innovation, quality and reach. Today, Nawras delivers a wide range of mobile, fixed and Internet services across advanced wireless and fibre networks. From the 2007 launch of 3G+ wireless broadband services 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 continually set the pace of change in Oman's telecommunications market. Nawras is one of the largest companies listed on the Muscat Securities Market.

Oman	2012
Population[1]	3.1m
Mobile Penetration[2]	181%
Market Share[2]	41%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	1,625	1,864	1,939	1,907
EBITDA (QARm)	827	968	979	902
EBITDA%	51%	52%	51%	47%
Blended ARPU[3]	73.5	70.6	80.4	70.8
Employees	743	898	1,019	1,027

Operator Importance to Group	
Customers	2%
Revenue	6%
EBITDA	6%
Capex	8%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Ownership

Ooredoo owns a 55 percent effective economic stake in Nawras.

Nawras: Achievements

The Omani communications market is dynamic, vibrant and constantly evolving. During the past year, Nawras has not only responded to emerging changes in consumer habits, but also continued to develop a more resilient, capable and future proof network through its 'turbocharging' programme.

The Nawras team has invested considerable energy in upgrading its systems to make sure they can support Oman's growing demand for broadband and data. This has included upgrading existing network sites to 3G+ to immediately boost speed and capacity, as well as making further progress with important WiMAX and fixed-line roll outs. At the same time, internal efficiencies made possible by concentration around a single technology vendor resulted in large-scale improvements in radio coverage, delivering tangible benefits to customers seeking to embrace data services.

Customer experience and engagement innovation has also been a key theme. During the year the Nawras team has focused on a number of initiatives designed to expand its addressable market and enrich the user experience for both current and prospective customers. One of the most prominent developments in that respect was an exclusive marketing agreement with WhatsApp, the world's leading cross-mobile messaging service. The agreement will enable Nawras to target the more than one million Omani WhatsApp customers with new, exciting services.

Nawras: The Year Ahead

Driving Oman's data opportunity will remain an important goal in 2013. The Nawras team will continue to move forward with its network 'turbocharging' programme, ensuring that every single base station is capable of delivering 2G and 3G+ coverage by the time the upgrade is complete in 2014. Furthermore, following the release of new spectrum under Oman's National Broadband Strategy, Nawras is now in a position to roll-out leading edge LTE technology.

Taken together, each of these efforts will enable Nawras customers to experience faster, deeper and wider coverage than ever before, as well as a richer, more powerful service experience.

Ross Cormack, CEO, Nawras

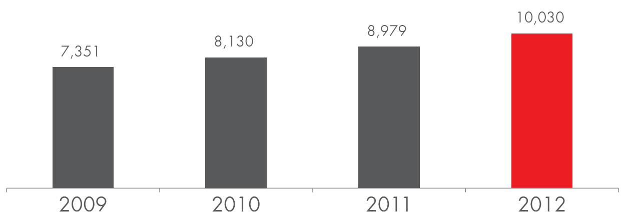
"As our market continues to evolve, Nawras will remain focused on the customer experience. This year has seen so many important and exciting initiatives take shape, with our network strengthening day-by-day to become one of the region's most sophisticated, most capable infrastructures. This infrastructure will be the key to Nawras' future success, enabling us to bring a rich, data-led experience to all of our customers in a manner they can trust, engage with, and – crucially – rely upon."

Asiacell in Iraq

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, Ooredoo and Asiacell won a competitive bid for a fifteen-year mobile license in Iraq; at that time a significant milestone in the development of Iraq's communications market.

Iraq	2012
Population[1]	33.6m
Mobile Penetration[2]	85%
Market Share[2]	37%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	3,998	5,054	5,934	6,878
EBITDA (QARm)	2,162	2,621	3,233	3,689
EBITDA%	54%	52%	54%	54%
Blended ARPU[3]	52.1	56.0	60.1	61.6
Employees	2,158	2,170	2,821	2,993

Operator Importance to Group	
Customers	11%
Revenue	20%
EBITDA	24%
Capex	11%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Since then 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. The country's second largest mobile operator by number of customers, Asiacell is responsible for more than a third of all Iraqi mobile users, offering them a wide range of mobile services such as GPRS, SMS, MMS and voicemail across a national network that reaches from Dhok in the north to Basra in the south.

Ownership

Ooredoo has a 53.9 percent effective economic stake in Asiacell.

Asiacell: Achievements

Asiacell continued on its growth journey in 2012, making significant strides towards its goal of being the first choice for communications in Iraq. Highlights include the extension and evolution of several of 2011's most successful initiatives, particularly in the emerging corporate segment, and with an even sharper focus on improving the customer experience through call quality enhancement, service choice and network resilience.

A significant proportion of consumer demand in Iraq continues to centre on voice and SMS services. During the year, Asiacell has worked hard to refresh and re-package its voice and SMS offerings, introducing 'bundled' minutes and SMS packages to the Iraqi market for the first time. Building on the success of this initiative, and leveraging the formidable strength and recognition of Asiacell's in-market brand, the company has also extended this approach to its data services, helping to drive strong uptake of 2G data usage through the launch of targeted monthly Internet packages and automatic device configuration.

Following the success of 2011's pioneering launch of BlackBerry services in Iraq, Asiacell has dedicated particular attention to developing its offering for the country's steadily emerging corporate community. This has included new and easier ways for corporate customers to access BlackBerry-based services, roaming packages and Machine-to-Machine (M2M) capabilities. Conscious that the success of such innovative services owes much to the infrastructure over which they are delivered, Asiacell also continued to target improvements of its network. This has not only enhanced the overall user experience, but also improved company efficiency and delivered operational cost savings.

Asiacell: The Year Ahead

2013 has the potential to be a landmark year both in terms of day-to-day business achievements and Asiacell's stature as a leading Iraqi company. In late 2012, Asiacell, in line with the terms of its license, confirmed its intention to proceed with an offer of shares on the Iraq Stock Exchange. The offering will help pave the way for Asiacell to elevate itself from its current position of trusted Iraqi brand to an important and visible symbol of economic resurgence, confidence and pride for Iraq and its people. At the same time, the Asiacell team will continue to focus attention on new service launches, particularly in broadband and in data, which have the potential to unlock additional value for the company across multiple customer segments.

Dr. Diar Ahmed, CEO, Asiacell

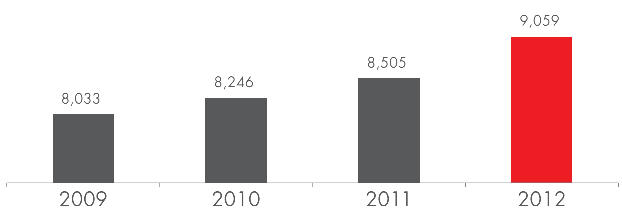
"We take our role in Iraqi society seriously, and I am proud of the work our team has undertaken to support so many important social and sporting initiatives across the country. These initiatives go hand-in-hand with our commitment to all of our customers: to ensure that our services, our network and our team continue to provide them with the tools necessary to enrich their daily lives and support the ongoing resurgence of our nation's economy. Having achieved so much in 2012, and with even greater opportunities open to us in the year ahead, we look forward to 2013 with great confidence and excitement."

Nedjma in Algeria

Branded as Nedjma, Wataniya Telecom Algeria commenced operations in 2004. Starting out life as Algeria's third mobile operator, Nedjma today 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.

Algeria	2012
Population[1]	36.0m
Mobile Penetration[2]	68%
Market Share[2]	32%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	1,795	2,228	2,961	3,479
EBITDA (QARm)	590	841	1,101	1,374
EBITDA%	33%	38%	37%	39%
Blended ARPU[3]	21.8	24.7	30.6	33.6
Employees	1,838	1,929	2,360	2,485

Operator Importance to Group	
Customers	10%
Revenue	10%
EBITDA	9%
Capex	11%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Ownership

Ooredoo controls Wataniya (NMTC) through a 92.1 percent stake. Ooredoo, through its own entities and indirectly through NMTC, holds an 80 percent stake in the operations of Nedjma. This gives the Ooredoo a 74.4 percent effective economic stake in Nedjma.

Nedjma: Achievements

Central to Nedjma's strategy during this last year has been a concerted focus on customer acquisition, retention and satisfaction, delivered mainly via the release of new value-added services designed to appeal to all segments of the subscriber base.

One important aspect of this initiative is mobile Internet, which is still nascent in Algeria and often expensive to access. The launch of 'N'ternet Pack', which provides affordable unlimited Internet access, in addition to other services such as a new 'postpaid rate plan' aimed specifically at young people, is serving to drive Algeria's next wave of mobile voice and data usage. These efforts are helping to lay a solid groundwork for the introduction of 3G services.

As result of these service innovations, Nedjma's brand reputation has also continued to grow. It has been particularly bolstered this year by the implementation of a landmark advertising campaign designed to coincide with Algeria's 50th year of independence. The initiative is based around the Algerian saying Mazal Wafkin (Still Standing Up), which is a phrase of great significance throughout the country and serves as a clear demonstration of Nedjma's enduring community relevance.

In addition to this community responsibility, Nedjma recognises that its first responsibility is to ensure that customers enjoy a positive experience of its services. To deliver on that goal the company launched four important new features between May and December: reverse charge function, Nedjmanet chat function, missed call notification premium, and a call filter function. The company also broadened its existing Noudjoum customer loyalty program to reward both longstanding residential customers and corporate customers through benefits such as free airtime and incentives from Nedjma partners.

Nedjma: The Year Ahead

As the Algerian market steadily evolves from voice towards higher speed and more complex data services, Nedjma will seek to build on the work undertaken to position the company as an affordable Mobile Internet enabler. With the Algerian launch of 3G technology moving ever closer, Nedjma is well placed to capture early adopter revenue, as well as retain and grow that revenue through accelerated loyalty programs and long-term customer benefits.

Joseph Ged, CEO, Nedjma

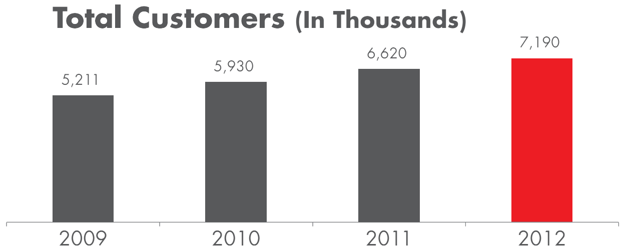
"Nedjma has enjoyed yet more momentum this year through the implementation of an unprecedented number of new strategic initiatives. The whole Nedjma team has worked hard throughout the year to make sure that we never fall short of providing our customers with the high quality service they have come to expect. Moreover, we believe we have positioned ourselves carefully in the marketplace for 2013's most exciting developments."

Tunisiana in Tunisia

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 then, 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 seven million individual and business customers across this North African nation.

Tunisia	2012
Population[1]	10.7m
Mobile Penetration[2]	122%
Market Share[2]	55%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue[4] (QARm)	1,299	1,287	2,779	2,633
EBITDA[4] (QARm)	701	713	1,573	1,350
EBITDA%	54%	55%	57%	51%
Blended ARPU[3]	42.0	34.4	35.1	27.7
Employees	1,426	1,510	1,583	1,610

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

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December
(4) Revenue and EBITDA @ 50% prior to 2011

Ownership

Ooredoo has a 92.1 percent stake in Wataniya (NMTC), which owns 75 percent of Tunisiana. In December 2012, Ooredoo acquired an additional 15 percent stake in Tunisiana, which gives it (and its subsidiaries) a 90 percent effective economic stake in Tunisiana.

Tunisiana: Achievements

Last year saw Tunisiana continue to undergo rapid and exciting evolution. Despite the dynamics of political change, Tunisiana continued to respond effectively to customer needs and laid the groundwork for important future developments. The launch of new technologies, customer experience-focused initiatives and strategic partnerships has enabled Tunisiana to maintain its strong market position and, in some areas, even extend its leadership – notably in Internet and broadband.

In May, Tunisiana acquired a groundbreaking license from the government of Tunisia to provide fixed-line and 3G services. 3G services were enabled just three months later and made accessible to an impressive 48 percent of the population, rising to 71 percent by the end of the year. To maximise this broad reach and the technology's impressive download speeds, Tunisiana designed its 3G offering to include flexible tariffs allowing for daily, weekly and monthly usage. 2012 also saw the unveiling of mobiflouss, a pioneering Mobile Money service launched in partnership with the Tunisian Postal Service. The service, which is attached to a prepaid wallet, provides subscribers with a simple and secure method which to process payments from their mobile phones.

Tunisiana is committed to the continuous improvement of its customer services and experience. To that end, in August the company implemented the pilot phase of its Customer Experience Program, which is an initiative aimed at aligning services and offerings to the demands and needs of all Tunisians. Tunisiana also continued to recognise the important role it plays within the community. The 'Startup Factory Launch' program was inaugurated to assist budding entrepreneurs in the development phase of building new businesses, as well as providing young Tunisians with access to mentors, training and vital funds.

Tunisiana: The Year Ahead

Tunisiana continues to look to the future. The company has already set out ambitious plans to further extend broadband services to 70 percent of the population within the next five years. Furthermore, Tunisiana is working to take advantage of clear opportunities in fixed-line services with the launch of phone and Internet services planned in the near future.

Kenneth Campbell, CEO, Tunisiana

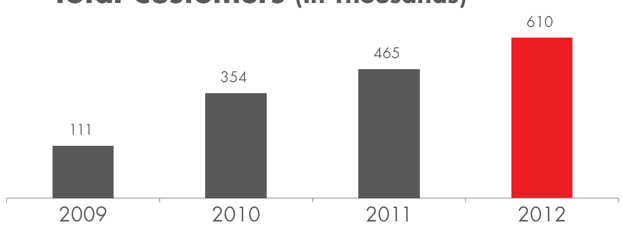
"2012 has been truly exceptional for Tunisiana; a time when we recommitted to high standards of customer service and the year we saw the start of our 3G service. These step-changes have enabled us to maintain our strong market position and we will continue to innovate in the year ahead. The task for us now is to continue our 3G roll-out and deploy fixed services,as we move forward with our vision to become the leading global telecom operator, play a key role in laying the foundation for Tunisia's future economic growth and continuing to enhance the society we operate in."

Wataniya in Palestine

Wataniya Mobile Palestine is the second licensed mobile operator in Palestine and was awarded its license in 2007. 2010 was Wataniya's first full year of commercial operations after the successful launch of services in the West Bank in November 2009.

Palestine	2012
Population[1]	4.04m
Mobile Penetration[2]	82%
Market Share[2]	28%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	8	140	273	306
EBITDA (QARm)	(74)	(79)	14	23
EBITDA%	-	-	5%	7%
Blended ARPU[3]	23.9	43.0	43.9	35.4
Employees	275	355	410	418

Operator Importance to Group	
Customers	1%
Revenue	1%
EBITDA	0.1%
Capex	1%

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Following the highly successful completion in January 2011 of the company's initial public offering, Wataniya Mobile Palestine is today one of Palestine's largest public companies. It is a significant player in the Palestinian mobile market, and has future plans to expand into Gaza. Through a range of services and products the company currently offers approximately 2.5 million people in the West Bank the opportunity to enjoy a communications service based on network quality, reliability and choice.

Ownership

Ooredoo has a 92.1 percent stake in Wataniya (NMTC). Following the initial public offering, NMTC holds a 48.5 percent stake in the operations of Wataniya Mobile Palestine. This gives Ooredoo a 44.7 percent effective economic stake in Wataniya Mobile Palestine.

Wataniya Mobile Palestine: Achievements

Wataniya Mobile Palestine has continued to thrive and has grown in both stature and strength. The team has worked hard to build upon its public status, strategically partnering with a number of important local businesses, not only to enable the launch of new services, but also to help make a positive contribution to Palestinian society. As a result, 2012 has seen Wataniya improve the capacity of its network, expand its service offering, and secure a reputation for being a responsible member of the community it serves.

