

QATAR TELECOM (QTEL) Q.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011

CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2011

CONTENTS	Page (s)
Independent auditors' audit report	1 - 2
Consolidated financial statements	
Consolidated income statement	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5 - 6
Consolidated statement of cash flows	7 - 8
Consolidated statement of changes in equity	9 - 10
Notes to the consolidated financial statements	11 - 88



KPMG
Audit
2nd Floor
Area 25, C Ring Road
PO Box 4473, Doha
State of Qatar

Telephone +974 4457 6444
Fax +974 4442 5626
Website www.kpmg.com.qa

Independent auditors' report

To
The shareholders
Qatar Telecom (Qtel) Q.S.C.
Doha
State of Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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




Other matters

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

Report on other legal requirements

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

04 March 2012
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Qatar Auditors Registration No. 251

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011


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

Continued.....


CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2011

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



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



.....
Ali Shareef Al-Emadi
Deputy Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

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

Continued.....

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2011

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	<i>Attributable to shareholders of the Parent</i>						<i>Non – controlling interests</i>	<i>Total Equity</i>	
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Other statutory reserves</i>	<i>Retained earnings</i>			<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>			<i>QR'000</i>
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
<i>Transactions with shareholders of the Parent, recognised directly in equity</i>									
Dividends for 2010 (Note 30)	-	-	-	-	-	(733,333)	(733,333)	-	(733,333)
Bonus shares issued	293,333	-	-	-	-	(293,333)	-	-	-
Transfer to other statutory reserves	-	-	-	-	301,456	(301,456)	-	-	-
<i>Transactions with non-controlling interest, recognised directly in equity</i>									
Recognition of non-controlling interests' share of net assets (Note 4.1)	-	-	-	-	-	-	-	907,326	907,326
Net acquisition of ownership interests in subsidiaries (Note 4.2)	-	-	-	-	-	(33,988)	(33,988)	617	(33,371)
Acquisition of non-controlling interests – share of associates (Note 4.3)	-	-	-	-	-	(208,627)	(208,627)	-	(208,627)
Conversion of non-controlling interests to interest bearing loans and borrowings (Note 4.4)	-	-	-	-	-	-	-	(573,537)	(573,537)
Dividends from subsidiaries	-	-	-	-	-	-	-	(321,881)	(321,881)
Other movements	-	-	-	-	-	-	-	7,031	7,031
<i>Transactions with non-owners of the Group</i>									
Transfer to social and sports fund (Note 41)	-	-	-	-	-	(32,313)	(32,313)	-	(32,313)
At 31 December 2011	1,760,000	6,494,137	672,843	1,586,124	706,036	9,836,707	21,055,847	18,336,947	39,392,794

Continued...

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2011

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the “Company”) on 25 November 1998, pursuant to Law No. 21 of 1998.

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

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

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

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES**3.1 BASIS OF CONSOLIDATION*****Basis of consolidation***

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

(a) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. In addition, control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) Non controlling interests

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

(c) Business combinations and goodwill***Business combinations from 1 January 2010***

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (continued)**

The Group measures goodwill at the acquisition date as:

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (continued)****(d) Loss of control**

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

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

(e) Translation of foreign operations

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

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

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

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

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

Continued....

