Qatar Telecom (Qtel) Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2010

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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, the auditor considers 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

ERNST & YOUNG

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal Requirements

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

ERNST & YOUNG
Doha
ارنست ويونغ
الدوحة

Date: 1 March 2011
Doha

CONSOLIDATED INCOME STATEMENT
Year Ended 31 December 2010

	Notes	*2010* *QR'000*	*2009* *QR'000* *(Restated)*
Revenue	6	**27,178,999**	24,025,256
Operating expenses	7	**(8,537,064)**	(7,327,606)
Selling, general and administrative expenses	8	**(6,047,570)**	(5,476,326)
Depreciation and amortisation	9	**(6,317,416)**	(5,484,241)
Finance costs – Net	10	**(1,804,387)**	(1,498,233)
Impairment loss on intangibles, investment in associates and available-for-sale investments		**(46,250)**	(386,776)
Other income (expenses) – Net	11	**657,611**	1,143,970
Share of results of associates	17	**(129,636)**	9,358
Royalties and fees	12	**(320,815)**	(459,154)
PROFIT BEFORE TAX		**4,633,472**	4,546,248
Income tax	20	**(545,550)**	(617,958)
PROFIT FOR THE YEAR		**4,087,922**	3,928,290
Attributable to:			
Shareholders of the parent		**2,887,843**	2,825,329
Non-controlling interests		**1,200,079**	1,102,961
		4,087,922	3,928,290
BASIC AND DILUTED EARNINGS PER SHARE (attributable to shareholders of the parent) (expressed in QR per share)	13	**19.69**	19.26

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2010

	Note	***2010*** ***QR'000***	*2009* *QR'000* *(Restated)*
Profit for the year		**4,087,922**	3,928,290
Other comprehensive income			
Net gain on available-for-sale investments	26	**248,995**	212,788
Net gain on cash flow hedges	26	**3,748**	76,627
Exchange differences on translation of foreign operations	26	**1,053,835**	1,636,833
Share of other comprehensive income of associates	26	**1,473**	6,276
Other comprehensive income for the year, net of tax		**1,308,051**	1,932,524
Total comprehensive income for the year		**5,395,973**	5,860,814
Attributable to:			
Shareholders of the parent		**3,948,758**	4,417,280
Non-controlling interests		**1,447,215**	1,443,534
		5,395,973	5,860,814

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	***2010 QR'000***	*2009 QR'000 (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	14	**32,172,984**	29,766,515
Intangible assets	15	**33,279,183**	34,104,052
Investment in associates	17	**2,126,315**	1,944,635
Available-for-sale investments	18	**1,862,006**	1,698,758
Other non-current assets	19	**967,889**	1,128,131
Deferred tax asset	20	**357,998**	353,202
		70,766,375	68,995,293
Current assets			
Inventories	21	**316,584**	254,531
Accounts receivable and prepayments	22	**4,739,950**	4,199,699
Bank balances and cash	23	**25,575,667**	11,511,570
		30,632,201	15,965,800
TOTAL ASSETS		**101,398,576**	84,961,093
EQUITY AND LIABILITIES			
Attributable to shareholders of the parent			
Share capital	24	**1,466,667**	1,466,667
Legal reserve	25	**6,494,137**	6,494,137
Fair value reserve		**49,996**	(185,501)
Translation reserve		**1,780,473**	955,055
Retained earnings		**9,238,787**	6,889,160
		19,030,060	15,619,518
Non-controlling interests		**15,196,832**	13,834,749
Total equity		**34,226,892**	29,454,267

Continued…………

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2010

	Notes	**2010** **QR'000**	2009 QR'000 (Restated)
Non-current liabilities			
Interest bearing loans and borrowings	27	**43,742,821**	33,798,433
Employees benefits	28	**690,982**	605,490
Deferred tax liability	20	**1,631,787**	1,531,267
Other non-current liabilities	29	**3,407,742**	3,806,087
		49,473,332	39,741,277
Current liabilities			
Accounts payable and accruals	30	**10,475,638**	9,674,195
Current account with State of Qatar		**2,891,194**	2,803,015
Deferred income		**1,351,216**	1,012,438
Interest bearing loans and borrowings	27	**2,518,853**	1,884,409
Income tax payable		**461,451**	391,492
		17,698,352	15,765,549
Total liabilities		**67,171,684**	55,506,826
TOTAL EQUITY AND LIABILITIES		**101,398,576**	84,961,093