During 2012, Wataniya successfully invigorated and expanded its network provision and services through a range of exciting new initiatives. Firstly, the company increased its core network hardware to improve reliability, while also upgrading the software supporting all of its network nodes. Secondly, a wholesale network security project was undertaken, which has not only improved the resilience of Wataniya Mobile's network but also reduced network operating costs. Customer care has also remained a priority, with the launch of both the Jamme'ha customer loyalty reward program and an innovative E-Recharge channel. Both have served to deepen Wataniya Mobile's connection with its customers.

This connection has been further strengthened througha variety of newly launched community initiatives. These contributions include partnerships with the Bank of Palestine to support university education in Palestine and a host of projects to support local sports, particularly for young people. As a result of its support of more than 10 major cultural activities in Palestine, Wataniya Mobile was awarded the title "Sponsor of Culture" for the year 2012.

Wataniya Mobile Palestine: The Year Ahead

2013 will see Wataniya Mobile continue to advance toward its strategic goals. The company will seek new, exciting opportunities to raise the level and diversity of the services, ensuring they are closely linked to customer needs, emerging technologies and market trends. With a particular opportunity to pursue growth through targeting specific customer segments, Wataniya Mobile will use the year ahead to further deepen its already strong bond with all sections of Palestinian society.

Fayez Husseini, CEO, Wataniya Mobile Palestine

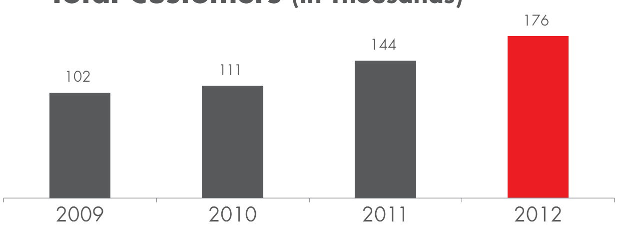
"In what has been a truly landmark year for Wataniya, we have taken great steps forward to enhance our financial and operational performance without compromising on our important commitment to the community we serve. As a more recent member of the Wataniya Mobile Team, I am immensely excited by the prospects for our business, and look forward to rolling out new innovations andtechnologies that will help consolidate our market position throughout Palestine."

Wataniya in The Maldives

From small beginnings in 2005, Wataniya is today able to offer mobile and data services to over 97 percent of the population of the Maldives. Supporting a vibrant economy centred on tourism, Wataniya provides a range of mobile services to the Maldives's many international visitors 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.

Maldives	2012
Population[1]	0.331m
Mobile Penetration[2]	133%
Market Share[2]	32%

Total Customers (In Thousands)



	2009	2010	2011	2012
Revenue (QARm)	97	117	124	146
EBITDA (QARm)	5	15	22	34
EBITDA%	6%	13%	17%	23%
Blended ARPU[3]	52.0	55.4	42.9	45.5
Employees	287	309	332	332

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

Notes: (1) IMF, EIU (2) Wireless Intelligence, Ooredoo (3) For the three months ended 31 December

Ownership

Ooredoo has a 92.1 percent stake in Wataniya (NMTC), which holds 100 percent of the operations of Wataniya in the Maldives. This gives Ooredoo a 92.1 percent effective economic stake in Wataniya Maldives.

Wataniya Maldives: Achievements

2012 was a landmark year for Wataniya Maldives, with advances in subscriber growth and market share driven in part by a strong customer response to a Live Unlimited, a comprehensive new service offering. Launched in August, the Live Unlimited portfolio already reaches more than 100,000 local customers – an impressive achievement in such a geographically dispersed nation. Perhaps more important is the fact that customer usage patterns have begun to change, including the creation of and participation in social networks and online communities. This shift will yield potential for Wataniya Maldives in the coming years.

Much of the success of these initiatives has been driven by ongoing investments in the Wataniya Maldives network. In June 2012 an extensive 3G+ network upgrade to HSPA+ was completed to provide enriched network coverage throughout the country. Another major growth catalyst was the company's ongoing commitment to customer experience, as demonstrated by the launch of an online customer care program and a widespread employee-customer training initiative.

Wataniya Maldives: The Year Ahead

Wataniya Maldives has made significant progress this year, deepening its connection with both local and visitor user communities across the country. The company's key aim in 2013 is to build on this momentum by ramping up the scope and scale of its services.

Haroon Shahul Hameed, CEO, Wataniya Maldives

"Wataniya Maldives can look back on a year of fantastic achievement. Our constant drive for customer centricity, innovation and excellence has enabled us to secure strong market share, maintain robust growth and deepened customer loyalty. If we continue to channel our relentless passion and drive into ensuring our customers enjoy the best possible service and care, we are confident of delivering yet more success in the year ahead."

wi-tribe in Pakistan and the Philippines

The wi-tribe group (wi-tribe) is part of Ooredoo's strategy to capture share in the rapidly growing consumer wireless broadband market. Since its establishment in 2007, wi-tribe has moved quickly and decisively to deploy multiple frequency and feature 3G networks in dynamic and diverse markets.

wi-tribe Operations

wi-tribe ended 2012 with the following operations:

Pakistan (through wi-tribe Limited)

Ooredoo has an 86.1 percent stake in wi-tribe Limited, which owns 100 percent in wi-tribe Pakistan. The launch of commercial scale WiFi access trials in the previous year paved the way for wi-tribe to begin extending its reach and maximise its WiMAX network throughout the country. wi-tribe is also partnering with Symantec to offer subscribers access to anti-virus and parental control solutions.

Philippines (through wi-tribe Asia Limited)

Ooredoo has a 100 percent stake in wi-tribe Asia Limited, which owns 40 percent of Liberty Telecom. In the Philippines, wi-tribe has further exploited its WiMAX network. In addition, the company continued a number of LTE trials in cooperation with a handful of leading international telecom equipment vendors. wi-tribe also continued to enjoy strategic partnerships with both Skype and Symantec as part of an on-going plan to deepen its connection with customers.

Asia Mobile Holdings and other Investments

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. Ooredoo 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 Ooredoo and STT for investing in mobile operations in the Asia-Pacific region.

The AMH Portfolio

AMH closed 2012 with investments in the following companies:

StarHub Ltd.

AMH has a 56.55 percent stake in StarHub Ltd. (StarHub), which equates to an Ooredoo effective stake of 14.14 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 an Ooredoo 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 an Ooredoo effective stake of six percent. LTC is the largest telecoms operator in Laos.

Other Investments

Bravo

Ooredoo has a 92.1 percent stake in Wataniya (NMTC), which holds a 100 percent stake in the operations of Bravo. This gives Ooredoo a 92.1 percent effective economic stake in Bravo. Bravo entered 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.

Corporate Social Responsibility

Ooredoo Corporate Social Responsibility Report 2012

For Ooredoo, corporate social responsibility (CSR) is decidedly more than a buzzword. Our goal has always been to enrich lives in the communities we serve, and our desire to do so has always stretched well beyond business as usual. Our commitment to CSR is defined and championed from the very top and inspired on a daily basis by the enduring generosity and imagination of our staff.

The following pages include a representative – though far from exhaustive - snapshot of our latest activities in this area.

Qatar: Ooredoo

Ooredoo Qatar, formerly known as Qtel Qatar, continued its strong tradition of corporate social responsibility centring on the five pillars of its CSR strategy: education, healthcare, environmental issues, social welfare and sport.

2012's most significant project was the Refaq Initiative, which launched in June and saw 70 volunteers contributing to a number of key projects across the country. Ooredoo Qatar invested QAR 2 million to provide sustainable support to renovate up to 50 houses and distribute vouchers for families living in poor conditions.

The Refaq Initiative was supported by local organisations and aimed to build positive community spirit to deliver a better living environment.

Celebrating Islamic culture, Ooredoo Qatar launched the Alkhair (Goodness) Campaign to encourage good deeds and to help others during the Holy Month of Ramadan. The company sent Ramadan Mubarak greetings to everyone in Qatar, hosted a range of community activities, including decorating an illustrated wall at Landmark Mall, and offered its best-ever mobile Internet rates for friends and family to stay in touch. In September, people of all different ages and backgrounds supported the teachings of Prophet Muhammad (PBUH), by writing good words and morals on a special wall at the Landmark Mall.

As a proud Qatari company, Ooredoo Qatar sponsored a wide variety of Qatar National Day activities. The company offered both Hala and Shahry customers 1878 'units' for local calls or local SMS to celebrate the national anniversary, and also sponsored children's entertainment and decorated cars in patriotic colours.

Ooredoo Qatar also supported national pride during the London 2012 Olympics, serving as the Official Sponsor of the Qatar Olympic Committee. To further encourage healthy lifestyles, Ooredoo Qatar also sponsored a variety of events for Qatar National Sports Day and the H.H. The Emir Cup.

For people with special needs, Ooredoo Qatar sponsored the "First Forum for Integration and Enabling People with Special Needs" in March, and became the first private sector company in Qatar to be accredited with the "committed to accessibility" badge by Mada (Qatar Assistive Technology Centre) for its unique website and special discounts and products. In September, Ooredoo Qatar helped to launch the Ministry of State for Interior Affairs' pioneering 992 Emergency Service for people with special needs.

As part of its ongoing community relations and sponsorship programme, the company engaged more than 250 students at the Al Falah Primary Independent School for Girls with a presentation on electronic waste, helping them to understand environmental issues. Reaching out internationally, Ooredoo Qatar helped to raise millions of Riyals for worthy Syrian causes, as part of the "We Are All Sham" campaign in July.

Indonesia: Indosat

Indosat's "Indonesia Sehat" programme continued its work to improve community health – especially among mothers and children – through free services from its Mobile Health Clinic units. To date, over 85,000 underprivileged patients have been treated.

On the education front, the Indosat Training Centre & Conference (ITCC) helped train young primary school teachers ahead of their deployment to remote parts of the country through the Mengajar Foundation. Other key commitments included donating telecommunications equipment to schools in West Sumatra and West Java.

Indosat also hosted the awareness-raising Indonesia Inspiring Youth and Women Award, which celebrates achievers in the fields of information and communication technology, entrepreneurship, art, education and social commitment.

Kuwait: Wataniya

Wataniya Kuwait's dedication to improving lives shone through during the Holy Month of Ramadan when over 500 daily Iftar meals were distributed to those in need, and a CD by Sheikh Fahd Al-Kanderi was funded to help convey the spirit of the Holy Month.

Elsewhere, there were Girgian giveaways at children's hospitals, Ghabgas for the elderly and special needs patients, as well support for fund-raising football tournaments at the Ministry of Foreign Affairs, the Ministry of Defence and Kuwait City's Al Sharhan Industries Company.

Oman: Nawras

For the eighth year running, Nawras' biggest CSR initiative took place during the Holy Month of Ramadan via its annual Goodwill Journey. 2012's altruistic odyssey saw teams of volunteers visit charitable organisations in 13 towns and villages across the Sultanate over a 10-day period, including the Omani Women's Association and the Al Noor Association for the Blind. Donations included sewing machines, computers and educational material.

Sport figured heavily throughout the year, with Nawras teaming up with Kickworldwide (KWW) to promote the industry as a fertile ground for Omani employment, from coaching and refereeing to sport science, law, journalism and photography. Furthermore, brand ambassadors such as Premier League footballer Ali Al Habsi and Omani racing driver Ahmad Al Harthy helped raise awareness of sport's health benefits. Support was also forthcoming for Gulf Divers LLC, an event for the disabled, which was part organised with the Ministry of Sports Affairs.

Other CSR-driven activities included active support for the Muscat Youth Summit, the Sindbad Mobile Library, the Oman Association for Disabled, the Environment Society of Oman and the National Association of Cancer Awareness.

Iraq: Asiacell

Health and wellbeing were major components of Asiacell's 2012 CSR push across Iraq, which included awareness campaigns in Kirkuk, the donation of 100 wheelchairs to hospitals, and an accident prevention and traffic awareness campaign in Baghdad. In another forward-looking move, a series of collaborations with NGOs were established to produce rescue and short code connections to vital support institutions.

Family unity was again to the fore, with a Holy Month of Ramadan campaign to providing impoverished families with food, a mass wedding for 50 couples featuring Asiacell donations, and relief for refugee families in the Qandil and Bareeka areas.

There also was plenty to admire in Asiacell's efforts to bolster Iraq's human capital, including printing books for University of Sulaimani students and equipping computer labs at University of Basrah and Erbil Technical Institute. Further educative efforts entailed workshops for Kurdish women in Sulaymaniyah and a professional training course for journalists in Karbala. Sponsorships were also given to top students at University of Mosul and University of Sulaimani.

Iraq's cultural sector was another beneficiary of Asiacell's support via input to the construction of an ethnographic museum in Khanaqeen, as well as impactful sponsorships for the Erbil International Book Fair, the Sulaimaniyah International Expo, the Erbil International Fair, the Karbala International Fair, and Baghdad's Communication and Technology Fair.

Algeria: Nedjma

Nedjma ramped up the scope of its long-standing partnership with the Algerian Red Crescent in 2012, distributing 35 tonnes of food to people in need throughout Ramadan, encouraging blood donations and visiting sick children in hospitals across the country.

Road safety came under the spotlight at the Nedjma sponsored Algerian Media Rally, which saw media professionals compete in a friendly awareness-raising competition.

Nedjma was also the exclusive sponsor of the first Young Entrepreneurs Competition, which was held under the patronage of the Ministry for Higher Education and Scientific Research.

Tunisia: Tunisiana

2012 saw Tunisiana place a strong focus on inspiring future business-leaders through its Startup Factory. An innovative business incubator, the venture provides facilities, mentorship and range of support services to help talented youngsters translate ideas into action.

Other entrepreneur-supporting activities included the Tunisiana Web Awards, which garnered significant attention to inspire web-based innovation across the country.

The positive impact of sport was also top of the agenda. Stand-out activities included collaborations with the Ministry of Youth and Sports to encourage women and youth to engage in exercise.

Elsewhere, Tunisiana added an artistic flourish through its involvement in the Dream City project, which helped to create a platform for urban-inspired artistic creations, from contextual art to architectural endeavour.

Palestine: Wataniya Palestine

With a CSR plan structured to reach every level of Palestinian society, Wataniya Palestine implemented over 40 distinct activities in 2012.

Stand-out projects included the One People campaign to allow discounted call rates in Gaza during a period of conflict in November 2012 conflict, a back to school donation drive delivering thousands of footballs to underprivileged schools, and a Holy Month of Ramadan effort to provide water and dates to more than 1,000 citizens unable to reach their homes on time for Iftar.

Educational commitments included support for high school students in the Al Jalazoun refugee Camp, Palestine's' 7th Educational Exhibition (PEDEX 2012), and an open day at Birzeit University.

There was plenty should about in the cultural realm too, with Wataniya Palestine standing out for sponsoring more than ten festivals. The feat earned it the official title of 2012 "Sponsor of Culture" title.

Maldives: Wataniya Maldives

In the Maldives, Wataniya sponsored a variety of campaigns to aid the community. Staff visited and made donations to the Kudakudhinge Hiya orphanage in Villingili, provided technical assistance to the Maradhoo community on the Haa Alif Atoll when it was affected by heavy rain, and made donations to flood victims.

Wataniya also signed an agreement with the Women's Wellness Clinic, run by the Indira Gandhi Memorial Hospital, to support their health campaigns on issues such as cervical cancer, breast cancer and nutrition. Wataniya helped the Women's Wellness Clinic create a website, design promotional material, and broadcast public service announcements by radio and SMS.

Pakistan: wi-tribe

wi-tribe won significant plaudits from environmentalists, industry experts and customers alike for a determination to minimise its carbon footprint. Seventy-seven percent of its sites do not run on generators, and diesel power is eschewed for standby during power outages. Overall, carbon emissions have been cut by a remarkable 70 percent since 2011 by using remote radio heads instead of conventional base transceiver stations. What's more, wi-tribe is now a paperless company, and has worked extensively with municipal authorities on tree-planting projects throughout Islamabad.

Education was another notable CSR theme, with continued efforts made to encourage talented students and to bolster local employment opportunities, from encouraging research and development among Pakistani university students to maintaining a strong presence at major job fairs.

Further advancing development in the employment area, wi-tribe was a vocal contributor to a number of global task groups, including representing Pakistan in shaping new international HR standards.