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

<i>Name of subsidiaries</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage</i>	
		<i>31 December 2011</i>	<i>31 December 2010</i>
World Trade Glory Ltd	British Virgin Islands	100%	100%
JRAA – JHI Group	Philippines	100%	100%
Qatar Telecom (Qtel Asia) Pte. Ltd. (“QA”)	Singapore	100%	100%
Indonesia Communications Limited (“ICLM”)	Republic of Mauritius	100%	100%
QTEL International Finance Limited	Bermuda	100%	100%
Qtel MENA Investcom S.P.C (“MENA”) (formerly known as TDC-Qtel MENA Investcom B.S.C.)	Bahrain	100%	100%
Qtel Malta Holding Company Ltd.	Malta	100%	100%
Omani Qatari Telecommunications Company S.A.O.G. (“NAWRAS”)	Sultanate of Oman	55.0%	55.0%
Starlink W.L.L.	Qatar	60.0%	60.0%
National Mobile Telecommunications Company K.S.C. (“Wataniya Telecom”)	Kuwait	52.5%	52.5%
Wataniya International FZ – L.L.C. (WTI)	United Arab Emirates	52.5%	52.5%
Al-Bahar United Company W.L.L. (Fono)	Kuwait	52.5%	52.5%
Al Wataniya Gulf Telecommunications Holding Company S.P.C (“WIH”)	Bahrain	52.5%	52.5%
Al-Wataniya International for Intellectual Properties S.P.C (formerly known as Al-Wataniya International for Intellectual Properties B.S.C)	Bahrain	52.5%	52.5%
Wataniya Telecom Maldives Pvt Ltd (WTM)	Republic of Maldives	52.5%	52.5%
WARF Telecom International Private Limited (WARF) (i)	Republic of Maldives	34.1%	34.1%
Wataniya Telecom Algeria S.P.A. (WTA) (i)	Algeria	46.3%	46.3%
Guney Telekomunikasyon Hizmetleri A.S (i).	Turkey	46.2%	46.2%
Carthage Consortium Ltd.	Malta	52.5%	-
Qtel Tunisia Holding Company Ltd	Malta	52.5%	-
Tunisiana S.A (i)	Tunisia	39.4%	-
Tunisia Network S.A (i)	Tunisia	36.8%	-
Public Telecommunication Company Ltd. (PTC) (i)	Saudi Arabia	29.2%	29.2%
Wataniya Palestine Mobile Telecommunications Public Shareholding Company (i)	Palestine	25.4%	25.4%
Raywood Inc. (Raywood) (ii)	Cayman Islands	61.2%	61.2%
Al-Rowad General Services Limited (AL Rowad) (ii)	Iraq	61.2%	61.2%
Asiacell Communications PJSC (formerly known as Asiacell Communications L.L.C.) (“ACL, Iraq”) (ii)	Iraq	30.0%	30.0%
wi-tribe Limited (“WiT”)	Cayman Islands	86.1%	86.1%
wi-tribe Limited – Jordan P.S.C.	Jordan	86.1%	86.1%
wi-tribe Pakistan Limited	Pakistan	86.1%	86.1%
PT. Indosat Tbk	Indonesia	65.0%	65.0%
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 Elektronik (“APE”) (iii)	Indonesia	25.9%	25.9%
Indosat Palapa Company B.V. (“IPBV”)	Netherlands	65.0%	65.0%
Indosat Mentari Company B.V. (“IMBV”)	Netherlands	65.0%	65.0%
PT Lintas Media Danawa (“LMD”) (iii)	Indonesia	32.9%	32.9%
PT Interactive Vision Media (“IVM”)	Indonesia	64.9%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

Notes:

- (i) The Group has the power, indirectly through Wataniya Telecom by virtue of Wataniya Telecom having more than 51% of the voting interests in these companies, to govern the financial and operating policies of WARF Telecom International Private Limited (WARF), Wataniya Telecom Algeria S.P.A. (WTA), Guney Telekomunikasyon Hizmetleri A.S. Tunisiya S.A, Tunisia Network S.A, Public Telecommunication Company Ltd. (PTC), Wataniya Palestine Mobile Telecommunications Public Shareholding Company, and accordingly, these companies have been considered as subsidiaries of the Group.
- (ii) The Group incorporated Raywood Inc (“Raywood”), a special purpose entity registered in Cayman Islands with 61.2% voting interest held by the Group to carry out investment activities in Iraq. Raywood established Al-Rowad General Services Limited (“AL Rowad”) in Iraq as a wholly owned subsidiary to acquire 49% voting interests in Asia Cell Communications L.L.C. (“ACL, Iraq”), a company with license to provide telecommunication services in Iraq. The Group has the power to govern the financial and operating policies of ACL, Iraq by virtue of the shareholders’ agreements entered into between Raywood, AL Rowad and ACL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and, accordingly ACL, Iraq is considered as a subsidiary of the Group.
- (iii) The Group has the power, indirectly through PT Indosat Tbk (“Indosat”) by virtue of Indosat having more than 51% of the voting interest or control in these companies, to govern the financial and operating policies of PT Starone Mitra Telekomunikasi (“SMT”), PT Aplikanusa Lintasarta (“Lintasarta”), PT Artajasa Pembayaran Elektronik (“APE”) and PT Lintas Media Danawa (“LMD”) and accordingly, these companies have been considered as subsidiaries of the Group.