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

....
Ali Shareef Al-Emadi
Member of the Board

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2010

	Notes	*2010* *QR'000*	*2009* *QR'000* *(Restated)*
OPERATING ACTIVITIES			
Profit before tax		**4,633,472**	4,546,248
Adjustments for:			
Depreciation and amortization	9	**6,317,416**	5,484,241
Dividend and interest income	10,11	**(587,972)**	(475,209)
Impairment loss on intangibles, investment in associates and available-for-sale investments		**46,250**	386,776
Profit on disposal of available-for-sale investments	11	**(40,516)**	(16,398)
(Profit) Loss on disposal of plant and equipment	11	**(26,024)**	771
Finance costs	10	**2,366,592**	1,944,868
Negative goodwill released to the income statement	15	**-**	(78,224)
Provision for employees end of service benefits	28	**82,986**	113,680
Share of results of associates	17	**129,636**	(9,358)
		12,921,840	11,897,395
Working capital changes:			
Inventories		**(62,053)**	21,470
Receivables		**(540,251)**	(333,533)
Payables		**757,159**	708,613
Cash from operations		**13,076,695**	12,293,945
Finance costs paid		**(2,418,416)**	(1,489,844)
Employees' end of service benefits paid	28	**(13,277)**	(52,877)
Income tax paid		**(449,599)**	(783,095)
Net cash from operating activities		**10,195,403**	9,968,129
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	**(6,941,775)**	(8,392,979)
Additions to intangible assets	15	**(193,843)**	(1,123,600)
Acquisition of subsidiaries, net of cash acquired	4	**-**	(20,733)
Proceeds from changes in ownership interest	4	**624,777**	-
Additional investment in associates		**(156,001)**	-
Purchase of available-for-sale investments		**(19,866)**	(31,812)
Proceeds from disposal of plant and equipment		**564,544**	11,669
Proceeds from sale of available-for-sale investments		**138,203**	207,609
Net movement in other non-current assets		**71,973**	(353,771)
Net movement in restricted deposits		**4,268**	173,789
Dividend and interest income		**587,972**	475,209
Net cash used in investing activities		**(5,319,748)**	(9,054,619)

Continued…………

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended 31 December 2010

	Notes	2010 QR'000	2009 QR'000 (Restated)
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		**21,298,543**	15,372,155
Repayment of interest bearing loans and borrowings		**(10,698,669)**	(7,456,034)
Acquisition of non-controlling interest		**(4,948)**	(3,009,888)
Capital contribution by non-controlling interest		**246,158**	-
Additions to deferred financing costs	27	**(335,870)**	(398,839)
Dividends paid to shareholders of the parent		**(462,000)**	(660,000)
Dividend paid to non-controlling interests		**(254,869)**	(265,729)
Net movement in non-controlling interests		**(6,982)**	(18,349)
Net movement in other non-current liabilities		**(398,345)**	74,350
Net cash from financing activities		**9,383,018**	3,637,666
INCREASE IN CASH AND CASH EQUIVALENTS		**14,258,673**	4,551,176
Net foreign exchange differences		**(187,076)**	(715,504)
Cash and cash equivalents at 1 January		**11,486,323**	7,650,651
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23	**25,557,920**	11,486,323

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2010

	Attributable to shareholders of the parent							
	Share capital QR'000	*Legal reserve QR'000*	*Fair value reserve QR'000*	*Translation reserve QR'000*	*Retained earnings QR'000*	*Total QR'000*	*Non-controlling interests QR'000*	*Total equity QR'000*
At 1 January 2010 (Restated)	1,466,667	6,494,137	(185,501)	955,055	6,889,160	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	-	-	235,497	825,418	2,887,843	3,948,758	1,447,215	5,395,973
Dividend paid for 2009 (Note 31)	-	-	-	-	(1,026,667)	(1,026,667)	-	(1,026,667)
Dividends of subsidiaries	-	-	-	-	-	-	(254,869)	(254,869)
Transfer to social and sports fund (Note 42)	-	-	-	-	(51,553)	(51,553)	-	(51,553)
Acquisition of non-controlling interests (Note 4)	-	-	-	-	(3,956)	(3,956)	(992)	(4,948)
Changes in ownership interests (Note 4)	-	-	-	-	543,960	543,960	177,711	721,671
Net movement in non-controlling interests	-	-	-	-	-	-	(6,982)	(6,982)
At 31 December 2010	**1,466,667**	**6,494,137**	**49,996**	**1,780,473**	**9,238,787**	**19,030,060**	**15,196,832**	**34,226,892**