Additionally, key sponsorships included support for the Islamabad Deaf Cricket Association, which was the National Deaf Cricket Tournament champions of 2012.

Qatar Telecom (Qtel) Q.S.C.

Consolidated Financial Statements

For the year ended
31 December 2012

Contents

Independent auditors' audit report 87

Consolidated financial statements

Consolidated Income Statement 89

Consolidated Statement of Comprehensive Income 90

Consolidated Statement of Financial Position 91-92

Consolidated Statement of Cash Flows 93-94

Consolidated Statement of Changes in Equity 95-96

Notes to the Consolidated Financial Statements 97-198

Independent auditors' report to the Shareholders 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 2012, the consolidated income statement, statements of 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.

Directors' 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 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Company's Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Company or its consolidated financial position as at 31 December 2012.

03 March 2013
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors Registration No. 251

Consolidated Income Statement
Year ended 31 December 2012

	Note	2012 QR'000	2011 QR'000
Continuing operations			
Revenue	5	**33,714,211**	31,744,930
Operating expenses	6	**(10,508,714)**	(9,438,073)
Selling, general and administrative expenses	7	**(7,693,933)**	(7,454,363)
Depreciation and amortisation	8	**(7,702,195)**	(6,989,265)
Finance costs – net	9	**(1,920,958)**	(1,900,520)
Impairment of intangibles and available-for-sale investments	14(ii)	**(427,465)**	(221,516)
Gain on previously held interest in an acquired subsidiary	4.2	**-**	1,442,831
Other income/(expenses) – net	10	**525,668**	71,196
Share of results of associates – net of tax	15	**34,621**	(56,879)
Royalties and fees	11	**(327,850)**	(312,238)
Profit before income taxes		**5,693,385**	6,886,103
Income tax	18	**(975,547)**	(910,996)
Profit from continuing operations		**4,717,838**	5,975,107
Discontinued operation			
Loss from discontinued operation – net of tax	39	**(68,169)**	(31,913)
Profit for the year		**4,649,669**	5,943,194
Attributable to:			
Shareholders of the parent		**2,943,714**	2,605,550
Non-controlling interests		**1,705,955**	3,337,644
		4,649,669	5,943,194
Basic and diluted earnings per share (Attributable to shareholders of the parent) (Expressed in QR per share)	12	**9.88**	9.90

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

Consolidated Statement of Comprehensive Income
Year ended 31 December 2012

	Note	2012 QR'000	2011 QR'000
Profit for the year		**4,649,669**	5,943,194
Other comprehensive income			
Net change in fair value of available-for-sale investments	24	**135,013**	285,169
Effective portion of changes in fair value of cash flow hedges	24	**326,528**	343,412
Share of other comprehensive income/(expense) of associates	24	**1,443**	(2,099)
Foreign currency translation differences	24	**(1,343,885)**	(415,069)
Other comprehensive (expense)/income for the year – net of tax		**(880,901)**	211,413
Total comprehensive income for the year		**3,768,768**	6,154,607
Attributable to:			
Shareholders of the parent		**2,526,337**	3,034,048
Non-controlling interests		**1,242,431**	3,120,559
		3,768,768	6,154,607

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

Consolidated Statement of Financial Position
At 31 December 2012

	Note	2012 QR'000	2011 QR'000
Assets			
Non-current assets			
Property, plant and equipment	13	**32,502,573**	33,065,098
Intangible assets and goodwill	14	**34,746,171**	36,741,077
Investment in associates	15	**1,873,384**	1,731,692
Available-for-sale investments	16	**2,633,650**	2,189,939
Other non-current assets	17	**936,991**	910,238
Deferred tax assets	18	**69,455**	286,776
Total non-current assets		**72,762,224**	74,924,820
Current assets			
Inventories	19	**358,767**	342,550
Trade and other receivables	20	**6,095,508**	5,817,075
Bank balances and cash	21	**15,006,026**	21,249,832
Assets held for distribution	39	**6,504**	-
Total current assets		**21,466,805**	27,409,457
Total assets		**94,229,029**	102,334,277
Equity			
Share capital	22	**3,203,200**	1,760,000
Legal reserve	23 (a)	**12,434,282**	6,494,137
Fair value reserve	23 (b)	**1,084,494**	672,843
Translation reserve	23 (c)	**757,096**	1,586,124
Other statutory reserves	23 (d)	**825,245**	706,036
Retained earnings		**9,585,735**	9,836,707
Equity attributable to shareholders of the parent		**27,890,052**	21,055,847
Non-controlling interests		**8,999,618**	18,336,947
Total equity		**36,889,670**	39,392,794

Continued...

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

Consolidated Statement of Financial Position (continued)
At 31 December 2012

	Note	2012 QR'000	2011 QR'000
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	25	**32,018,641**	32,072,648
Employees' benefits	26	**746,503**	801,162
Deferred tax liabilities	18	**1,417,689**	1,637,849
Other non-current liabilities	27	**2,676,470**	1,325,285
Total non-current liabilities		**36,859,303**	35,836,944
Current liabilities			
Interest bearing loans and borrowings	25	**7,307,914**	13,850,738
Trade and other payables	28	**10,971,994**	11,217,810
Deferred income		**1,658,471**	1,610,770
Income tax payable		**505,019**	425,221
Liabilities held for distribution	39	**36,658**	-
Total current liabilities		**20,480,056**	27,104,539
Total liabilities		**57,339,359**	62,941,483
Total Equity And Liabilities		**94,229,029**	102,334,277

....
Abdullah Bin Mohammed Bin Saud Al-Thani
Chairman

....
Ali Shareef Al-Emadi
Deputy Chairman

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

Consolidated Statement of Cash Flows
Year ended 31 December 2012

	Note	2012 QR'000	2011 QR'000
Operating activities			
Net profit before income taxes		**5,693,385**	6,886,103
Net profit – discontinued operation		**(68,169)**	(31,913)
Adjustments for:			
Depreciation and amortisation		**7,784,235**	7,014,704
Dividend income	10	**(84,141)**	(41,798)
Impairment of assets and available-for-sale investments		**427,465**	221,516
Loss/(profit) on disposal of available-for-sale investments	10	**2,068**	(1,568)
Profit on disposal of property, plant and equipment	10	**(468,399)**	(26,520)
Gain on previously held interest in an acquired subsidiary	4.2	**-**	(1,442,831)
Finance costs – net		**1,923,093**	1,902,315
Provision for employees' benefits	26	**117,011**	1,476
Provision for trade receivables	20	**213,088**	247,370
Share of results of associates – net of tax	15	**(34,621)**	56,879
Operating profit before working capital changes		**15,505,015**	14,785,733
Working capital changes:			
Change in inventories		**(5,705)**	(22,248)
Change in trade and other receivables		**(491,012)**	(1,116,431)
Change in trade and other payables		**139,576**	(2,529,477)
Cash from operations		**15,147,874**	11,117,577
Finance costs paid		**(2,379,098)**	(2,315,711)
Employees' benefits paid	26	**(139,100)**	(55,670)
Income tax paid		**(812,858)**	(836,044)
Net cash from operating activities		**11,816,818**	7,910,152
Investing activities			
Acquisition of property, plant and equipment	13	**(7,315,716)**	(6,574,857)
Acquisition of intangible assets	14	**(941,395)**	(302,713)
Net cash outflows from acquisition of a subsidiary	4.1	**(111,932)**	(2,289,568)

Continued...

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

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2012

	Note	**2012 QR'000**	2011 QR'000
Additional investment in associate		**(377)**	-
Acquisition of available-for-sale investments		**(126,768)**	(160,144)
Proceeds from disposal of property, plant and equipment		**852,405**	386,615
Proceeds from disposal of available-for-sale investments		**140,120**	92,288
Movement in restricted deposits		**(10,843)**	(182,907)
Movement in other non-current assets		**(26,753)**	82,649
Dividend received		**84,141**	112,098
Interest received		**503,488**	654,649
Net cash used in investing activities		**(6,953,630)**	(8,181,890)
Financing activities			
Proceeds from right shares issued		**6,855,345**	-
Proceeds from interest bearing loans and borrowings		**9,784,683**	2,645,989
Repayment of interest bearing loans and borrowings		**(16,084,719)**	(3,742,308)
Acquisition of non-controlling interests		**(11,804,684)**	(39,587)
Additions to deferred financing costs	25	**(138,141)**	(24,096)
Fund received from an associate		**-**	70,111
Dividend paid to shareholders of the parent		**(528,000)**	(733,333)
Dividend paid to non-controlling interests		**(738,335)**	(321,881)
Movement in non-controlling interests		**(23,584)**	7,031
Movement in other non-current liabilities		**1,351,185**	(1,872,341)
Net cash used in financing activities		**(11,326,250)**	(4,010,415)
Net decrease in cash and cash equivalents		**(6,463,062)**	(4,282,153)
Effect of exchange rate fluctuations		**213,256**	(224,879)
Cash and cash equivalents at 1 January		**21,050,888**	25,557,920
Cash and cash equivalents at 31 December	21	**14,801,082**	21,050,888

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

Consolidated Statement of Changes in Equity
Year ended 31 December 2012

		Attributable to shareholders of the Parent								
	Note	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 2012		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
Profit for the year		-	-	-	-	-	2,943,714	2,943,714	1,705,955	4,649,669
Other comprehensive income		-	-	411,651	(829,028)	-	-	(417,377)	(463,524)	(880,901)
Total comprehensive income for the year		-	-	411,651	(829,028)	-	2,943,714	2,526,337	1,242,431	3,768,768
Transactions with shareholders of the parent, recognised directly in equity										
Dividend for 2011	29	-	-	-	-	-	(528,000)	(528,000)	-	(528,000)
Bonus shares issued	22	528,000	-	-	-	-	(528,000)	-	-	-
Right shares issued	22	915,200	5,940,145	-	-	-	-	6,855,345	-	6,855,345
Transfer to other statutory reserves		-	-	-	-	119,209	(119,209)	-	-	-
Transactions with non-controlling interest, recognised directly in equity										
Recognition of non-controlling interest's share of net assets	4.1	-	-	-	-	-	-	-	6,974	6,974
Change in non-controlling interests	4.3	-	-	-	-	-	(1,979,869)	(1,979,869)	(9,824,815)	(11,804,684)
Change in non-controlling interest in an associate	4.5	-	-	-	-	-	(1,489)	(1,489)	-	(1,489)
Dividend paid		-	-	-	-	-	-	-	(738,335)	(738,335)
Other movements		-	-	-	-	-	-	-	(23,584)	(23,584)
Transactions with non-owners of the Group										
Transfer to social and sports fund	38	-	-	-	-	-	(38,119)	(38,119)	-	(38,119)
At 31 December 2012		**3,203,200**	**12,434,282**	**1,084,494**	**757,096**	**825,245**	**9,585,735**	**27,890,052**	**8,999,618**	**36,889,670**

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

Continued...

Consolidated Statement of Changes in Equity [continued]

Year ended 31 December 2012

	Note	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
		Attributable to shareholders of the Parent								
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										
Dividend for 2010	29	-	-	-	-	-	(733,333)	(733,333)	-	(733,333)
Bonus shares issued	22	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		-	-	-	-	-	-	-	907,326	907,326
Change in non-controlling interests	4.4	-	-	-	-	-	(33,988)	(33,988)	617	(33,371)
Acquisition of non-controlling interests – share of an associate	4.6	-	-	-	-	-	(208,627)	(208,627)	-	(208,627)
Conversion of non-controlling interests to interest bearing loans and borrowings	4.7	-	-	-	-	-	-	-	(573,537)	(573,537)
Dividend paid		-	-	-	-	-	-	-	(321,881)	(321,881)
Other movements		-	-	-	-	-	-	-	7,031	7,031
Transactions with non-owners of the Group										
Transfer to social and sports fund	38	-	-	-	-	-	(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 41 form part of these consolidated finacial statements.

1. Reporting entity

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 regions. Qatar Holding L.L.C. is the ultimate Parent Company of the Group.

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).

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 3 March 2013.

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 profit or loss are measured at fair value;
- Available-for-sale investments are measured at fair value;
- Derivative financial instruments are measured at fair value; and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value through profit or loss;

The methods used to measure fair values are discussed further in note 34.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All the financial information presented in Qatari Riyals has been 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 recognised in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued)

d) Use of estimates and judgments (continued)

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 recognised in the consolidated financial statements is included in note 36.

3 Significant accounting policies

The consolidated financial statements comprise the financial statements of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries (together referred to as the "Group"). The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, 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.

Certain comparative amounts in the consolidated financial statements have been reclassified to conform with the current year's presentation (see note 40). In addition, the comparative consolidated income statement and statement of cash flow has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 39)

3.1 Basis of consolidation

(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.

Transactions that result in changes in non-controlling interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised in profit or loss but rather in equity. Also, no change in the carrying amounts of assets (including goodwill) or liabilities is recognised as a result of such transactions.

(b) Non controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated financial position, separately from shareholders of the parent. Losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interest of the Group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of non-controlling interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill. Upon loss of control, Group accounts for the investment retained at its proportionate share of net asset value at the date control was lost.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(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.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised 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.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(d) Loss of control

A change in the non-controlling 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) 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 recognised 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.

(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 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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

Name of subsidiary	Country of incorporation	Group effective shareholding percentage 2012	2011
Qtel Investment Holdings S.P.C	Bahrain	**100%**	100%
Qtel International Investments L.L.C.	Qatar	**100%**	100%
Qtel Group L.L.C. (formerly known as "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	Cayman Islands	**100%**	100%
Qtel Gharafa Holdings Limited	Cayman Islands	**100%**	100%
wi-tribe Asia Limited ("WiTA")	Cayman Islands	**100%**	100%
Qatar Telecom (Qtel Asia) Pte. Ltd. ("QA")	Singapore	**100%**	100%
Indonesia Communications Limited ("ICLM")	Mauritius	**100%**	100%
QTEL International Finance Limited	Bermuda	**100%**	100%
Qtel MENA Investcom S.P.C	Bahrain	**100%**	100%
Omani Qatari Telecommunications Company S.A.O.G. ("NAWRAS")	Sultanate of Oman	**55.0%**	55.0%
Starlink W.L.L.	Qatar	**72.5%**	60.0%
National Mobile Telecommunications Company K.S.C. ("Wataniya Telecom")	Kuwait	**92.1%**	52.5%
Wataniya International FZ – L.L.C. ("WTI")	United Arab Emirates	**92.1%**	52.5%
Al-Bahar United Company W.L.L. ("Fono")	Kuwait	**92.1%**	52.5%
Al Wataniya Gulf Telecommunications Holding Company S.P.C ("WIH")	Bahrain	**92.1%**	52.5%
Al-Wataniya International for Intellectual Properties S.P.C	Bahrain	**92.1%**	52.5%
Wataniya Telecom Maldives Pvt Ltd ("WTM")	Maldives	**92.1%**	52.5%
WARF Telecom International Private Limited ("WARF")	Maldives	**59.9%**	34.1%
Wataniya Telecom Algerie S.P.A. ("WTA")	Algeria	**74.4%**	46.3%
Carthage Consortium Ltd.	Malta	**92.1%**	52.5%
Qtel Tunisia Holding Company Ltd.	Malta	**92.1%**	52.5%

Continued...