f) Transactions eliminated on consolidation

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

a) IAS 24 (Revised) ‘Related party disclosures’

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)****b) IAS 32 (amendment) ‘Classification of Rights Issues’**

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

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

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

d) IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

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

e) Improvements to IFRSs (2010)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE**

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

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

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

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

b) IAS 19 (2011) - Employee benefits

The amended IAS 19 includes the following requirements:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (Continued)****d) IFRS 7 (amendment) – Disclosures: Transfer of financial assets**

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

e) IFRS 9 - Financial Instruments*Standard issued November 2009*

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

Standard issued October 2010

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

g) IFRS 11 – Joint Arrangements

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

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

h) IFRS 12 - Disclosures of interests in other entities

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

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

i) IFRS 13 - Fair value measurement

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Revenue from rendering of services:*

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

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

Interconnection revenue:

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

Sales of prepaid cards:

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Sales of equipment:

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

Loyalty program:

The group has a customer loyalty programme whereby customers are awarded credits ("Points") based on the usage of products and services, entitling customers to the right to redeem the accumulated points via specified means. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of sale. The amount allocated to Points is estimated by reference to the fair value of the right to redeem it at a discount for the products of the Group or for products or services provided by third parties. The fair value of the right to redeem is estimated based on the amount of discount, adjusted to take into account the expected forfeiture rate. The amount allocated to Points is deferred and included in deferred revenue. Revenue is recognised when these Points are redeemed and the Group has fulfilled its obligations to the customer. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the Points will be redeemed.

Leasing

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

The Group as lessor:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***The Group as lessee:*

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

Other income

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

Interest income

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

Rental income

Rental income is accounted for on a time proportion basis.

Dividend income

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

Taxation

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

Current income tax

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

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

Deferred income tax

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 unutilised tax losses can be utilised except:

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

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

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

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

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

Property, plant and equipment

Recognition and measurement

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Depreciation

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

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

Land lease rights under finance lease	50 years
Buildings	5 – 20 years
Exchange and network assets	5 – 15 years
Subscriber apparatus and other equipment	1 – 8 years

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

Derecognition

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

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

Borrowing costs

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

Government grants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets**

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the nature of the intangible asset.

Indefeasible rights of use (“IRU”)

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

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

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

	<i>License costs</i>	<i>Customer contracts and related customer relationships</i>	<i>Brand/ Trade names</i>	<i>Concession intangible assets</i>	<i>IRU, software and other intangibles</i>
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession arrangements

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

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

Investment in associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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 accounts receivables and prepayments.

Bank balances and cash

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

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

Accounts receivable and prepayments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Available-for-sale investments***

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

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

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

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

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

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment and uncollectibility of financial assets**

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

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

(ii) Non-derivative financial liabilities

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

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

Interest bearing loans and borrowings

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

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

Accounts payable and accruals

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

Derecognition of financial liabilities

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

(iii) Share capital***Ordinary shares***

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

Dividends on ordinary share capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***(iv) Derivative financial instruments and hedging*

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

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

Current versus non-current classification

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

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

(v) Fair value of financial instruments

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

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

Offsetting of financial instruments

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

Earnings per share

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions**

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

Employee benefits*End of service benefits:*

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Pensions and other post employment benefits:

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

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

Cash settled share-based payment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Non-financial assets

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

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

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

Events after the reporting date

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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

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

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

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

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

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

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

	<i>Carrying amounts immediately prior to acquisition QR'000</i>	<i>Fair value adjustment QR'000</i>	<i>Fair values at the acquisition date QR'000</i>
Cash and bank balances	314,809	-	314,809
Trade and other receivables	387,846	-	387,846
Inventories	7,437	-	7,437
Property, plant and equipment	1,285,571	-	1,285,571
License costs	735,973	1,708,927	2,444,900
Customer contracts and related customer relationship	-	156,148	156,148
Trade names	-	203,884	203,884
Other intangibles	3,659	-	3,659
Deferred tax assets	46,255	-	46,255
Other non-current assets	49,992	-	49,992
Total provisional fair value of acquired identifiable assets at the date of acquisition	<u>2,831,542</u>	<u>2,068,959</u>	<u>4,900,501</u>
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	<u>1,272,606</u>	<u>-</u>	<u>1,272,606</u>
Fair value of net identifiable assets at the date of acquisition	<u>1,558,936</u>	<u>2,068,959</u>	<u>3,627,895</u>
Fair value of previously held interest in an acquired subsidiary			4,369,802
Less: Carrying value of previously held interest in an acquired subsidiary			<u>(2,926,971)</u>
Gain recognised on previously held interest in an acquired subsidiary			<u>1,442,831</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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