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 2010

	Attributable to shareholders of the parent							
	Share capital QR'000	*Legal reserve QR'000*	*Fair value reserve QR'000*	*Translation reserve QR'000*	*Retained earnings QR'000*	*Total QR'000*	*Non-controlling interests QR'000*	*Total equity QR'000*
At 1 January 2009, as previously reported	1,466,667	6,494,137	(458,678)	(363,719)	5,561,908	12,700,315	14,237,928	26,938,243
Adjustment due to change in treatment of Prepaid Land rights (Note 42)	-	-	-	-	11,090	11,090	6,105	17,195
At 1 January 2009 (restated)	1,466,667	6,494,137	(458,678)	(363,719)	5,572,998	12,711,405	14,244,033	26,955,438
Profit for the year (restated)	-	-	-	-	2,825,329	2,825,329	1,102,961	3,928,290
Other comprehensive income	-	-	273,177	1,318,774	-	1,591,951	340,573	1,932,524
Total comprehensive income	-	-	273,177	1,318,774	2,825,329	4,417,280	1,443,534	5,860,814
Dividend for 2008 (Note 31)	-	-	-	-	(1,466,667)	(1,466,667)	-	(1,466,667)
Dividends of subsidiaries	-	-	-	-	-	-	(265,729)	(265,729)
Transfer to social and sports fund (Note 42)	-	-	-	-	(42,500)	(42,500)	-	(42,500)
Acquisition of non-controlling interests (Note 4)	-	-	-	-	-	-	(1,568,740)	(1,568,740)
Net movement in non-controlling interests	-	-	-	-	-	-	(18,349)	(18,349)
At 31 December 2009 (Restated)	1,466,667	6,494,137	(185,501)	955,055	6,889,160	15,619,518	13,834,749	29,454,267

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 Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the "Company") on 25 November 1998, pursuant to Law No. 21 of 1998. Under that Law, Qatar Telecom (Qtel) Q.S.C. was exclusively entitled to provide domestic and international telecommunication services in Qatar for a period of 15 years and had the right to own, operate, maintain and develop telecommunications network within and outside Qatar.

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

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

The Company 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 2010 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 1 March 2011.

2 BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010

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.

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.

2 BASIS OF CONSOLIDATION (continued)

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

- 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 profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Some of the above-mentioned requirements were applied on a prospective basis. However the following differences, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

2 BASIS OF CONSOLIDATION (continued)

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

Name of subsidiary	*Country of incorporation*	***Group effective shareholding percentage*** *31 December 2010*	*31 December 2009*
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%**
Al-Wataniya International for Intellectual Properties B.S.C	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%**
World Trade Glory Ltd	British Virgin Islands	**100%**	**100%**
JRAA – JHI Corp	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%**
TDC–Qtel MENA Investcom B.S.C. ("MENA")	Bahrain	**100%**	**79.4%**
Qtel Malta Holding Company Ltd.	Malta	**100%**	**-**
Omani Qatari Telecommunications Company S.A.O.G. (formerly known as Omani Qatari Telecommunications Company S.A.O.C.)("Nawras")	Sultanate of Oman	**55.0%**	**55.6%**
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%**
Wataniya Telecom Maldives Pvt Ltd (WTM)	Republic of Maldives	**52.5%**	**52.5%**
Starlink W.L.L.	Qatar	**60.0%**	**51.0%**
Wataniya Telecom Algerie S.P.A. (WTA) (i)	Algeria	**46.3%**	**46.3%**
WARF Telecom International Private Limited (WARF) (i)	Republic of Maldives	**34.1%**	**34.1%**
Public Telecommunication Company Ltd. (PTC) (i)	Saudi Arabia	**29.2%**	**29.2%**
Wataniya Palestine Mobile Telecommunication Public Shareholding Company (Formerly known as Wataniya Palestine Mobile Telecommunication Company Limited) (WPT) (i)	Palestine	**25.4%**	**29.9%**
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 L.L.C. ("ACL, Iraq") (ii)	Iraq	**30.0%**	**30.0%**
wi-tribe Limited ("WiT")	Cayman Islands	**86.1%**	**77.5%**
wi-tribe Limited – Jordan P.S.C.	Jordan	**86.1%**	**77.5%**
wi-tribe Pakistan Limited	Pakistan	**86.1%**	**77.5%**
PT Indosat Tbk	Indonesia	**65.0%**	**65.0%**
Indosat Finance Company B.V. ("IFB")	Netherlands	**65.0%**	**65.0%**