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Name of subsidiary	Country of incorporation	Group effective shareholding percentage 2012	2011
Tunisiana S.A	Tunisia	**84.1%**	39.4%
Tunisia Network S.A (i)	Tunisia	**41.2%**	19.3%
Public Telecommunication Company Ltd. ("PTC")	Saudi Arabia	**92.1%**	29.2%
Wataniya Palestine Mobile Telecommunications Public Shareholding Company (i)	Palestine	**45.8%**	25.4%
Raywood Inc. ("Raywood")	Cayman Islands	**100.0%**	61.2%
Newood Inc.	Cayman Islands	**100.0%**	-
Midya Telecom Company Limited ("MTCL")	Iraq	**49.0%**	-
Al-Rowad General Services Limited ("AL Rowad")	Iraq	**100.0%**	61.2%
Asiacell Communications PJSC (formerly known as Asiacell Communications L.L.C.) ("Asiacell, Iraq") (ii)	Iraq	**53.9%**	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%
Barzan Holding Company S.P.C.	Bahrain	**100%**	-
Laffan Holding Company S.P.C.	Bahrain	**100%**	-
Zekreet Holding Company S.P.C.	Bahrain	**100%**	-
Philippines Multitech Pte. Ltd.	Singapore	**100%**	-
Bow Arken Pte. Ltd.	Singapore	**100%**	-
PT. Indosat Tbk	Indonesia	**65.0%**	65.0%
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%**	64.9%

(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 Wataniya Palestine Mobile Telecommunications Public Shareholding Company ("WPT") and Tunisiana Network S.A, and accordingly, these companies have been considered as subsidiaries of the Group.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(ii) The Group incorporated Raywood Inc ("Raywood"), a special purpose entity registered in Cayman Islands with 100% (2011: 61.2%) voting interest held by the Group to carry out investment activities in Iraq. Raywood acquired 49% voting interest of Midya Telecom Company Limited ("MTCL") in Iraq. The group has the power to govern the financial and operating policies of MTCL, Iraq by virtue of the shareholders' agreement entered into between Raywood and MTCL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and accordingly MTCL, Iraq is considered as a subsidiary of the Group. In prior years, Asiacell, Iraq was consolidated based on the similar arrangements among Raywood, AL Rowad and Asiacell, Iraq. During the year, the Group acquired additional stake of 23.9% in Asiacell, Iraq increasing its effective holding from 30% to 53.9% (refer note 4.3.3).

(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.

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 IAS, IFRS and IFRIC interpretations effective as of 1 January 2012. The following standards, amendments and interpretations, which became effective 1 January 2012, are relevant to the Group:

Standard/Interpretation	**Content**
IAS 12	Deferred Tax Recovery of Underlying Assets
IFRS 7 (amendment)	Disclosures: Transfer of financial assets issued in May 2011
Improvements to IFRS's (2011)	

a) IAS 12 – Deferred Tax Recovery of Underlying Assets

The amendment to IAS 12 provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The adoption this amendment had no significant impact on the consolidated financial statements.

b) 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 derecognised in their entirety but for which the entity retains continuing involvement. The adoption this amendment had no significant impact on the consolidated financial statements.

c) Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 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.

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 (Effective for annual periods beginning on or after 1 July 2012)	1 July 2012
IAS 19	Employees' benefits	1 January 2013
IAS 28	Investment in associates and joint ventures	1 January 2013
IFRS 7 & IAS 32 (amendment)	Disclosures – offsetting financial assets and financial liabilities Offsetting financial assets and financial liabilities	1 January 2013 1 January 2014
IFRS 9	Financial instruments: classification and measurement	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

3 Significant accounting policies (continued)

3.3 IASB Standards and Interpretations issued not yet effective (continued)

New standards, amendments and interpretations issued but not yet effective
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

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 after 1 July 2012 with an option of early application.

The Group does not expect to have a significant impact on the consolidated financial statements on adoption of this amendments.

b) IAS 19 – Employees' benefits (2011)
IAS 19 (2011) changes the definition of short-term and other long-term employees' benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of the expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The Group expect to have an impact on the consolidated financial statements on adoption of this amendment.

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments;

- Associates held for sale: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations 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. For any retained portion of the investment that has not been classified as held for sale, the entity applies the equity method until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture, 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.

The Group does not expect to have a significant impact on the consolidated financial statements on adoption of this amendments.

c) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)
Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

3 Significant accounting policies (continued)

3.3 IASB Standards and Interpretations issued not yet effective (continued)

d) IAS 28 (2011) – Investment in associates and joint ventures

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group does not expect to have a significant impact on the consolidated financial statements on adoption of this amendments.

e) IFRS 9 - Financial instruments

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Given the nature of the Group's operations, this standard is not expected to have a significant impact on the Group's financial statements.

f) IFRS 10 - Consolidated financial statements and IAS 27 separate financial statements (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. This refers to the current accounting policy of the Group relating to subsidiaries. The standard is effective for annual periods beginning on or after 1 January 2013.

The IASB published Investment Entities (Amendments to IFRS 10 and IFRS 12), which grants certain relief from consolidation to investment entities. It requires qualifying investment entities to account for investment in controlled investees on a fair value basis. The effective date is annual periods beginning on or after 1 January 2014, but early adoption is permitted to enable alignment with the adoption of IFRS 10.

3 Significant accounting policies (continued)

3.3 IASB Standards and Interpretations issued not yet effective (continued)

g) IFRS 11 – Joint arrangements
Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The standard is effective for annual periods beginning on or after 1 January 2013.

The Group is not expecting a significant impact from the adoption of this standard.

h) IFRS 12 - Disclosures of interests in other entities
IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the disclosure requirements for interests in subsidiaries and unconsolidated unstructured entities in comparison with existing disclosures.

i) IFRS 13 - Fair value measurement
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The Group is currently reviewing its methodologies for determining fair values. This refers to the current accounting policy of the Group

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 2012.

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Revenue (continued)

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 programme

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 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.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of service of the network.

The Group is dependent on the licenses that each operating company holds to provide their telecommunications services.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Leases

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 recognised on a straight-line basis over the life of the contract. Rental income from operating leases is recognised 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 recognised 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.

Sale and leaseback transactions – where the Group is the lessee

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved and the economic and commercial substance of the whole arrangement.

(a) Finance leases

Sale and leaseback arrangements that result in the Group retaining the majority of the risks and rewards of ownership of assets are accounted for as finance leases. Any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

(b) Operating leases

Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in the income statement as gain on disposal.

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:

Rental income

Rental income is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Other income (continued)

Dividend income

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

Commission income

When the Group acts in the capacity of an agent rather than as the principal in the transaction, the revenue recognised is the net amount of commission made by the Group.

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 and any adjustment to tax payable in respect of previous years.

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.

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Taxation (continued)

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.

Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgments regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement or comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

Finance income and finance cost

Finance income comprises interest income on funds invested, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Finance income and finance cost (continued)

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

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.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position

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
- Capitalised borrowing costs

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 as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Expenditure

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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 – 40 years
Exchange and networks assets	5 – 25 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 derecognition 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.

Intangible assets and goodwill

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Intangible assets and goodwill (continued)

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.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Intangible assets and goodwill (continued)

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 relationship	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

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

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.

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 trade 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 statement of cash flows, cash and cash equivalents consist of cash on hand, call deposits and demand deposits with original maturity of less than three months.

Trade and other receivable

Trade 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement where there is objective evidence that the asset is impaired. The allowance recognised 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 transaction 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. Dividend 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.

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

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

(i) Non-derivative financial assets (continued)
Derecognition of financial assets (continued)

- 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 trade payables 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.

Trade and other payables
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.

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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. The bonus shares and rights issued during the year are shown as an addition to the share capital. Issue of bonus shares are deducted from the accumulated retained earnings of the Group. Any share premium on rights issue are accounted in compliance with local statutory requirements.

Dividend on ordinary share capital

Dividend distributions to the Group's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividend are approved by the shareholders. Dividend 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 hedge accounting

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 recognised 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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

(iv) Derivative financial instruments and hedge accounting (continued)

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.

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.

(v) 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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

(vi) 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 34.

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.

The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Provisions

Provisions are recognised when the Group has a present legal or constructive 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.

Employees' 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.

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Employees' benefits (continued)

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.

With respect to the Qatari nationals, the Company makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Company's share of contributions to these schemes, which are defined contribution schemes under International Accounting Standard (IAS) – 19 Employees' Benefits are charged to the statement of income in the year to which they relate.

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 recognised 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 currency

Foreign currency transactions

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)

Foreign currency (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.

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.

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

3 Significant accounting policies (continued)

3.4 Summary of significant accounting policies (continued)

Non-financial assets (continued)

Impairment losses recognised 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 recognised 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 amortisation, if no impairment loss had been recognised.

Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Events after the statement of financial position 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.

4. Business combinations and changes in non-controlling interests

Acquisition of subsidiaries in 2012

4.1 Acquisition of Midya Telecom Company Limited ("MTCL")

On 1st January 2012, the Group acquired through Raywood Inc. ("Raywood"), an effective 30% of the voting shares of Midya Telecom Company Limited ("MTCL"), a limited liability company incorporated in Iraq with the licence to provide telecommunication services. The acquisition has been accounted for using the purchase method of accounting. The acquired net assets of MTCL amounts to QR 6,700 thousands based on the carrying amount of net assets of MTCL as at date of acquisition amounting to QR 13,674 thousands. The cost of business combination amounted to QR 121,335 thousands with a resultant goodwill of QR 114,635 thousands. The net cash outflow on acquisition, net of cash acquired with the subsidiary of QR 9,403 thousands, amounted to QR 111,932 thousands.

The goodwill is arrived at based on carrying values of net assets of MTCL, the management believes that these carrying values are not materially different than fair values. The Group is in the process of completing share transfer and other legal formalities in relation with this acquisition.

For the year ended 31 December 2012, MTCL contributed revenue of QR 135,432 thousands and loss of QR 12,755 thousands to the Group's results.

4. Business combinations and changes in non-controlling interests (continued)

Acquisition of subsidiaries in 2012

4.2 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 starting from the date control has been obtained.

Moreover, the Group remeasured its previously held interests in Tunisiana at fair value and recognised a revaluation gain of QR 1,442,831 thousands 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.

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 values 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 fair value of acquired identifiable assets at the date of acquisition	2,831,542	2,068,959	4,900,501

Continued...

4. Business combinations and changes in non-controlling interests (continued)

Acquisition of subsidiaries in 2012

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

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

	Carrying amounts immediately prior to acquisition QR'000	Fair values adjustment QR'000	Fair values at the acquisition date QR'000
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**

(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: fair value of net identifiable assets at date of acquisition	(3,627,895)
Goodwill recognised at 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 with 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)**

4. Business combinations and changes in non-controlling interests (continued)

4.3 Change in non-controlling interests in 2012

	Note	Retained earnings QR'000	Non-controlling interests QR'000	Total equity QR'000
Change in non-controlling interests in				
Public Telecommunication Company Limited	4.3.1	(118,755)	118,755	-
Midya Telecom Company Limited	4.3.2	(4,078)	4,078	-
Asiacell Communication PJSC	4.3.3	(2,634,604)	(1,077,706)	(3,712,310)
Starlink W.L.L.	4.3.4	(4,981)	(1,209)	(6,190)
National Mobile Telecommunications Co. K.S.C.	4.3.5	1,612,054	(8,372,773)	(6,760,719)
Tunisiana S.A	4.3.6	(819,820)	(491,121)	(1,310,941)
Wataniya Palestine Mobile Telecommunication Limited P.S.C. ("WPT")		(9,685)	(4,839)	(14,524)
Refer to consolidated statement of changes in equity		**(1,979,869)**	**(9,824,815)**	**(11,804,684)**

4.3.1 Change in non-controlling interest of Public Telecommunication Company Limited ("PTC")

In March 2012, the Group acquired the remaining 44.39% stake in PTC for a nominal consideration of QR 1 thereby increasing its ownership from 55.61% to 100%. The carrying amount of PTC's net assets on the date of acquisition was QR 226,200 thousands. As a result of this change in ownership interest, the Group recognised an increase in non-controlling interests and a decrease in retained earnings of QR 118,755 thousands respectively.

4.3.2 Change in non-controlling interest of MTCL

In June 2012, the Group acquired the remaining shares in Raywood and as a result, Raywood has become a 100% subsidiary and the Group's effective interest in MTCL has increased from 30% to 49%. As a result of this change in ownership interest, the Group has recognised a decrease of QR 4,078 thousands in retained earnings. The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 19.0% interest	47,048
Less: Receivables from acquiree	(47,048)
Net cash outflow for additional 19.0% interest	-
Less: share of net assets acquired	(4,078)
Additional interest in carrying value of net assets in excess of consideration paid	**(4,078)**

4. Business combinations and changes in non-controlling interests (continued)

4.3 Change in non-controlling interests in 2012 (continued)

4.3.3 Change in non-controlling interest of Raywood, Al-Rowad General Services Limited and Asiacell

In June 2012, the Group acquired remaining shares in Raywood and as a result, Raywood has become 100% subsidiary. Further, the Group acquired additional interest in Asiacell through its subsidiary, Al-Rowad General Services Limited, with this, the Group's effective interest has increased from 30% to 53.9%. The carrying amount of Asiacell's net assets in the Group's financial statements on the date of change in ownership interest was QR 4,509,640 thousands. As a result of this change in ownership interest, the Group recognised a decrease in non-controlling interest amounting to QR 1,077,706 thousands and a decrease in retained earnings amounting to QR 2,634,604 thousands.

The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 23.9% interest	3,936,043
Less: receivable from acquired additional interest	(223,733)
Net cash outflow for additional 23.9% interest	3,712,310
Less: share of net assets acquired	(1,077,706)
Consideration paid in excess of additional interest in carrying value of net assets	**2,634,604**

The Group is in the process of completing share transfer and other legal formalities in relation with additional shares acquired.

4.3.4 Change in non-controlling interest of Starlink W.L.L

In July 2012, the Group acquired additional shares in Starlink W.L.L, with this, the Group's effective interest has increased from 60% to 72.5%. The carrying amount of Starlink's net assets in the Group's financial statements on the date of change in ownership interest was QR 9,670 thousands. As a result of this change in ownership interest, the Group recognised a decrease in non-controlling interest amounting to QR 1,209 thousands and a decrease in retained earnings amounting to QR 4,981 thousands.

The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 12.5% interest	6,190
Less: share of net assets acquired	(1,209)
Consideration paid in excess of additional interest in carrying value of net assets	**4,981**

4. Business combinations and changes in non-controlling interests (continued)

4.3 Change in non-controlling interests in 2012 (continued)

4.3.5 Change in non-controlling interest of National Mobile Telecommunications Company K.S.C. ("NMTC" or "Wataniya")

In October 2012, the Group increased its shareholding interest in NMTC from 52.5% to 92.1%. The carrying amount of NMTC's net assets in the Group's financial statements on the date of change in ownership interest was QR 21,137,762 thousands. As a result of this change in ownership interest, the Group recognised a decrease in non-controlling interest amounting to QR 8,372,773 thousands and an increase in retained earnings amounting to QR 1,612,054 thousands. The Group also incurred incremental costs amounting to QR 30,210 thousands directly attributable to this transaction which is accounted as deduction from equity. The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 39.6% interest	6,730,509
Add: directly attributable transaction costs	30,210
Net cash out flow for additional 39.6% interest	6,760,719
Less: share of net assets acquired	(8,372,773)
Additional interest in carrying value of net assets in excess of consideration paid	**(1,612,054)**

4.3.6 Change in non-controlling interest of Tunisiana S.A. (formerly known as Orascom Telecom Tunisie S.A.) ("Tunisiana")

On 31 December 2012 the Group acquired an additional 15% stake in Tunisiana S.A., as a result, the Group increased its total holding in Tunisiana S.A. to 90%. A cash consideration of QR 1,310,941 thousands was paid to the non-controlling interests of Tunisiana S.A. The carrying value of the share of net assets immediately prior to the additional acquisition of Tunisiana S.A. was QR 3,274,142 thousands. The excess of the cash consideration over the carrying values of net assets acquired amounting to QR 819,820 thousands has been recognised in the consolidated statement of changes in equity under retained earnings. The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 15% interest	1,310,941
Less: share of net assets acquired	(491,121)
Consideration paid in excess of additional interest in carrying value of net assets	**819,820**

4. Business combinations and changes in non-controlling interests (continued)

4.4 Change in non-controlling interests in 2011

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.

4.5 Change in non-controlling interest in a subsidiary of an associate in 2012

This represents the change 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.

4.6 Acquisition of additional interest in a subsidiary of an associate in 2011

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.

4.7 Conversion of non-controlling interests to interest bearing loans and borrowings in 2011

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 capitalisation 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 25).