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

(b) Goodwill resulting on the step acquisition

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

	<i>QR'000</i>
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	<u>7,683,085</u>
Less: provisional fair value of net identifiable assets at date of acquisition	<u>(3,627,895)</u>
Goodwill recognised at date of acquisition	<u>4,055,190</u>

(c) Cash outflow from the acquisition

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

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

	<i>2010</i>
	<i>QR'000</i>
Share of joint venture's statement of financial position:	
Current assets	355,188
Non-current assets	1,061,494
Current liabilities	(623,006)
Non-current liabilities	<u>(12,937)</u>
Carrying amount of net assets	<u><u>780,739</u></u>
	<i>2010</i>
	<i>QR'000</i>
Share of joint venture's income statement:	
Revenue	1,286,588
Other income (expenses)	(2,243)
General and administrative expenses	(798,587)
Finance costs	(4,332)
Income tax	<u>(180,604)</u>
Profit for the year	<u><u>300,822</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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

4.2 Net acquisition of ownership interests in subsidiaries

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

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

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

4.3 Acquisition of additional interest in a subsidiary by an associate

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

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

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

4.5 Acquisition of non-controlling interest in Starlink WLL

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)**4.7 Changes in ownership interest in Wataniya Palestine Mobile Telecommunication Limited P.S.C. (“WPT”)**

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

4.8 Changes in ownership interest in wi-tribe Limited

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

5 REVENUE

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

6 OPERATING EXPENSES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

8 DEPRECIATION AND AMORTISATION

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

9 FINANCE COSTS -NET

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

10 OTHER INCOME (EXPENSES) –NET

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

11 ROYALTIES AND FEES

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

Royalties:

In accordance with Law No. 6 of 2002, effective 1 January 2005, Qtel was liable to pay royalty to the Government of the State of Qatar for the exclusive right to provide telecommunication services in the State of Qatar. The royalty payable was calculated based on 25% of the profits attributable to the shareholders of the parent. In accordance with Law No. 34 of 2006 issued on 6 November 2006, the payment of royalty to the Government of the State of Qatar shall be discontinued from the date another operator licensed under the Law commences telecommunication services in Qatar.

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

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

Industry fees:

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

Other statutory fees:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

12 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

13 PROPERTY, PLANT AND EQUIPMENT

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

Notes:

- i) Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR 1,178 thousands (2010: QR 7,573 thousands).
- ii) The property, plant and equipment of the subsidiaries Wataniya Telecom Algeria S.P.A, Wataniya Telecom Maldives Pvt Ltd and Wataniya Palestine Mobile Telecommunications Public Shareholding Company amounting to QR 3,226,266 thousands (2010: QR 3,322,178 thousands) are under registered mortgage to secure bank loans (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

14 INTANGIBLE ASSETS

	<i>License costs</i> <i>QR'000</i>	<i>Goodwill</i> <i>QR'000</i>	<i>Customer contracts and related customer relationship</i> <i>QR'000</i>	<i>Brand/Trade names</i> <i>QR'000</i>	<i>Concessions intangible assets</i> <i>QR'000</i>	<i>IRU, software and other intangibles</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cost:							
At 1 January 2010	23,708,022	10,567,500	893,551	3,434,993	636,496	283,187	39,523,749
Additions				33,894	139,059	20,890	193,843
Reclassification	-	-	-	-	(43,085)	12,399	(30,686)
Exchange adjustment	219,866	302,247	36,366	124,036	2,418	2,198	687,131
At 31 December 2010	23,927,888	10,869,747	929,917	3,592,923	734,888	318,674	40,374,037
De-recognition of a Joint venture	(1,444,425)	(1,594,697)	(103,016)	(103,016)	-	(2,157)	(3,247,311)
Acquisition of a subsidiary (Note 4.1)	2,444,900	4,055,190	156,148	203,884	-	4,313	6,864,435
Additions	151,524	-	-	1,162	27,081	122,946	302,713
Reclassification	(171,970)	-	-	-	32,884	1,484,467	1,345,381
Exchange adjustment	(82,759)	(212,125)	(12,709)	(22,613)	(438)	(33,423)	(364,067)
At 31 December 2011	24,825,158	13,118,115	970,340	3,672,340	794,415	1,894,820	45,275,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