2 BASIS OF CONSOLIDATION (continued)

Indosat International Finance Company B.V. ("IIFB")	Netherlands	**65.0%**	**65.0%**
Indosat Singapore Pte. Ltd. ("ISP")	Singapore	**65.0%**	**65.0%**
PT Indosat Mega Media ("IMM")	Indonesia	**64.9%**	**64.9%**
PT Starone Mitra Telekomunikasi ("SMT") (iii)	Indonesia	**47.2%**	**47.2%**
PT Aplikanusa Lintasarta("Lintasarta") (iii)	Indonesia	**47.0%**	**47.0%**
PT Artajasa Pembayaran Elektronis ("APE") (iii)	Indonesia	**25.9%**	**25.9%**
Indosat Palapa Company BV ("IPBV")	Netherlands	**65.0%**	**-**
Indosat Mentari Company BV ("IMBV")	Netherlands	**65.0%**	**-**
PT Lintas Media Danawa ("LMD") (iii)	Indonesia	**32.9%**	**-**

Notes:

(i) The Group has the power, indirectly through Wataniya Telecom by virtue of Wataniya Telecom having majority of the voting interests in these companies, to govern the financial and operating policies of Wataniya Telecom Algerie S.P.A. (WTA), WARF Telecom International Private Limited (WARF), Public Telecommunication Company Ltd. (PTC) and Wataniya Palestine Mobile Telecommunications P.S.C. 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 in Raywood held by the Group to carry out investment activities in Iraq. Raywood established Al-Rowad General Services Limited ("AL Rowad") in Iraq as a wholly owned subsidiary to acquire 49% voting interests in Asia Cell Communications L.L.C. ("ACL, Iraq"), a company with license to provide telecommunication services in Iraq. The Group has the power to govern the financial and operating policies of ACL, Iraq by virtue of the shareholders' agreements entered into between Raywood, AL Rowad and ACL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and, accordingly ACL, Iraq is considered as a subsidiary of the Group.

(iii) The Group has the power, indirectly through PT Indosat Tbk ("Indosat") by virtue of Indosat having more than 51% of the voting interest or control in these companies, to govern the financial and operating policies of PT Starone Mitra Telekomunikasi ("SMT"), PT Aplikanusa Lintasarta ("Lintasarta"), PT Artajasa Pembayaran Elektronis ("APE") and PT Lintas Media Danawa ("LMD") and accordingly, these companies have been considered as subsidiaries of the Group. LMD was an associate company up to 24 November 2010 when Indosat through its subsidiary PT Aplikanusa Lintasarta ("Lintarsarta") increased its stake from 35% to 55%. In December 2010, Lintasarta further increased its stake in LMD from 55% to 70%.

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

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of available-for-sale investments and derivative financial instruments that have been measured at fair value.

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.

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

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 2010. The following amendments and interpretations became effective in 2010:

Standard/ Interpretation	*Content*
IFRS 2	Share-based Payment
IFRS 3	Business combinations
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items
IFRIC 17	Distribution of non-cash assets to owners

The principal effects of these changes are as follows:

IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The Group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and did not have any impact on the financial position of the Group.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

Improvements to IFRSs
In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group, except as discussed below

IAS 17 (amendment)
Based on IAS 17 (amendment) made during 2009 which is effective from 1 January 2010, the standard now requires an entity to classify leases over land as finance or operating leases. The Group has reclassified certain long term land lease rights as finance lease retrospectively. The effect of the reclassification has been discussed in Note 42 (i) b.

IFRS 8 *Operating Segment Information*:
Clarifies that segment assets and liabilities need to be reported only when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker reviews segment assets and liabilities, the Group has continued to disclose this information in Note 41.

IAS 7 *Statement of Cash Flows:* States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IAS 36 *Impairment of Assets*:
The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

Standard/ Interpretation	***Content***
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IAS 1	Presentation of Financial Statements
IAS 17	Leases
IAS 34	Interim Financial Reporting
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 16	Hedge of a Net Investment in a Foreign Operation

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

The following standards, amendments and interpretations have been issued but are mandatory for the accounting periods beginning on or after 1 January 2011 or later periods and are expected to be relevant to the Group:

Standard/ Interpretation	***Content***	***Effective date***
IAS 24	Related Party Disclosures (Amendment)	1 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (Amendment)	1 February2010
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IFRIC 14	Prepayments of a minimum funding requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to IFRSs	Issued in May 2010	1 July 2010

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 2010.