5 Revenue

	Note	2012 QR'000	2011 QR'000
Revenue from rendering of services		**33,073,107**	31,183,749
Sale of telecommunications equipment		**433,480**	338,689
Revenue from use of assets by others		**205,846**	195,226
Network construction revenue	14(iii)	**1,778**	27,266
		33,714,211	31,744,930

6 Operating expenses

	Note	2012 QR'000	2011 QR'000
Outpayments and interconnect charges		**3,616,244**	3,216,695
Regulatory and related fees		**2,259,741**	1,989,403
Rentals and utilities – network		**1,199,750**	1,283,864
Network operation and maintenance		**1,782,094**	1,673,715
Cost of equipment sold and other services		**1,639,828**	1,223,778
Network construction costs	14(iii)	**1,778**	27,266
Provision for obsolete and slow moving inventories	19	**9,279**	23,352
		10,508,714	9,438,073

7 Selling, general and administrative expenses

	Note	2012 QR'000	2011 QR'000
Employee salaries and associated costs		**3,216,326**	3,155,651
Marketing costs and sponsorship		**1,177,843**	1,157,005
Legal and professional fees		**341,908**	333,241
Commission on cards		**1,178,096**	1,166,862
Allowance for impairment of trade receivables	20	**213,088**	247,370
Rental and utilities – non-network		**444,856**	365,821
Repairs and maintenance		**99,508**	143,653
Other expenses		**1,022,308**	884,760
		7,693,933	7,454,363

8 Depreciation and amortisation

	2012 QR'000	2011 QR'000
Depreciation of property, plant and equipment	**5,935,361**	5,206,850
Amortisation of intangible assets	**1,766,834**	1,782,415
	7,702,195	6,989,265

9 Finance costs – net

	Note	2012 QR'000	2011 QR'000
Finance cost			
Interest expenses		**2,206,908**	2,391,945
Profit element of islamic financing obligation		**54,154**	-
Amortisation of deferred financing costs	25	**155,764**	150,761
Other finance charges		**7,338**	13,147
Ineffective portion of cash flow hedges transferred	24	**282**	(684)
		2,424,446	2,555,169
Finance income			
Interest income		**(503,488)**	(654,649)
Finance costs – net		**1,920,958**	1,900,520

10 Other income/(expenses) – net

	2012 QR'000	2011 QR'000
Loss on foreign currency exchange – net	**(369,789)**	(72,636)
(Loss)/profit on disposal of available-for-sale investments	**(2,068)**	1,568
Profit on disposal of property, plant and equipment (refer note below)	**468,399**	26,520
Dividend income	**84,141**	41,798
Rental income from building	**17,828**	16,620
Change in fair value of derivatives – net	**(2,332)**	23,295
Miscellaneous income	**329,489**	34,031
	525,668	71,196

10 Other income/(expenses) – net (continued)

In August 2012, one of the Group's subsidiaries PT Indosat TBK ("Indosat") completed an Asset Sale Agreement with PT Tower Bersama Infrastructure TBK and its subsidiary, PT Solusi Menara Bersama (collectively referred to as "Tower Bersama"), whereby Indosat sold 2,500 of its telecommunication towers and other related assets to Tower Bersama for a total consideration of QR 1,972.6 million (USD 541.7 million) consisting of QR 1,188.2 million (USD 326.3 million) cash consideration and a maximum potential deferred payment of QR 409.7 million (USD 112.5 million). The upfront payment includes 5% of PT Tower Bersama Infrastructure TBK's shares amounting to QR 374.7 million (USD 102.9 million) which has been accounted as available for-sale-investments at fair value in these consolidated financial statements.

Based on the agreement, Indosat also agreed to lease back 2,500 slots in each of the 2,500 telecommunication towers for 10 years period with fixed monthly lease rate of QR 11.8 million (USD 3.25 million) a month.

The management of Indosat has assessed the terms and conditions of the agreement between Indosat and Tower Bersama, in light of the criteria given under "IAS 17: Leases" and concluded that the majority of the risks and rewards of ownership associated with the leased towers' slots has been retained by Indosat. Accordingly, the 2,500 towers' slots sold and leased back have been accounted as finance lease. As a result, an overall gain of QR 430.0 million has been recognised upfront on sale of tower (included under-profit on disposal of property, plant and equipment in note 10 above) and as at 31 December 2012, an amount of QR 510.0 million has been deferred and will be amortised over the lease term of 10 years.

Further, as a result of this arrangement, assets under finance lease and finance lease obligations are recognised amounting to QR 827.9 million and QR 818.7 million respectively. Indosat management, due to complexities involved on the whole transaction, is in the process of seeking approval on the accounting from the Securities and Exchange Commission of the United States of America ("SEC"). Indosat has already submitted a pre-clearance letter to SEC and awaits the final judgment from SEC on appropriate accounting treatment to be adopted for tower transaction.

11 Royalties and fees

	Note	**2012 QR'000**	2011 QR'000
Royalty to the Government of Sultanate of Oman	(i)	**125,119**	119,904
Industry fees	(ii)	**159,354**	149,921
Other statutory fees	(iii)	**43,377**	42,413
		327,850	312,238

(i) 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.

(ii) The Group has provided for a 12.5% industry fee of adjusted net profit from the Group's operation in Qatar in accordance with the terms of the mobile and fixed license and is payable to ictQatar, the Telecom Regulator in Qatar.

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

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.

	2012			2011		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
Profit (loss) for the year attributable to shareholders of the parent (QR'000)	**3,002,435**	**(58,721)**	**2,943,714**	2,633,040	(27,490)	2,605,550
Weighted average number of shares (in thousands)	**297,815**	**-**	**297,815**	263,120	-	263,120
Basic and diluted earnings per share (QR)	**10.08**	**-**	**9.88**	10.01	-	9.90

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

	2012 No of shares '000	2011 No of shares '000
Qualifying shares at 1 January	**176,000**	176,000
Effect of bonus share issue	**52,800**	52,800
Effect of right issue	**69,015**	34,320
Weighted average number of shares	**297,815**	263,120

During the year, the Group issued bonus shares and had rights issue of shares. Accordingly, the previously reported earnings per share have been restated. If the effect of the bonus shares and rights issue during the year was not considered on the earnings per share of the previous year, the basic earnings per share for the year ended 31 December 2011 would have been QR 14.80 per share.

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 2011	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 4.2)	-	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
Acquisition of subsidiary (note 4.1)	7,053	126,761	4,957	-	138,771
Additions	1,424,707	1,070,182	81,337	4,739,490	7,315,716
Transfers	452,949	3,552,310	344,362	(4,349,621)	-
Disposals	(963,858)	(653,226)	(47,498)	(2,071)	(1,666,653)
Reclassification	3,391	415,883	27,659	(429,631)	17,302
Related to discontinued operation	(1,617)	(60,305)	(39,147)	-	(101,069)
Exchange adjustment	(345,464)	(1,751,641)	(144,295)	(108,009)	(2,349,409)
At 31 December 2012	**7,532,749**	**46,669,440**	**4,886,108**	**4,003,317**	**63,091,614**

Continued...

13 Property, plant and equipment (continued)

	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
Accumulated depreciation and impairment losses					
At 1 January 2011	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 4.2)	-	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
Acquisition of subsidiary (note 4.1)	410	25,251	1,112	-	26,773
Provided during the year	494,044	4,979,671	513,058	-	5,986,773
Impairment losses	-	102,144	-	-	102,144
Relating to disposals	(378,871)	(491,591)	(44,552)	-	(915,014)
Reclassification	240	28,722	(29,413)	-	(451)
Related to discontinued operation	(1,571)	(60,305)	(38,680)	-	(100,556)
Exchange adjustment	(163,096)	(902,935)	(116,455)	-	(1,182,486)
At 31 December 2012	**2,962,191**	**23,926,687**	**3,700,163**	**-**	**30,589,041**
Carrying value					
At 31 December 2012	**4,570,558**	**22,742,753**	**1,185,945**	**4,003,317**	**32,502,573**
At 31 December 2011	3,944,553	23,723,746	1,243,640	4,153,159	33,065,098

(I) Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR nil (2011: QR 1,178 thousands).

(II) As at 1 January 2012, one of its subsidiaries, PT Indosat TBK, reassessed the useful life of its tower and fencing assets from 15 years to 25 years and 10 years, respectively, its buildings from 20 years to 40 years, and its fixed wireless access technical equipment from 10 years to 7 years. In addition, following proposals to upgrade its network in order to fully utilise its 900 MHz frequency channel for 3G services, as at 1 September 2012, Indosat reassessed the useful life of its cellular technical equipment from 10 years to 8 years. This change has been treated as change in estimate and resultant increase in depreciation expense by QR 516,266 thousands has been prospectively accounted in the current year in these consolidated financial statements.

14 Intangible assets and goodwill

	Goodwill QR'000	License costs 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 2011	10,869,747	23,927,888	929,917	3,592,923	734,888	318,674	40,374,037
Derecognition of a joint venture	(1,594,697)	(1,444,425)	(103,016)	(103,016)	-	(2,157)	(3,247,311)
Acquisition of a subsidiary (note 4.2)	4,055,190	2,444,900	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	(212,125)	(82,759)	(12,709)	(22,613)	(438)	(33,423)	(364,067)
At 31 December 2011	13,118,115	24,825,158	970,340	3,672,340	794,415	1,894,820	45,275,188
Acquisition of subsidiary (note 4.1)	114,635	25,882	-	-	-	407	140,924
Additions	-	485,854	-	-	1,775	453,766	941,395
Disposals	-	-	-	-	(1,052)	(1,335)	(2,387)
Reclassification	-	-	-	-	-	(17,302)	(17,302)
Related to discontinued operation	-	(37,450)	-	-	-	(12,433)	(49,883)
Exchange adjustment	(503,550)	(440,845)	(54,114)	(173,085)	(2,546)	(37,622)	(1,211,762)
At 31 December 2012	**12,729,200**	**24,858,599**	**916,226**	**3,499,255**	**792,592**	**2,280,301**	**45,076,173**

Continued...

14 Intangible assets and goodwill (continued)

	Goodwill QR'000	License costs 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
Accumulated amortisation and impairment losses							
At 1 January 2011	449,119	4,643,797	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 4.2)	-	-	-	-	-	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	(54,486)	(120,688)	(10,501)	(6,111)	(682)	(31,307)	(223,775)
At 31 December 2011	394,633	4,985,193	815,862	948,980	320,587	1,068,856	8,534,111
Acquisition of subsidiary (note 4.1)	-	7,042	-	-	-	18	7,060
Amortisation during the year	-	1,130,685	70,626	293,278	81,193	221,680	1,797,462
Impairment losses	25,536	23,383	-	-	234,057	-	282,976
Relating to disposals	-	-	-	-	(565)	(1,429)	(1,994)
Reclassification	-	-	-	-	-	451	451
Related to discontinued operation	-	(37,450)	-	-	-	(12,433)	(49,883)
Exchange adjustment	(23,590)	(105,038)	(48,797)	(33,239)	(1,013)	(28,504)	(240,181)
At 31 December 2012	**396,579**	**6,003,815**	**837,691**	**1,209,019**	**634,259**	**1,248,639**	**10,330,002**
Carrying value							
At 31 December 2012	**12,332,621**	**18,854,784**	**78,535**	**2,290,236**	**158,333**	**1,031,662**	**34,746,171**
At 31 December 2011	12,723,482	19,839,965	154,478	2,723,360	473,828	825,964	36,741,077

14 Intangible assets and goodwill (continued)

i. 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 2012 QR'000	Carrying value 2011 QR'000
Wataniya, Kuwait	**608,241**	616,229
Wataniya, Algeria	**2,290,297**	2,320,382
Tunisiana S.A., Tunisia	**4,393,212**	4,533,185
Indosat, Indonesia	**4,528,065**	4,828,671
Asiacell, Iraq	**353,408**	353,408
Others	**159,398**	71,607
	12,332,621	12,723,482

Goodwill was tested for impairment as at 31 December 2012. The recoverable amount of the CGUs was determined based on value in use calculated using cash flows projections by the management covering a period of ten years.

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.

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.

14 Intangible assets and goodwill (continued)

i. Impairment testing of goodwill (continued)

	(Expressed in percentage)			
	Discount rate		Terminal value growth rate	
Cash generating units	2012	2011	2012	2011
Wataniya, Kuwait	**9.5%**	10.3%	**2.75%**	2.75%
Wataniya, Algeria	**10.6%**	10.4%	**2.75%**	2.75%
Tunisiana S.A., Tunisia	**10.6%**	10.0%	**2.75%**	2.75%
Indosat, Indonesia	**12.0%**	12.1%	**2.75%**	2.75%
Asiacell, Iraq	**15.8%**	14.9%	**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:

	2012 QR'000	2011 QR'000
Wataniya, Kuwait	**11.4%**	5.2%
Wataniya, Algeria	**14.6%**	6.4%
Tunisiana S.A., Tunisia	**2.1%**	2.7%
Indosat, Indonesia	**1.9%**	3.4%
Asiacell, Iraq	**18.9%**	70.6%

ii. Impairment of assets and available-for-sale investments

	Note	2012 QR'000	2011 QR'000
Impairment of available-for-sale investments	16	**42,345**	25,396
Impairment of assets		**385,120**	196,120
		427,465	221,516

iii. Concessions intangible assets (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.

14 Intangible assets and goodwill (continued)

iii. Concessions intangible assets (Build-operate-transfer agreement) (continued)

The assets under BOT agreement are shown separately as "Concession intangible assets". 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.

15 Investment in associates

The Group has the following investment in associates

Associate companies	Principal activity	Note	Country of incorporation	Effective ownership 2012	2011
Navlink, Inc.,	Managed Service Provider delivering technology solutions in the enterprise data market	(i)	United State of America	**38%**	38%
Asia Mobile Holdings Pte Ltd ("AMH")	Holding company	(ii)	Singapore	**25%**	25%
PT Multi Media Asia Indonesia	Satellite based telecommunication services	(iii)	Indonesia	**17%**	17%
Liberty Telecoms Holdings Inc. ("LTHI")	Telecommunication services	(iv)	Philippines	**40%**	40%
MEEZA QSTP LLC	Information technology services	(v)	Qatar	**20%**	20%
PT Citra Bakti, Indonesia	Product certification and testing	(vi)	Indonesia	**9%**	-

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

(iv) 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.

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

(vi) PT Citra Bakti, Indonesia was acquired through PT Indosat Tbk in 2012.

15 Investment in associates (continued)

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

	2012 QR'000	2011 QR'000
Group's share of associates' statement of financial position:		
Current assets	**920,834**	537,805
Non-current assets	**2,495,777**	2,637,529
Current liabilities	**(905,549)**	(810,960)
Non-current liabilities	**(1,970,060)**	(1,859,649)
Net assets	**541,002**	504,725
Goodwill	**1,332,382**	1,226,967
Carrying amount of the investment	**1,873,384**	1,731,692
Group's share of associates' revenues and results:		
Revenues	**1,861,675**	1,740,445
Results – net of tax	**34,621**	(56,879)

In the year management has performed impairment test and based on the currently available information, there is no evidence of impairment in the value of investment in associates.

16 Available-for-sale investments

	2012 QR'000	2011 QR'000
Quoted equity investments	**1,057,084**	561,993
Unquoted equity investments	**637,494**	692,161
Unquoted debt securities	**126,717**	119,612
Investments in funds	**812,355**	816,173
	2,633,650	2,189,939

At 31 December 2012, certain unquoted equity investments amounting to QR 146,426 thousands (2011: QR 173,596 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 42,345 thousands (2011: QR 25,396 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.

During the year, one of the subsidiaries of the Group PT Indosat TBK received part of the consideration in connection with the tower deal transactions in the form of quoted equity investment (refer note 10).

17 Other non-current assets

	Note	2012 QR'000	2011 QR'000
Prepaid rentals	(i)	**284,405**	307,748
Long-term advances	(ii)	**418,376**	363,058
Long-term loans	(iii)	**149,956**	140,341
Others	(iv)	**84,254**	99,091
		936,991	910,238

(i) Prepaid rentals represent the long-term portion of prepaid rentals on sites and GSM towers of one of the Group's subsidiaries PT Indosat TBK and is expensed over the period of right to use.