14 INTANGIBLE ASSETS (CONTINUED)

	<i>License costs QR'000</i>	<i>Goodwill QR'000</i>	<i>Customer contracts and related customer relationship QR'000</i>	<i>Brand/Trade names QR'000</i>	<i>Concessions intangible assets QR'000</i>	<i>IRU, software and other intangibles QR'000</i>	<i>Total QR'000</i>
Amortisation and impairment:							
At 1 January 2010	3,497,629	448,176	619,461	430,945	182,164	241,322	5,419,697
Amortisation during the year	1,142,002	-	188,778	211,173	71,258	7,796	1,621,007
Impairment during the year	36,251	-	-	-	-	-	36,251
Reclassification	-	-	-	-	(28,923)	12,399	(16,524)
Exchange adjustment	(32,085)	943	18,918	24,649	20,564	1,434	34,423
At 31 December 2010	4,643,797	449,119	827,157	666,767	245,063	262,951	7,094,854
Derecognition of joint venture	(697,780)	-	(78,312)	(48,939)	-	(327)	(825,358)
Acquisition of subsidiary (Note 4.1)	-	-	-	-	-	654	654
Amortisation during the year	1,124,819	-	77,518	337,263	76,206	174,220	1,790,026
Reclassification	35,045	-	-	-	-	662,665	697,710
Exchange adjustment	(120,688)	(54,486)	(10,501)	(6,111)	(682)	(31,307)	(223,775)
At 31 December 2011	4,985,193	394,633	815,862	948,980	320,587	1,068,856	8,534,111
Net book value:							
At 31 December 2011	19,839,965	12,723,482	154,478	2,723,360	473,828	825,964	36,741,077
At 31 December 2010	19,284,091	10,420,628	102,760	2,926,156	489,825	55,723	33,279,183

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

15 BUILD-OPERATE-TRANSFER AGREEMENT

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

- a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (f) below and renewal in accordance with the terms of the agreement.
- b) PTC will be responsible for the Project (including the completion of each project phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by PTC to comply with specified network performance requirements.
- c) The prices to be charged from users by PTC are subject to regulation by STC.
- d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.
- e) PTC shall pay STC revenue fees, site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in The Kingdom of Saudi Arabia is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).
- f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.
- g) The agreement may be modified in writing signed by the duly authorised representatives of STC and PTC.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

16 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

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

- (i) Navlink Inc. a Delaware Corporation is engaged in managing service delivery and providing technology solutions in the enterprise data market.
- (ii) On 1 March 2007, the Group acquired a 25% stake in AMH. AMH is the holding company for ST Telemedia’s (“STT”) stake in Star Hub Ltd., Singapore.
- (iii) On 8 May 2008, the Group acquired 27% of LTHI, a company incorporated in Philippines which is engaged in providing telecommunication services in Philippines and increased its stake to 40% on 9 December 2008.
- (iv) PT Multi Media Asia Indonesia was acquired through PT Indosat Tbk.
- (v) MEEZA QSTP LLC is registered as a limited liability company incorporated in the State of Qatar and is engaged in IT services.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

17 AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

18 OTHER NON-CURRENT ASSETS

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

- (i) Prepaid rentals represent the long term portion of prepaid rentals on sites and towers.
- (ii) Long term advances represents advances to suppliers and contractors for the procurement or construction of property, plant and equipment and advances against investments, which will be reclassified to the respective class of assets upon completion or receipt of these assets purchased.
- (iii) Long term loans represent loans granted to third parties for the purpose of investing in telecommunications outside Qatar, which carries interest at LIBOR plus margin 8% and is repayable within a period of five years. The loans are secured against pledge of shares of the invested telecommunication companies.
- (iv) Others includes an amount of QR 41,435 thousands (2010: QR 45,097 thousands) relating to long term portion of prepaid pension costs (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