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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax: (continued)
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 nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit 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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Land is not depreciated.

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

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

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

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

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

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 profit or loss.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Business combinations from 1 January 2010 (continued)

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.

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

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

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

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

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

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

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

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

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

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

3 BASIS OF PREPARATION AND SUMMARY OF 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.

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

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

		License costs	*Customer contracts and related customer relationships*	*Brand/ Trade names*	*Concession intangible assets*
Useful lives	:	Finite (10 – 50 years)	Finite (2 – 8 years)	Finite (8-25 years)	Finite (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
Internally generated or acquired	:	Acquired	Acquired	Acquired	Acquired

3 BASIS OF PREPARATION AND SUMMARY OF 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 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.

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

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

Under the equity method, the investment in the associate is carried in the 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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments:
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 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 the certain of the Group's unquoted equity investments, 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.

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.

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.

3 BASIS OF PREPARATION AND SUMMARY OF 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.

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.

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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pensions and other post employment benefits: (continued)

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.

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 37.

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.

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.

The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the end of the financial reporting year and their income statements are translated at average exchange rates. The exchange differences arising on the translation are included as other comprehensive income and are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging
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.

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. These are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss on cross currency swaps and forward currency contracts is recognised in the consolidated income statement.

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.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

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

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

- embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

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

Acquisition of non-controlling interests and changes in percentage holding in 2010

4.1 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 4,948,000 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 11,017,000 and the share of carrying value of the additional interest acquired was QR 992,000. The excess of the cash consideration over the carrying values of net assets acquired amounting to QR 3,956,000 has been recognised in retained earnings within equity.

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

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 624,777,000 and the value of net assets representing the shares offered by the Group in the public issue was QR 192,996,000

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 60,995,000. The value of net assets acquired from the non-controlling interest was QR 186,057,000.

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 6,939,000 and a cumulative amount of QR 556,843,000 being the difference between the amount by which the non-controlling interests are adjusted and the net consideration received, is recognised in the consolidated statement of changes in equity under retained earnings.

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES TO PERCENTAGE HOLDINGS (continued)

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

During the year, the Group contributed an amount of QR 102,329,000 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 23,339,000 as part of retained earnings in the consolidated statement of changes in equity.

4.4 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 36,222,000 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.

4.5 Business combinations in 2009

Acquisition of Al-Bahar United Company W.L.L. ("FONO")

On 22 January 2009, the Group acquired 100% of the voting shares of Al-Bahar United Company W.L.L. (FONO), a company domiciled and registered in the State of Kuwait. FONO is engaged in the retail sales of mobile handsets. The acquisition has been accounted for using the purchase method of accounting.

The net assets of FONO acquired amounted to QR 7,552,000 based on the fair values assigned to the acquiree's identifiable assets and liabilities determined by a Purchase Price Allocation carried out by the management. The purchase consideration amounted to QR 21,188,000 with a resultant goodwill of QR 13,636,000. The net cash out flow on acquisition net of cash acquired with the subsidiary of QR 455,000 amounted to QR 20,733,000.

From the date of acquisition, FONO contributed a profit of QR 4,187,000 to the profit of the Group for the year ended 31 December 2009. If the acquisition had taken place at the beginning of the year 2009, the revenue of the Group would have been QR 24,030,491,000 and profit from continuing operations would have been QR 3,880,833,000.

5 INTEREST IN A JOINT VENTURE

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

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

	2010 QR'000	*2009 QR'000*
Share of joint venture's statement of financial position:		
Current assets	**355,188**	447,702
Non-current assets	**1,061,494**	1,158,538
Current liabilities	**(623,006)**	(670,816)
Non-current liabilities	**(12,937)**	(148,617)
Carrying amount of net assets	**780,739**	786,807

5 INTEREST IN A JOINT VENTURE (continued)

	2010 *QR'000*	*2009* *QR'000*
Share of joint venture's income statement:		
Revenue	**1,286,588**	1,298,852
Other income (expenses)	**(2,243)**	960
General and administrative expenses	**(798,587)**	(811,706)
Finance costs	**(4,332)**	(13,176)
Income tax	**(180,604)**	(173,597)
Profit for the year	**300,822**	301,333