(ii) Long-term advances represent 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%. The loans are secured against pledge of shares of the invested telecommunication companies.

(iv) Others includes an amount of QR 35,548 thousands (2011: QR 41,435 thousands) relating to long-term portion of prepaid pension costs (note 26).

18 Income tax

The income tax represents amounts recognised by subsidiary companies. The major components of the income tax expense for the years 2012 and 2011 are:

	2012 QR'000	2011 QR'000
Current income tax:		
Current income tax charge	**849,904**	800,856
Adjustments in respect of previous years' income tax	**42,752**	(1,042)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**82,891**	111,182
Income tax included in the consolidated income statement	**975,547**	910,996

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% (2011: 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.

18 Income tax (continued)

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:

	2012 QR'000	2011 QR'000
Accounting consolidated profit before tax	**5,693,385**	6,886,103
The Company and its subsidiaries that are not subject to corporate income tax	**(1,444,810)**	(2,584,660)
Accounting profit of subsidiaries and associates that are subject to corporate income tax	**4,248,575**	4,301,443
Add:		
Allowances, accruals and other temporary differences	**(71,326)**	61,027
Expenses and income that are not subject to corporate tax	**162,320**	62,569
Deduct:		
Depreciation – net	**517,243**	(414,442)
Unutilised tax losses brought forward	**(601,855)**	(274,422)
Taxable profit of subsidiaries and associates that are subject to corporate income tax	**4,254,957**	3,736,175
Current income tax charge at the effective income tax rate of 20% (2011: 21%)	**849,904**	800,856

18 Income Tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2012 QR'000	2011 QR'000	**2012 QR'000**	2011 QR'000
Accelerated depreciation for tax purposes	**(778,052)**	(1,009,389)	**270,405**	(98,081)
Losses available to offset against future taxable income	**85,798**	392,041	**(254,491)**	(73,204)
Allowances, accruals and other temporary differences	**46,078**	59,139	**24,244**	14,392
Deferred tax origination on purchase price allocation	**(702,058)**	(792,864)	**42,733**	5,711
Deferred tax expense	**-**	-	**82,891**	(111,182)
Deferred tax liability – net	**(1,348,234)**	(1,351,073)		

Reflected in the consolidated statement of financial position as follows:

	2012 QR'000	2011 QR'000
Deferred tax asset	**69,455**	286,776
Deferred tax liability	**(1,417,689)**	(1,637,849)
	(1,348,234)	(1,351,073)

Reconciliation of deferred tax liability – net

	2012 QR'000	2011 QR'000
At 1 January	**1,351,073**	1,273,789
Derecognition of joint venture	**-**	23,128
Acquisition of subsidiaries (note 4.2)	**-**	(46,255)
Tax expense during the year	**82,891**	111,182
Tax on other comprehensive income	**37,305**	1,911
Exchange adjustment	**(123,035)**	(12,682)
At 31 December	**1,348,234**	1,351,073

18 Income tax (continued)

Reconciliation of income tax liability

	2012 QR'000	2011 QR'000
At 1 January	**425,221**	461,451
Current income tax charge	**849,904**	800,856
Adjustments in respect of previous years' income tax	**42,752**	(1,042)
Tax paid during the year	**(812,858)**	(836,044)
At 31 December	**505,019**	425,221

Unrecognised deferred tax assets

At 31 December 2012, deferred tax assets of QR 111,920 thousands (2011: QR 32,774 thousands) for temporary differences of QR 346,147 thousands (2011: QR 143,195 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.

During the year, management of one of the subsidiary, wi-tribe Pakistan Limited (the "wi-tribe Pakistan") has reassessed the recoverability of the wi-tribe Pakistan's deferred tax asset along with the envisaged time frame in which the deductible timing difference are expected to be adjusted against future taxable profits.

On the basis of its reassessment, management of the wi-tribe Pakistan believes that expected time lines for the adjustment of deductible taxable differences have been delayed than envisaged earlier. Taking cognisance of this increased uncertainty deferred tax asset already recognised up to 31 December 2011 of QR 86.1 million has been reversed and charged to profit and loss account as a tax expense.

19 Inventories

	2012 QR'000	2011 QR'000
Subscribers' equipment	**190,093**	203,280
Other equipment	**144,057**	141,033
Cables and transmission equipment	**66,786**	43,936
	400,936	388,249
Less: Provision for obsolete and slow moving inventories	**(42,169)**	(45,699)
	358,767	342,550

Inventories consumed are recognised as expense during the year and included as a part of cost of equipment sold and other services under operating expenses, amounting to QR 1,150,220 thousands (2011: QR 690,769 thousands). Movement in the provision for obsolete and slow moving inventories is as follows:

	Note	2012 QR'000	2011 QR'000
At 1 January		**45,699**	34,578
Derecognition of joint venture		**-**	(32)
Acquisition of subsidiary		**-**	64
Provided during the year	6	**9,279**	23,352
Amounts written off		**(12,343)**	(12,307)
Exchange adjustment		**(466)**	44
At 31 December		**42,169**	45,699

20 Trade and other receivables

	Note	**2012 QR'000**	2011 QR'000
Trade receivables – net of impairment allowances		**2,932,428**	2,466,164
Other receivables and prepayments		**2,594,765**	2,637,416
Unbilled subscriber revenue		**317,984**	346,890
Amounts due from international carriers		**223,386**	301,766
Positive fair value of derivatives contracts	30	**26,397**	63,991
Net prepaid pension costs	26	**548**	848
		6,095,508	5,817,075

At 31 December, trade receivables amounting to QR 1,007,404 thousands (2011: QR 893,416 thousands) were impaired and fully provided for.

Movement in the allowance for impairment of trade receivables is as follows:

	Note	**2012 QR'000**	2011 QR'000
At 1 January		**893,416**	783,646
Derecognition of joint venture		**-**	(14,419)
Acquisition of subsidiary		**-**	28,839
Charge for the year	7	**213,088**	247,370
Amounts written off		**(75,711)**	(116,455)
Amount recovered		**(3,117)**	(30,881)
Related to discontinued operation		**(1,052)**	-
Exchange adjustment		**(19,220)**	(4,684)
At 31 December		**1,007,404**	893,416

20 Trade and other receivables (continued)

At 31 December 2012, the ageing of unimpaired trade receivables is as follows:

			Past due not impaired			
	Total QR'000	Neither past due nor impaired QR'000	<30 days QR'000	30-60 days QR'000	60-90 days QR'000	> 90 days QR'000
2012	**2,932,428**	**1,228,234**	**354,549**	**233,322**	**157,636**	**958,687**
2011	2,466,164	619,672	385,081	446,844	278,190	736,377

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.

21 Cash and cash equivalents

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

	Note	**2012 QR'000**	2011 QR'000
Bank balances and cash	(i)	**15,006,026**	21,249,832
Less:			
Restricted deposits		**(209,787)**	(198,944)
Cash and cash equivalents of continuing operation		**14,796,239**	21,050,888
Cash and cash equivalents of discontinued operation	39	**4,843**	-
Cash and cash equivalents as per consolidated statement of cash flows at 31 December		**14,801,082**	21,050,888

(i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 4,648,116 thousands (2011: QR 13,860,975 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 0.50% to 9.50% (2011: 0.35% to 9.75%).

22 Share Capital

	2012 No. of shares (000)	2012 QR'000	2011 No. of shares (000)	2011 QR'000
Authorised				
Ordinary shares of QR 10 each				
At 1 January	**200,000**	**2,000,000**	200,000	2,000,000
Increase in authorised share capital	**300,000**	**3,000,000**	-	-
At 31 December 2012	**500,000**	**5,000,000**	200,000	2,000,000
Issued and fully paid up				
Ordinary shares of QR 10 each				
At 1 January	**176,000**	**1,760,000**	146,667	1,466,667
Bonus shares issued	**52,800**	**528,000**	29,333	293,333
Right shares issued	**91,520**	**915,200**	-	-
At 31 December 2012	**320,320**	**3,203,200**	176,000	1,760,000

Authorised share capital
The shareholders resolved at the Annual General Meeting held on 25 March 2012 to increase the authorised share capital by QR 3,000,000 thousands by the creation of 300,000,000 ordinary shares of QR 10 each.

Bonus shares
The Group issued 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).

Right shares
Subsequent to the Annual General Meeting, the Board of Directors of the Company called for a rights issue of 91,520 thousand shares in the ratio of two shares for every five shares held. The shares were offered at a premium of QR 65 per share on 13 May 2012 and the allotment was made on 24 June 2012. The share premium arising out of the rights issue, net of rights issue expenses amounting to QR 5,940,145 thousands is included in the legal reserve as required by Article 154 of Qatar Commercial Companies Law No: 5 of 2002.

23 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 the year 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. During the year, an amount of QR 5,940,145 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.

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.

	2012 QR'000	2011 QR'000
Fair value reserve of available for sale investments	**1,077,551**	992,636
Cash flow hedge reserve	**6,943**	(319,793)
	1,084,494	672,843

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 Group'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.

24 Components of other comprehensive income

	Note	2012 QR'000	2011 QR'000
Available-for-sale investments:			
Net change in fair value of available-for-sale financial assets		**165,890**	261,341
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**2,068**	(1,568)
Impairment loss transferred to profit or loss		**3,745**	25,396
Deferred tax effect		**(36,690)**	-
		135,013	285,169
Cash flow hedges:			
Effective portion of changes in fair value of cash flow hedges		**326,620**	345,951
Deferred tax effect		**(374)**	(1,855)
Ineffective portion of cash flow hedges transferred to income statement	9	**282**	(684)
		326,528	343,412
Associates:			
Share of changes in fair value of cash flow hedges		**1,443**	(2,099)
Translation reserves:			
Foreign currency translation differences – foreign operations		**(1,449,531)**	(403,289)
Foreign currency translation differences – associates		**105,887**	(11,724)
Deferred tax effect		**(241)**	(56)
		(1,343,885)	(415,069)
Other comprehensive (expense)/income for the year – net of tax		**(880,901)**	211,413

25 Interest bearing loans and borrowings

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

	Maturity	2012 QR'000	2011 QR'000
The Company's loans (Parent)			
Loan 1	Aug 2012	**-**	10,924,500
Loan 2	Various	**7,283,000**	7,283,000
Loan 3	Mar 2013	**129,497**	-
Loan 4	May 2014	**1,820,750**	-
Subsidiaries' loans			
Qtel International Finance Limited			
Loan 5	Jun 2014	**3,277,350**	3,277,350
Loan 6	Jun 2019	**2,184,900**	2,184,900
Loan 7	Oct 2016	**3,641,500**	3,641,500
Loan 8	Feb 2021	**3,641,500**	3,641,500
Loan 9	Oct 2025	**2,731,125**	2,731,125
Loan 10	Feb 2023	**3,641,500**	-
Omani Qatari Telecommunications Company S.A.O.G.			
Loan 11	Mar 2012	**-**	522,275
Loan 12	Mar 2017	**269,616**	-
National Mobile Telecommunications Company K.S.C. and its subsidiaries			
Loan 13	Various	**858,976**	1,175,236
Loan 14	Nov 2013	**-**	21,849
Loan 15	Various	**325,850**	260,597
Loan 16	Dec 2013	**258,997**	-
Asiacell Communications PJSC			
Loan 17	Mar 2012	**-**	455,188
Loan 18	-	**-**	573,536
Loan 19	Jun 2015	**728,302**	-
Loan 20	Nov 2015	**364,148**	-

Continued...

25 Interest bearing loans and borrowings (continued)

	Maturity	2012 QR'000	2011 QR'000
PT Indosat Tbk and its subsidiaries			
Loan 21	Feb 2014	**573,536**	835,724
Loan 22	Nov 2019	**513,345**	586,680
Loan 23	Sep 2012	**-**	401,577
Loan 24	Feb 2014	**112,973**	602,365
Loan 25	Sep 2012	**-**	401,577
Loan 26	Feb 2014	**376,577**	602,365
Loan 27	May 2012	**182,075**	194,290
Loan 28	Various	**700,988**	864,861
Loan 29	Various	**979,100**	1,044,100
Loan 30	Various	**406,704**	433,704
Loan 31	Various	**489,550**	522,050
Loan 32	Jul 2020	**2,366,976**	2,366,976
Loan 33	May 2014	**150,631**	160,631
Loan 34	Apr 2013	**214,649**	228,899
Loan 35	Various	**-**	80,315
Loan 36	Jun 2019	**451,892**	-
Loan 37	Jun 2022	**564,866**	-
Loan 38	Jun 2014	**112,973**	-
Loan 39	Nov 2014	**149,945**	140,351
Others:			
Loan 40	Various	**261,439**	227,729
		39,765,230	46,386,750
Less: Deferred financing costs		**(438,675)**	(463,364)
		39,326,555	45,923,386

25 Interest bearing loans and borrowings (continued)

Presented in the consolidated statement of financial position as:

	Principal repayment amount QR'000	Deferred financing costs QR'000	2012 QR'000	2011 QR'000
Current portion	7,373,112	(65,198)	7,307,914	13,850,738
Non-current portion	32,392,118	(373,477)	32,018,641	32,072,648
	39,765,230	(438,675)	39,326,555	45,923,386

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

	2012 QR'000	2011 QR'000
At 1 January	463,364	590,522
Additions during the year	138,141	24,096
Amortised during the year (note 9)	(155,764)	(150,761)
Exchange adjustment	(7,066)	(493)
At 31 December	438,675	463,364

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
The Company's loans (Parent)					
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	This loan was fully repaid in August 2012.
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 750.0 million on May 2015.
Loan 3	KD 10.0 million/QR 130.0 million		Central Bank of Kuwait discount rate plus margin	For general corporate purposes	This is a part of a KD 250.0 million facility, of which KD 10.0 million was drawn down, this loan expires in March 2013.
Loan 4	USD 500 million/ QR 1.82 billion		LIBOR plus profit	For general corporate purposes	This is an Islamic financing facility based on the principle of commodity Murabaha.
Qtel International Finance Limited					
Loan 5	USD 900.0 million/ QR 3.3 billion	Unconditionally and irrevocably guaranteed by Qtel (Parent)	6.50%	For general corporate purposes	In May 2009, the Group established a USD 5.0 billion (QR 18.2 billion) Global Medium Term Note Programme ("Notes") listed on the London Stock Exchange. The Notes were issued in 2 tranches – the first tranch covering Loans 5 and 6 amounting to USD 1.5 billion (QR 5.4 billion) was issued on June 2009. The second tranch covering Loans 7,8 and 9 amounting to USD 2.75 billion (QR 10.0 billion) was issued on October 2010.
Loan 6	USD 600.0 million/ QR 2.2 billion		7.88%		
Loan 7	USD 1.0 billion/ QR 3.64 billion		3.38%		
Loan 8	USD 1.0 billion/ QR 3.64 billion		4.75%		In December 2012, the Group established a new USD 3.0 billion (QR 10.9 billion) Global Medium Term Note Programme ("Notes") listed on the Irish Stock Exchange.
Loan 9	USD 750.0 million/ QR 2.73 billion		5.00%		
Loan 10	USD 1.0 billion/ QR 3.64 billion		3.25%		Loan 10 amounting to USD 1.0 billion (QR 3.64 billion) was issued under this programme in Dec 2012

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Omani Qatari Telecommunications Company S.A.O.G. (Nawras).					
Loan 11	USD 145.0 million/ QR 521.0 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 has been fully repaid in Feb 2012.
Loan 12	USD 74.0 million/ QR 261.0 million	Unsecured			The total facility was USD 87.0 million entered in Feb 2012, as a five year amortising term loan.
National Mobile Telecommunications Company K.S.C. and subsidiaries					
Loan 13	QR 859.0 million	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 1.25% to 4.15% per annum	For general corporate purposes	Repayable in instalments over a period from December 2005 to March 2015.
Loan 14	QR 21.8 million		6 months LIBOR plus 3.5%		The loan has been fully repaid during 2012.
Loan 15	QR 326.0 million		LIBOR plus 5.0% to 5.85% per annum		Repayment of the existing syndicated loan and to finance the build out of its mobile network and the expansion of its existing network.