19 INCOME TAX

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

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

The Company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiaries is in the range of 10% to 35% (2010: 10% to 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

The reconciliation between tax expense and the product of accounting profit multiplied by the Group's effective tax rate is as follows:-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

19 INCOME TAX (CONTINUED)

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

Reflected in the consolidated statement of financial position as follows:

	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>
Deferred tax asset	286,776	357,998
Deferred tax liability	<u>(1,637,849)</u>	<u>(1,631,787)</u>
Reconciliation of deferred tax liability – net	<u>(1,351,073)</u>	<u>(1,273,789)</u>
	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>
At 1 January	1,273,789	1,178,065
Derecognition of joint venture	23,128	-
Acquisition of subsidiaries (Note 4.1)	(46,255)	-
Tax expense during the year	111,182	25,992
Tax on other comprehensive income	1,911	(2,924)
Exchange adjustment	<u>(12,682)</u>	<u>72,656</u>
At 31 December	<u>1,351,073</u>	<u>1,273,789</u>

Unrecognised deferred tax assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

20 INVENTORIES

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

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

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

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

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

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

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

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

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

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

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

22 CASH AND CASH EQUIVALENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

22 CASH AND CASH EQUIVALENTS (continued)*Notes:*

- (i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 13,860,975 thousands (2010: QR 15,804,342 thousands). The management is of the opinion that these fixed deposits are readily convertible to cash and is held to meet short-term commitments.
- (ii) Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and the interest on the respective short term deposit rates range from 0.35% to 9.75% (2010 : 0.76% to 10%)

23 SHARE CAPITAL

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

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

24 RESERVES**a) Legal reserve**

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued share capital. During 2008, an amount of QR 5,494,137 thousands, being the net share premium amount arising out of the rights issue was transferred to legal reserve.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law and the Company's Articles of Association. No Such transfer has been made during the year as the legal reserve has already exceeded 50% of the paid up share capital.

b) Fair value reserve

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

c) Translation reserve

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

d) Other statutory reserves

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

25 COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS

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

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

Continued ...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

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

Presented in the consolidated statement of financial position as:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Others - Loan 34:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS

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

Movement in the provision for employee benefits are as follows:

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

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

Employees' end of service benefits

The Company and its certain subsidiaries provide end of service benefits to their employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**Post-retirement healthcare plan**

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

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

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

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

	<i>2011</i>	<i>2010</i>
Annual discount rate	8.0%	9.5%
Ultimate cost trend rate	6.0%	6.0%
Next year trend rate	12.0%	14.0%
Period to reach ultimate cost trend rate	4 Years	4 years

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**Post-retirement healthcare plan (continued)**

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

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

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

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

Defined Benefit Pension Plan/Labour Law No. 13/2003**i) Labour Law No. 13/2003**

Indosat, Lintasarta and IMM also accrue benefits under Indonesian Labor Law No. 13/2003 ("Labor 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 Labor Law for the year ended 31 December 2011 is calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2011</i>	<i>2010</i>
Annual discount rate	7.5%	8.5% - 9.0%
Annual rate of increase in compensation	8.0% - 9.0%	8.0% - 9.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**i) Labour Law No. 13/2003 (continued)**

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

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

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

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

ii) Defined Benefit Pension Plan

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

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

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

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

	<i>2011</i>	<i>2010</i>
Annual discount rate	7.0% - 7.5%	8.5% - 9.0%
Expected annual rate of return on plan assets	4.5% - 9.0%	4.5% - 8.0%
Annual rate of increase in compensation	3.0% - 9.0%	3.0 - 9.0%
Mortality rate	TMI 1999	TMI 1999