25 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 (continued)					
Loan 16	QR 259.0 million	Unsecured	1% per annum over the Central Bank of Kuwait discount rate	For general corporate purposes	Repayable in instalments or at maturity by December 2013.
Asiacell					
Loan 17	USD 250.0 million/ QR 910.0 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 instalments and the first instalment was paid on 20 October 2011. The loan balance of USD 125.0 million as at 31 December 2011 was fully repaid in March 2012.
Loan 18	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 capitalisation of the company on account of its conversion to a private joint stock company (PJSC). This loan has been fully repaid during 2012. The Company has an option to refinance the loan.
Loan 19	USD 200.0 million QR 728.0 million	Guaranteed by Qtel (Parent)	LIBOR plus 1.75%	For general corporate purposes	This loan is repayable in 30 equal monthly instalments.

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Asiacell (continued)					
Loan 20	USD 100.0 million QR 364.0 million	Guaranteed by Qtel (Parent)	LIBOR plus 1.40%	For general corporate purposes	This loan is repayable in 30 equal monthly instalments.
PT Indosat Tbk and its subsidiaries					
Loan 21	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 22	USD 160.0 million/ QR 583.0 million	Unsecured	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 44.0 million/ QR 160.0 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
Loan 23	IDR 2,000.0 billion/ QR 810.0 million		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. This facility was fully repaid during 2012.

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 24	IDR 1,500.0 billion/ QR 602.0 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 25	IDR 2,000.0 billion/ QR 810.0 million		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. This facility was fully repaid during 2012.
Loan 26	IDR 1,500.0 billion / QR 607.5 million		JIBOR + 1.25% p.a	For general corporate purposes	The revolving time loan had an initial maximum amount of IDR 1,000,000. In December, 2011, the facility was amended to increase the amount up to IDR 1,500,000 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.
Loan 27	IDR 434.3 billion/ QR 174.4 million		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 USD 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.

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 28	USD 320.0 million/ 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 $100.0 million, USD 155.0 million and USD 60.0 million respectively. Loan drawdowns are payable semi-annually.
Loan 29	IDR 2,600.0 billion/ QR 979.0 million	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 IDR 1,230.0 billion (QR 494.0 million) issued on May 2007 and maturing May 2014; and Series B amounting to IDR 1,370.0 billion (QR 550.0 million) issued on May 2007 and maturing May 2017.
Loan 30	IDR 1,080.0 billion (QR 407.0 million)		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 IDR 760.0 billion (QR 305.0 million) issued on April 2008 and maturing on April 2013; and Series B amounting to IDR 320.0 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.

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 31	IDR 1,300.0 billion (QR 490.0 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 IDR 700.0 billion (QR 281.0 million) issued on December 2009 and maturing on December 2014; and Series B amounting to IDR 600.0 billion (QR 241.0 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 32	USD 650.0 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.
Loan 33	IDR 400.0 billion QR 150.6 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 34	IDR 570.0 billion QR 215.0 million		Yearly QR 23.7 million fixed Ijarah costs		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.

25 Interest bearing loans and borrowings (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 35	IDR 200.0 billion QR 81.0 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 IDR 28.0 billion (QR 11.0 million) with annual fixed Ijarah return totalling IDR 3.1 billion (QR 1.2 million) payable on a quarterly basis starting March 2010 up to December 2014. Series B bonds amounting to IDR 172.0 billion (QR 69.0 million) with annual fixed Ijarah return totaling IDR 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. These bonds have been repaid in full.
Loan 36	IDR 1,200.0 billion QR 452.0 million		Fixed rate of 8.625% p.a.	For general corporate purposes	Series A Notes (fixed rate bonds) of IDR 1,200.0 billion issued for general corporate purposes.
Loan 37	IDR 1,500.0 billion QR 565.0 million		Fixed rate of 8.875% p.a.		Series B Notes (fixed rate bonds) of IDR 1,500.0 billion issued for general corporate purposes.
Loan 38	IDR 300.0 billion QR 113.0 million		Annual Ijarah payment of QR 9.94 million		Indosat V 2012 Sukuk Ijarah of IDR 300.0 billion for general corporate purposes.
Loan 39	QR 149.9 million	Unsecured	1% p.a.	For general corporate purpose	The amount is repayable by 28 November 2016.

25 Interest bearing loans and borrowings (continued)

Others - Loan 40

This represents the following facilities as at 31 December 2012:

- Starlink W.L.L. - loan
- Asiacell - Hermes Facility with HSBC
- Indosat - nine year commercial loan
- Indosat - CIMB Niaga 6
- Indosat - Sukuk Ijarah IV year 2009 – Series A
- Indosat - Sukuk Ijarah IV year 2009 – Series B
- Indosat - Lintasarta Limited bonds I
- Indosat - Lintasarta Limited bonds II
- Indosat - BSMI
- MTCL - shareholder loan

Note: IDR represent Indonesian Rupiah

26 Employees' benefits

	2012 QR'000	2011 QR'000
Employees' end of service benefits	**316,980**	378,869
Post retirement health care plan	**238,273**	223,177
Cash settled share based payments	**162,414**	177,641
Defined benefit pension plan/Labour Law No. 13/2003	**93,886**	78,038
Other employees' benefits	**16,636**	14,952
Total employees' benefits	**828,189**	872,677
Current portion of cash settled share based payments (refer note 28)	**(81,686)**	(71,515)
Employees' benefits – non current	**746,503**	801,162

Movement in the provision for employees' benefits are as follows:

	2012 QR'000	2011 QR'000
At 1 January	**872,677**	926,000
Provided during the year	**117,011**	1,476
Paid during the year	**(139,100)**	(55,670)
Exchange adjustment	**(22,399)**	871
At 31 December	**828,189**	872,677

26 Employees' benefits (continued)

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

Employees' end of service benefits

One of the Group's subsidiaries PT Indosat TBK provides 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.

Post-retirement healthcare plan

The subsidiary provides post-retirement healthcare benefits to its employees who leave after the employees fulfil 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 employee dies, 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 utilisation 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.

26 Employees' benefits (continued)

Post-retirement healthcare plan (continued)

The net periodic post-retirement healthcare cost for the year ended 31 December 2012 was calculated based on the actuarial valuations as of 31 December 2012. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2012 QR'000	2011 QR'000
Annual discount rate	**8.0%**	8.0%
Ultimate cost trend rate	**6.0%**	6.0%
Next year trend rate	**12.0%**	12.0%
Period to reach ultimate cost trend rate	**3 Years**	4 Years

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

	2012 QR'000	2011 QR'000
Interest cost	**21,171**	28,643
Service cost	**9,644**	10,031
Amortisation of unrecognised past service cost	**3,006**	3,778
Amortisation of unrecognised actuarial loss	**1,057**	2,230
Curtailment gain	**-**	(75,526)
Periodic post-retirement healthcare cost	**34,878**	(30,844)

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

	2012 QR'000	2011 QR'000
Projected benefit obligation	**283,814**	276,200
Unrecognised actuarial loss	**(38,019)**	(41,635)
Unrecognised past service cost	**(2,885)**	(6,185)
Accrued post-retirement healthcare cost	**242,910**	228,380

26 Employees' 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:

	2012 QR'000	2011 QR'000
At 1 January	**228,380**	264,859
Net periodic post-retirement healthcare cost	**34,878**	(30,844)
Benefit payment	**(5,066)**	(4,409)
Exchange adjustment	**(15,282)**	(1,226)
Total post retirement healthcare benefits	**242,910**	228,380
Current portion of post retirement healthcare benefits	**(4,637)**	(5,203)
Non-current portion of post retirement healthcare benefits	**238,273**	223,177

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:

	2012 QR'000	2011 QR'000
Increase		
Service and interest costs	**48,176**	47,568
Accumulated post-retirement healthcare benefit obligation	**361,171**	339,177
Decrease		
Service and interest costs	**29,944**	29,567
Accumulated post-retirement healthcare benefit obligation	**238,256**	227,544

26 Employees' benefits (continued)

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 2012 is calculated based on the actuarial valuations as of 31 December 2012. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2012	2011
Annual discount rate	**7.5%**	7.5%
Annual rate of increase in compensation	**8.0% - 9.0%**	8.0% - 9.0%

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

	2012 QR'000	2011 QR'000
Service cost	**11,954**	12,194
Interest cost	**8,409**	6,600
Amortisation of recognised actuarial loss	**1,788**	297
Amortisation of unrecognised actuarial loss	**269**	7
Curtailment gain	**-**	(14,802)
Periodic pension cost	**22,420**	4,296

26 Employees' benefits (continued)

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

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

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

	2012 QR'000	2011 QR'000
Projected benefit obligation	**127,875**	116,913
Unrecognised actuarial loss	**(29,709)**	(33,529)
Unrecognised past service cost	**(2,982)**	(3,458)
Accrued pension cost	**95,184**	79,926
Current portion accrued pension costs	**(1,770)**	(1,888)
Non-current portion of accrued pension cost	**93,414**	78,038

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 133,685 thousands (2011:QR 142,560 thousands) and were paid on due dates.

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.

26 Employees' benefits (continued)

ii) Defined Benefit Pension Plan (continued)

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 23,206 thousands (2011: QR 24,746 thousands) which is payable in 10 annual instalments 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 622 thousands (2011: QR 663.8 thousands) which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to QR 3,635 thousands for the year ended 31 December 2012 (2011: QR 3,876 thousands).

26 Employee benefits (continued)

ii) Defined Benefit Pension Plan (continued)

The net periodic pension cost for the pension plans for the year ended 31 December 2012 is calculated based on the actuarial valuations as of 31 December 2012. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2012 QR'000	2011 QR'000
Annual discount rate	**7.0% - 7.5%**	7.0% - 7.5%
Expected annual rate of return on plan assets	**4.5% - 9.0%**	4.5% - 9.0%
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:

	2012 QR'000	2011 QR'000
Interest cost	**12,453**	19,928
Service cost	**11,351**	12,880
Settlement cost	**-**	1,934
Amortisation of unrecognised actuarial loss	**460**	496
Return on plan assets	**(16,504)**	(21,689)
Curtailment gain	**-**	(6,926)
Net periodic pension cost	**7,760**	6,623

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

	2012 QR'000	2011 QR'000
Plan assets at fair value	**224,234**	216,411
Projected benefit obligation	**(197,461)**	(185,960)
Excess of plan assets over projected benefit obligation	**26,773**	30,451
Unrecognised actuarial loss	**9,323**	11,832
Total prepaid pension cost	**36,096**	42,283

26 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:

	2012 QR'000	2011 QR'000
At 1 January	**42,283**	45,873
Net periodic pension cost	**(7,760)**	(6,623)
Refund	**-**	(826)
Contribution	**3,968**	4,028
Exchange adjustment	**(2,395)**	(169)
At 31 December	**36,096**	42,283

Presented in the consolidated statement of financial position as follows:

	Note	2012 QR'000	2011 QR'000
Current portion	20	**548**	848
Long-term portion	17	**35,548**	41,435
		36,096	42,283

Plan assets as of 31 December 2012 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 2012 amounted to QR 18,767 thousands (2011: QR 17,553 thousands). The plan assets are being administered and managed by seven financial institutions appointed by the subsidiary, based on the choice of the employees.

27 Other non-current liabilities

	Note	2012 QR'000	2011 QR'000
Ministry of Communication and Technology ('MOCIT') Indonesia	(i)	**727,121**	939,596
Ministry of Telecommunications and Information Technology- Palestine		**197,903**	197,903
Telecommunications Regulatory Commission ("TRC") Jordan	(ii)	**-**	21,838
Site restoration provision	(iii)	**47,474**	59,485
Finance lease liabilities	(iv)	**1,195,349**	49,354
Deferred gain – non current portion	(v)	**455,914**	-
Others		**52,709**	57,109
		2,676,470	1,325,285

(i) 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 682,018 thousands (2011: QR 883,482 thousands) and QR 45,103 thousands (2011: QR 56,114 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.

(ii) Amounts payable to TRC in 2011 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%. In 2012, this has been shown under discontinued operation, note 39.

(iii) This amount represents the site restoration provision in the books of its subsidiaries as of the reporting date. The subsidiaries are committed to restore each site as it is vacated.

(iv) This represents the obligation under the finance leases of some of the Group's subsidiaries. (refer note 31).

(v) This represents the deferred gain on the sale and leaseback of tower slots.

28 Trade and other payables

	Note	2012 QR'000	2011 QR'000
Trade payables		**3,034,702**	3,400,641
Accrued expenses		**4,243,915**	4,079,854
Interest payable		**374,913**	483,476
License costs payable		**-**	2,553
Amounts due to international carriers		**369,798**	368,396
Negative fair value of derivatives	30	**30,696**	382,251
Finance lease liabilities	31	**110,322**	9,221
Cash settled share based payments	26	**81,686**	71,515
Other payables		**2,725,962**	2,419,903
		10,971,994	11,217,810

Included in other payables is an amount of QR 370,055 thousands (2011: QR 358,515 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.

29 Dividend and bonus shares

Dividend paid and proposed

	2012 QR'000	2011 QR'000
Declared, accrued and paid during the year		
Final dividend for 2011, QR 3 per share (2010: QR 5 per share)	**528,000**	733,333
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Final dividend for 2012, QR 5 per share (2011: QR 3 per share)	**1,601,600**	528,000

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

Bonus shares:
During 2012, the Company issued bonus shares of 30% of the share capital as at 31 December 2011 amounting to QR 528,000 thousands.

30 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 2012 QR'000	2011 QR'000
Cross currency swaps	**243,981**	365,971
Currency forward contracts	**1,175,432**	977,369
Interest rate swaps	**1,224,407**	1,715,099
	2,643,820	3,058,439

	Fair values			
	2012		2011	
	Positive QR'000	**Negative QR'000**	Positive QR'000	Negative QR'000
Cross currency swaps	**11,262**	**-**	8,890	2,803
Currency forward contracts	**15,135**	**33**	55,101	67
Interest rate swaps	**-**	**30,594**	-	52,691
	26,397	**30,627**	63,991	55,561

30 Derivative financial instruments (continued)

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 USD 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 2012	**69**	**-**	**80,210**
31 December 2011	326,690	-	23,568,106

31 Commitments

Capital expenditure commitments

	2012 QR'000	2011 QR'000
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	**4,027,236**	2,660,417
Intangible assets		
For the acquisition of Palestine mobile license	**581,383**	575,558

31 Commitments (continued)

Operating lease commitments

	2012 QR'000	2011 QR'000
Future minimum lease payments:		
Not later than one year	**175,771**	208,731
Later than one year and not later than five years	**511,778**	489,708
Later than five years	**222,572**	248,370
Total operating lease expenditure contracted for at 31 December	**910,121**	946,809

Finance lease commitments

	Note	2012 QR'000	2011 QR'000
Amounts under finance leases:			
Minimum lease payments:			
Not later than one year		**252,976**	9,611
Later than one year and not later than five years		**953,073**	29,381
Later than five years		**835,920**	20,275
		2,041,969	59,267
Less: unearned finance income		**(736,298)**	(692)
Present value of minimum lease payments		**1,305,671**	58,575
Present value of minimum lease payments			
Current portion	28	**110,322**	9,221
Non-current portion	27	**1,195,349**	49,354
		1,305,671	58,575

The average effective interest rate contracted approximates in range of 2.5% to 7.6% per annum (2011: 2.5% per annum).

32 Contingent liabilities

	2012 QR'000	2011 QR'000
Letters of guarantees	**308,557**	408,594
Letters of credit	**113,911**	17,213
Claims against the Group not acknowledged as debts	**2,675**	43,386

Litigation
The Group is from time to time a party to various legal actions arising in the ordinary course of its business. The Group does not believe that the resolution of these legal actions will, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations, except as noted below.

Tax demand notices against Asiacell
In April 2012, one of the Group's subsidiaries, Asiacell Communication PJSC ("ACL") was issued a tax demand notice amounting to QR 245 million (equivalent to US$ 67.3 million) by the General Commission for Taxes, Iraq for the years 2004, 2005, 2006 and 2007. In accordance with tax regulations in Iraq, ACL had paid 25% of the tax demand amount which is recorded in the consolidated financial statements as income tax paid in advance.