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

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

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

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

iii) Defined Contribution Pension Plan

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

28 OTHER NON-CURRENT LIABILITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

28 OTHER NON-CURRENT LIABILITIES (CONTINUED)*Notes:*

- (i) In August 2007, the CMC granted AsiaceLL Communications LLC, Iraq (“ACL, Iraq”) a 15 year license, which may be extended by an additional 5 years, to operate a public mobile terrestrial wireless cellular telecommunications network. The license requires that ACL, Iraq pay a license fee of QR 4,551,875 thousands to the CMC of which QR 1,820,750 thousands was outstanding as at 31 December 2010. This was fully settled during the year along with the interest.
- (ii) This amount represents the amounts payable to the Ministry of Communication and Technology with respect to the 3G license and Broadband Wireless Access (WDA) and amounting to QR 883,482 thousands (2010: QR 985,061 thousands) and QR 56,114 thousands (2010: QR 59,645 thousands) respectively. The 3G license was obtained in two phases, the first during the year 2006 and the second in 2009. The payment terms of the amount outstanding is based on a payment scheme considering the auction prices while obtaining the respective license and is subject to interest at the Certificate of Bank of Indonesia rate.
- (iii) Amounts payable to TRC represents the fair value of obtaining the Radio Spectrum License by a subsidiary in the Hashemite Kingdom of Jordan. As agreed with TRC, the subsidiary should settle the license costs amounting to QR 36,512 thousands in annual installments of QR 4,348 thousands bearing a compound interest rate of 9%.
- (iv) This amount represents the site restoration provision in the books of a subsidiary as of the reporting date. The subsidiary is committed to restore each site as it is vacated.

29 ACCOUNTS PAYABLE AND ACCRUALS

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

- (i) License costs payable include current portion of the unpaid license fees payable to Communications and Media Commission (CMC) Iraq and Telecommunications Regulatory Commission (“TRC”) Jordan, as more explained in Notes 28 (i) and 28 (iii) respectively.
- (ii) Included in other payables is an amount of QR 358,515 thousands (2010: QR294,498 thousands) due to a Saudi operator for the usage of network which is net of costs incurred to setup and install the network equipment in the Saudi operator’s facilities as per the BOT agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

30 DIVIDENDS AND BONUS SHARES*Dividends paid and proposed*

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

Bonus shares:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

31 DERIVATIVE FINANCIAL INSTRUMENTS**Derivatives not designated as hedging instruments**

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

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

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

Cash flow hedges

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

32 COMMITMENTS**Capital expenditure commitments**

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	<u>2,332,682</u>	<u>2,832,404</u>
Intangible assets		
For the acquisition of Palestine mobile license	<u>575,558</u>	<u>515,641</u>
Operating lease commitments		
	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Future minimum lease payments:		
Not later than one year	208,731	180,612
Later than one year and not later than five years	489,708	515,269
Later than five years	<u>248,370</u>	<u>302,158</u>
Total operating lease expenditure contracted for at 31 December	<u>946,809</u>	<u>998,039</u>

33 CONTINGENT LIABILITIES

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

Filings against the Company

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

34 TAX CLAIM

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

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

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

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

35 FINANCIAL RISK MANAGEMENT

Objectives and policies

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

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

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

Market risk

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

Interest rate risk

The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, interest bearing loans and borrowings. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the end of the financial reporting year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Interest rate risk (continued)**

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.

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

Foreign currency risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Foreign currency risk (continued)**

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:

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

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

Equity price risk

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

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

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

Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Credit risk (continued)**

The Group provides telecommunication services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of allowance for impairment as at 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Qatar	666,301	615,062
Other countries	1,799,863	1,565,932
	<u>2,466,164</u>	<u>2,180,994</u>

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:

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of Groups own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk (continued)**

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

	<i>On demand</i> <i>QR'000</i>	<i>Less than 1 year</i> <i>QR'000</i>	<i>1 to 2 years</i> <i>QR'000</i>	<i>2 to 5 years</i> <i>QR'000</i>	<i>> 5 years</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
At 31 December 2011						
Interest bearing loans and borrowings	-	15,688,275	8,451,072	17,397,395	16,426,944	57,963,686
Accounts payable	-	3,400,641	-	-	-	3,400,641
License costs payable	-	267,451	250,347	765,784	216,366	1,499,948
Other financial liabilities	-	830,508	165,611	-	-	996,119
	-	<u>20,186,875</u>	<u>8,867,030</u>	<u>18,163,179</u>	<u>16,643,310</u>	<u>63,860,394</u>
At 31 December 2010						
Interest bearing loans and borrowings	1,710	4,815,303	15,153,921	19,177,445	20,405,155	59,553,534
Accounts payable	-	3,826,538	-	-	-	3,826,538
License costs payable	-	834,915	789,290	1,850,040	308,795	3,783,040
Other financial liabilities	-	3,405,377	387,574	248,062	-	4,041,013
	<u>1,710</u>	<u>12,882,133</u>	<u>16,330,785</u>	<u>21,275,547</u>	<u>20,713,950</u>	<u>71,204,125</u>