In May 2012, the General Commission for taxes also issued a tax demand notice to ACL for employees' income tax amounting to QR 53.5 million (equivalent USD 14.7 million) for the years 2003, 2004, 2005,2006 and 2007. Based on a revised tax claim received from the General Commission for taxes, ACL has accepted the tax claims for all years other than 2006 for which the tax claimed is QR 18 million (equivalent USD 4.95 million).

Further in September 2012, ACL received another tax demand notice for employees' income tax amounting to QR 55.7 million (equivalent USD 15.3 million) for the years 2009, 2010 and 2011.

ACL management is of the view that the Company has strong grounds to challenge the tax claims under objection and believes that amount provided in the financials is sufficient and accordingly no further provision is considered necessary in the consolidated financial statements.

Proceedings against Indosat MegaMedia relating to misuse of radio frequencies
In early 2012, the Attorney General's Office in Jakarta (the ''AGO'') initiated corruption proceedings against Indosat MegaMedia (''IM2''), a 99 per cent owned subsidiary of PT Indosat TBK, a subsidiary of the Group, for unlawful use of radio frequency band allocation that had been granted to Indosat. These proceedings were initiated pursuant to a report from the Indonesian Telecommunication Consumer NGO, which alleged that Indosat had avoided paying certain taxes by unlawfully allowing IM2 usage of its 3G spectrum in 2006.

Indosat and IM2 are contesting the allegations on the basis that IM2 was lawfully using Indosat's telecommunication network, rather than its radio frequency band, as alleged. If the AGO determines that Indosat has a case to answer, the proceedings will be transferred to the Court. Accordingly, no liability or provision is made in these consolidated financial statements in relation with these claims.

32 Contingent liabilities (continued)

Proceedings against Wataniya relating to misuse of network infrastructure

The Ministry of Communications in Kuwait initiated unjust enrichment proceedings against one of the Group's subsidiaries, Wataniya under Article 262 of the Kuwaiti Civil Code, alleging unlawful use of the Ministry's network infrastructure since 1999. Wataniya's management believes that it has strong grounds to challenge these allegations and the proceedings are currently pending before the Kuwaiti Court of Appeal, with the next hearing in connection with the case to be held on 12 March 2013.

33 Financial risk management

Objectives and policies

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

The Group also enters into derivative transactions, primarily interest rate swaps, 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 optimising return.

33 Financial risk management (continued)

Interest rate risk

The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, interest bearing loans and borrowings. 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 2012, after taking into the effect of interest rate swaps, approximately 66% of the Group's borrowings are at a fixed rate of interest (2011: 73%).

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.

	Consolidated income statement +25b.p QR'000	Equity +25b.p QR'000
At 31 December 2012		
USD LIBOR	**(30,349)**	**201**
Others	**(3,206)**	**-**
At 31 December 2011		
USD LIBOR	(25,421)	29,788
Others	(5,934)	-

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.

33 Financial risk management (continued)

Foreign currency risk (continued)

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

	2012 QR'000 Assets (Liabilities)	2011 QR'000 Assets (Liabilities)
Indonesian Rupiah (IDR)	**4,241,922**	3,799,610
Kuwaiti Dinar (KD)	**7,913,787**	6,266,327
US Dollars (USD)	**(4,069,510)**	(6,988,248)
Euro	**(267,191)**	(379,798)
Great British Pounds (GBP)	**(4,011)**	(5,073)
Tunisian Dinar (TND)	**9,065,188**	4,108,410
Algerian Dinar (DZD)	**3,672,291**	3,524,888
Others	**95,423**	(506,210)

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:

	Effect on consolidated income statement		**Effect on equity**	
	2012 +10 % QR'000	2011 +10% QR'000	**2012 +10 % QR'000**	2011 +10% QR'000
Indonesian Rupiah	**-**	-	**424,192**	379,961
Kuwaiti Dinar	**-**	-	**791,379**	626,633
Tunisian Dinar	**-**	-	**906,519**	410,841
Algerian Dinar	**-**	-	**367,229**	352,489
US Dollars	**(406,951)**	(698,825)	**-**	-
Euro	**(26,719)**	(37,980)	**-**	-
Great British Pounds	**(402)**	(508)	**-**	-

33 Financial risk management (continued)

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
2012		
Qatar Exchange (QE)	**+10%**	**51,453**
Kuwait Stock Exchange (KSE)	**+15%**	**4,166**
Indonesia Stock Exchange (IDX)	**+10%**	**51,478**
2011		
Qatar Exchange (QE)	+10%	53,406
Kuwait Stock Exchange (KSE)	+15%	4,191

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.

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 trade 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 receivables net of allowance for impairment as at 31 December is as follows:

33 Financial risk management (continued)

Credit risk (continued)

	2012 QR'000	2011 QR'000
Qatar	878,510	666,301
Other countries	2,053,918	1,799,863
	2,932,428	2,466,164

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:

	2012 QR'000	2011 QR'000
Available-for-sale debt instruments	126,717	119,612
Bank balances (excluding cash)	14,936,469	21,191,375
Positive fair value of derivatives	26,397	63,991
Amounts due from international carriers	223,386	301,766
Unbilled subscriber revenue	317,984	346,890
Other non-current assets	149,956	140,341
	15,780,909	22,163,975

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks, 64% of bank balances represents balances maintained with local banks in Qatar with a rating of atleast BBB+. 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 Group's own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date.

33 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 2012						
Interest bearing loans and borrowings	**-**	**9,290,975**	**9,349,494**	**12,166,845**	**19,112,391**	**49,919,705**
Trade payables	**-**	**3,034,702**	**-**	**-**	**-**	**3,034,702**
License costs payable	**-**	**230,869**	**412,956**	**409,780**	**92,638**	**1,146,243**
Finance lease liabilities	**-**	**252,976**	**252,976**	**700,097**	**835,920**	**2,041,969**
Other financial liabilities	**-**	**482,180**	**128,202**	**-**	**-**	**610,382**
	-	**13,291,702**	**10,143,628**	**13,276,722**	**20,040,949**	**56,753,001**

	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	-	15,689,678	8,452,475	17,539,150	16,426,944	58,108,247
Trade payables	-	3,400,641	-	-	-	3,400,641
License costs payable	-	267,451	250,347	765,784	216,366	1,499,948
Finance lease liabilities	-	9,611	9,611	19,770	20,275	59,267
Other financial liabilities	-	822,162	165,611	-	-	987,773
	-	20,189,543	8,878,044	18,324,704	16,663,585	64,055,876

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2012 and 31 December 2011.

Capital includes share capital, legal reserve, other statutory reserves and retained earnings and is measured at QR 26,048,727 thousands at 31 December 2012 (2011: QR 18,796,880 thousands).

34 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 values*	
	2012 QR'000	2011 QR'000	**2012 QR'000**	2011 QR'000
Financial assets				
Available-for-sale investments	**2,633,650**	2,189,939	**2,633,650**	2,189,939
Other non-current assets	**149,956**	140,341	**149,956**	140,341
Trade and other receivables	**3,500,195**	3,178,811	**3,500,195**	3,178,811
Bank balances and cash	**15,006,026**	21,249,832	**15,006,026**	21,249,832
Financial liabilities				
Interest bearing loans and borrowings	**39,765,230**	46,386,750	**38,833,382**	46,510,722
Other non-current liabilities	**925,024**	1,159,337	**925,024**	1,159,337
Finance lease liabilities	**1,305,671**	58,575	**1,305,671**	58,575
Trade and other payables	**6,617,757**	7,128,735	**6,617,757**	7,128,735
Income tax payable	**505,019**	425,221	**505,019**	425,221

34 Fair values of financial instruments (continued)

Fair values (continued)

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 receivables, trade payables, 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.

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.

34 Fair values of financial instruments (continued)

Fair value hierarchy (continued)

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

Financial assets

	2012 QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
Available-for-sale investments	**2,487,224**	**1,180,177**	**1,237,923**	**69,124**
Derivative financial instruments	**26,397**	**-**	**26,397**	**-**
	2,513,621	**1,180,177**	**1,264,320**	**69,124**

	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

Financial Liabilities

	2012 QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
Derivative financial instruments	**30,696**	**-**	**30,696**	**-**

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

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

	2012 QR'000	2011 QR'000
At 1 January	**93,415**	117,879
Loss to consolidated income statement	**(23,128)**	-
Revaluation loss transferred to fair value reserve	**-**	(2,073)
Sales	**-**	(23,751)
Exchange differences	**(1,163)**	1,360
At 31 December	**69,124**	93,415

35 Related party disclosures

Related party transactions and balances

Related parties include associated companies including Government and semi Government agencies, associates (refer note 15), 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. In addition, the Group enters into commercial transactions with other Government related entities in the ordinary course of business which includes providing telecommunication services, placement of deposits and obtaining credit facilities. In 2011, the Company has settled the dividend 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 2012 (2011: QR 10,700 thousands). In addition, an amount of QR 780 thousands (2011: QR 780 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 155,491 thousands (2011: QR 133,935 thousands) and end of service benefits amounted to QR 19,521 thousands (2011: QR 41,087 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.

36 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.

Useful lives of intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected usage of the asset, technical or commercial obsolescence.

36 Significant accounting judgements and estimates (continued)

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through consolidated income statement" 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 judgements 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 trade receivables

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

36 Significant accounting judgements and estimates (continued)

Presentation: gross versus net

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned.

Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity.

The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

Licences and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost. Using the licence term reflects the period over which the Group will receive economic benefit. For technology specific licences with a presumption of renewal at negligible cost, the estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the licence. The economic lives are periodically reviewed taking into consideration such factors as changes in technology. Historically any changes to economic lives have not been material following these reviews.

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 fair values of the interest rate swaps and basis swaps are determined based on future expected LIBOR rates.

37 Segment information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the MENA. Outside of Qatar, the Group operates through its subsidiaries and associates in 17 countries which are considered by the Group to be one international operating segment. Revenue is attributed to an operating segment based on the location of the Group companies reporting the revenue. Inter-segment sales are charged at arms' length prices.

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.

37 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 2012 and 2011:

Year ended 31 December 2012

	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	6,126,045	6,807,962	9,543,258	8,777,513	1,899,583	559,850	-		33,714,211
Inter-segment	94,052	70,149	140,216	26,467	7,557	117,179	(455,620)	(i)	-
Total revenue	**6,220,097**	**6,878,111**	**9,683,474**	**8,803,980**	**1,907,140**	**677,029**	**(455,620)**		**33,714,211**
Results									
Segment profit before tax	**1,711,049**	**2,493,623**	**1,875,474**	**228,809**	**454,060**	**(330,562)**	**(739,068)**	(ii)	**5,693,385**
Depreciation and amortisation	**681,992**	**942,979**	**1,630,387**	**3,339,677**	**310,240**	**106,771**	**690,149**	(iii)	**7,702,195**
Finance costs (net)	**86,374**	**49,499**	**60,868**	**887,368**	**12,795**	**824,054**	**-**		**1,920,958**

37 Segment information (continued)

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	309,096	-		31,744,930
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	479,394	(504,265)		31,744,930
Results									
Segment profit before tax	1,506,855	2,010,793	3,643,298	495,667	566,881	(622,546)	(714,845)	(ii)	6,886,103
Depreciation and amortisation	652,536	810,090	1,574,449	2,905,305	265,467	66,573	714,845	(iii)	6,989,265
Finance costs (net)	46,160	91,882	83,214	786,389	30,305	862,570	-		1,900,520

(i) Inter-segment revenues are eliminated on consolidation.
(ii) Segment profit before tax does not include the following:

	2012 QR'000	2011 QR'000
Amortization of intangibles	**(690,149)**	(714,845)
Impairment of intangibles	**(48,919)**	-
	(739,068)	(714,845)

(iii) Amortisation relating to additonal intangibles indentified from business combination was not considered as part of segment expense

37 Segment information (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2012 and 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
Segment assets (i)								
At 31 December 2012	**18,192,813**	**8,432,088**	**25,917,717**	**23,302,016**	**2,924,356**	**3,127,418**	**12,332,621**	**94,229,029**
At 31 December 2011	27,427,866	8,004,974	26,002,367	23,937,514	2,832,775	1,405,299	12,723,482	102,334,277
Capital expenditure (ii)								
At 31 December 2012	**764,022**	**815,869**	**2,447,310**	**3,568,059**	**585,134**	**76,717**	**-**	**8,257,111**
At 31 December 2011	1,129,661	989,096	1,847,196	2,451,670	386,877	73,070	-	6,877,570

(i) Goodwill amounting to QR 12,332,621 thousands (31 December 2011: QR 12,723,482 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.

38 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 38,119 thousands (2011: QR 32,313 thousands) representing 2.5% of the net profit generated from Qatar operations.

39 Discontinued operation

In December 2012, one of the Group's subsidiaries wi-tribe Limited-Jordan P.S.C. ceased its operations and accordingly this has been classified as a discontinued operation in accordance with IFRS 5. The consolidated income statements and statement of cash flow for the comparative year have been represented to disclose the discontinued operation separately from continuing operations.

Results of discontinued operations

	2012 QR'000	2011 QR'000
Revenue	**17,193**	20,416
Operating expenses	**(11,102)**	(8,827)
Selling, general and administrative expenses	**(16,584)**	(16,268)
Depreciation and amortization	**(55,935)**	(25,439)
Finance costs – net	**(2,135)**	(1,795)
Other income (expense) – net	**394**	-
Loss for the year	**(68,169)**	(31,913)

Of the loss from discontinued operations of QR 68,169 thousands (2011: QR 31,913 thousands), an amount of QR 58,721 thousands is attributable to the shareholders of the parent (2011: QR 27,490 thousands).

Of the profit from continuing operations of QR 4,717,838 thousand (2011: QR 5,975,107 thousands), an amount of QR 3,002,435 thousands is attributable to the shareholders of the parent (2011: QR 2,633,040 thousands).

39 Discontinued operation (continued)

Cash flows from (used in) discontinued operations

	2012 QR'000	2011 QR'000
Net cash used in operating activities	**(15,289)**	(6,888)
Net cash used in investing activities	**(5,385)**	(14,264)
Net cash from financing activities	**23,627**	13,922
Net cash flows for the year	**2,953**	(7,230)

Financial position of discontinued operation

	2012 QR'000	2011 QR'000
Assets		
Property, plant and equipment	**513**	-
Trade and other receivables	**1,148**	-
Cash and cash equivalents	**4,843**	-
Assets held for distribution	**6,504**	-
Liabilities		
Trade and other payables	**(30,882)**	-
Deferred income	**(5,776)**	-
Liabilities held for distribution	**(36,658)**	-
Net Liabilities	**(30,154)**	-

40 Comparative information

Reclassification of comparative financial statements

Corresponding figures for 2011 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 2011 QR'000
Consolidated income statement		
Operating expenses	9,446,900	9,958,384
Selling, general and administrative expenses	7,470,631	6,959,147
Consolidated statement of financial position		
Investment in associates	1,731,692	1,591,341
Interest bearing loans and borrowings - non-current	32,072,648	31,932,297

41 Events after the statement of financial position date

Asiacell IPO

On 3 January 2013, one of the group subsidiaries' Asiacell announced an Intial Public Offer (IPO), offering 25% of the shares of Asiacell equal to 67.5 billion shares to the public at a minimum price of 22 Iraqi Dinar per share. By February 2, 2013, all of the offered shares were covered by orders, and the trading on the shares started in the Iraq Stock Exchange (ISX) on February 3, 2013. The Group acquired an additional stake of 10.2% as part of IPO, with this, the Group's effective interest increased from 53.9% to 64.1%.

Notes issued under Global Medium Term Note Programme ("GMTN")

In January 2013, the Group issued a further QR 3.64 billion (USD 1 billion) under its GMTN programme established in December 2012 which is listed on the Irish Stock Exchange. The notes were issued in 2 tranches of QR 1,821 million (USD 500 million) at an interest rate of 3.875% and 4.5% respectively.