Capital management

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

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2011 and 31 December 2010.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

36 FAIR VALUES OF FINANCIAL INSTRUMENTS**Fair values**

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

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

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

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. At the end of the reporting period, the carrying amounts of such receivables, net of allowances, approximate their fair values.
- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of unquoted investments, loans from banks and other financial indebtedness, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair values of unquoted financial assets are estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and interest rate curves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy**

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

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

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

Financial assets

	<i>2011</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available- for- sale investments	2,016,343	677,983	1,244,945	93,415
Derivative financial instruments	63,991	-	63,991	-
	<u>2,080,334</u>	<u>677,983</u>	<u>1,308,936</u>	<u>93,415</u>

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

Financial liabilities

	<i>2011</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	382,251	-	382,251	-

	<i>2010</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	762,245	-	762,245	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Financial liabilities (continued)**

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

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

37 RELATED PARTY DISCLOSURES**Related party transactions and balances**

Related parties include associated companies including Government and semi Government agencies, associates (refer note 16), major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management.

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

Transactions with Directors and other key management personnel

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**Impairment of non-financial assets**

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

Useful lives of property, plant and equipment

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

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. All investments are classified as "available-for-sale".

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20-30% or more and "prolonged" greater than nine (9) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Fair value of unquoted equity investments

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

Deferred tax assets

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

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of accounts receivable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**Revenue recognition – fair value determination for customer loyalty programmes**

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

Hedge effectiveness for cash flow hedges

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

39 IMPAIRMENT TESTING OF GOODWILL

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

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

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

Key Assumptions used in value in use calculations**Key Assumptions**

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

Discount rates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

39 IMPAIRMENT TESTING OF GOODWILL (continued)**Growth rate estimates**

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

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

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

	<i>2011</i>	<i>2010</i>
Kuwait	5.2%	1.2%
Algeria	6.4%	1.45%
Tunisia	2.7%	1.45%
Indonesia	3.4%	6.48%
Iraq	70.6%	36.80%

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

40 SEGMENT INFORMATION

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

1. Qtel is a provider of domestic and international telecommunication services within the State of Qatar;
2. Asiaccell 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 SEGMENT INFORMATION (continued)

Operating segments

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

Year ended 31 December 2011

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 SEGMENT INFORMATION (continued)

Year ended 31 December 2010

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

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

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

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Amortisation of additional intangibles identified in PPA	<u>(714,845)</u>	<u>(790,427)</u>
	<u>(714,845)</u>	<u>(790,427)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 SEGMENT INFORMATION (continued)

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

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

Notes:

- (i) Goodwill amounting to QR 12,723,482 thousands (31 December 2010: QR 10,420,628 thousands) was not considered as part of segment assets as goodwill is not used by the Chief Decision Making officers for strategic decision making purposes .
- (ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

41 CONTRIBUTION TO SOCIAL AND SPORTS FUND

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

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

42 COMPARATIVE INFORMATION

Reclassification of comparative financial statements

Corresponding figures for 2010 have been reclassified in order to conform with the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or shareholder's equity.

	<i>As reclassified</i> <i>QR'000</i>	<i>As reported in 2010</i> <i>QR'000</i>
<i>Consolidated income statement</i>		
Revenue	27,376,582	27,178,999
Operating expenses	(8,734,647)	(8,537,064)
<i>Consolidated statement of financial position</i>		
Other statutory reserves	404,580	-
Retained earnings	8,834,207	9,238,787
Employee benefits	913,325	690,982
Other non-current liabilities	3,185,399	3,407,742

43 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 7 February 2012, one of the Group's subsidiaries PT Indosat Tbk entered into an asset purchase agreement to sell 2,500 of its telecommunication towers to another company in Indonesia for a total potential consideration of US\$ 519 million. On the same date, the company also entered into a master lease agreement with the buyer to leaseback the 2,500 site spaces on telecommunication towers for an initial period of ten years.