6 REVENUE

	2010 *QR'000*	*2009* *QR'000*
Revenue from rendering of services	**26,518,790**	23,609,284
Sale of telecommunications equipment	**420,327**	331,642
Revenue from use of assets by others	**100,999**	22,024
Network construction revenue (Note 16)	**138,883**	62,306
	27,178,999	24,025,256

7 OPERATING EXPENSES

	2010 *QR'000*	*2009* *QR'000*
Outpayments and interconnect charges	**2,853,327**	2,521,155
Regulatory and related fees	**1,857,848**	1,181,117
Rentals and utilities	**1,337,471**	1,173,303
Leased circuit rentals	**936,969**	1,007,554
Cost of equipment sold and other services	**758,411**	751,560
Repairs and maintenance	**647,497**	626,562
Network construction costs (Note 16)	**138,883**	62,306
Provision for obsolete and slow moving inventories (Note 21)	**6,658**	4,049
	8,537,064	7,327,606

8 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2010 ***QR'000***	*2009* *QR'000*
Employee salaries and associated costs	**2,784,336**	2,508,705
Marketing costs and sponsorship	**1,172,497**	1,062,249
Legal and professional fees	**329,377**	273,489
Commission on cards	**824,739**	691,541
Allowance for impairment of receivables (Note 22)	**199,364**	173,532
Other expenses	**737,257**	766,810
	6,047,570	5,476,326

9 DEPRECIATION AND AMORTISATION

	2010 ***QR'000***	*2009* *QR'000* *(Restated)*
Depreciation (Note 14)	**4,696,409**	3,791,555
Amortisation of intangibles (Note 15)	**1,621,007**	1,692,686
	6,317,416	5,484,241

10 FINANCE COSTS -NET

	2010 ***QR'000***	*2009* *QR'000*
Interest expenses	**2,202,844**	1,808,269
Amortisation of deferred financing costs (Note 27)	**152,632**	139,246
Other finance charges	**11,223**	5,958
Ineffective portion of cash flow hedges transferred (Note 26)	**(107)**	(8,605)
	2,366,592	1,944,868
Less : Interest income	**(562,205)**	(446,635)
	1,804,387	1,498,233

11 OTHER INCOME (EXPENSES) –NET

	2010 *QR'000*	*2009* *QR'000*
Gain on foreign currency exchange (net)	**152,380**	563,343
Profit on disposal of available-for-sale investments	**40,516**	16,398
Profit (loss) on disposal of plant and equipment	**26,024**	(771)
Dividend income	**25,767**	28,574
Rental income from building	**17,023**	17,081
Loss on change in fair value of derivatives (net)	**(179,229)**	(181,047)
Miscellaneous income (Note 12 and (i))	**575,130**	700,392
	657,611	1,143,970

(i) In 2009, the Court of Cassation ruled in favour of one of the Group's subsidiaries in a case brought against it by the Ministry of Communications Kuwait regarding network license fees. This judgement is not subject to any further appeal. As a result, the subsidiary has reversed previously recorded accruals, net of related expenses, amounting to QR 655,576,000 (2010: QR Nil) which was included under miscellaneous income.

12 ROYALTIES AND FEES

	2010 *QR'000*	*2009* *QR'000*
Royalty to the Government of State of Qatar	**-**	116,865
Royalty to the Government of Sultanate of Oman	**110,954**	96,313
Industry fees	**156,191**	180,057
Other statutory fees	**53,670**	65,919
	320,815	459,154

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 Mn, which has been included under other income (expenses)-net (Note 11) during the year ended 31 December 2010.

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.

12 ROYALTIES AND FEES (continued)

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 payable to ictQATAR on profits generated from the Group's operations in Qatar.

Other statutory Fees :
Contributions by National Mobile Telecommunications Company K.S.C to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat are included under other statutory.

13 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.

	2010	*2009 (Restated)*
Profit for the year attributable to shareholders of the parent (QR'000)	**2,887,843**	2,825,329
Weighted average number of shares (in thousands)	**146,667**	146,667
Basic and diluted earnings per share (QR)	**19.69**	19.26

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14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings QR'000	*Exchange and networks assets QR'000*	*Subscriber apparatus and other equipment QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:					
At 1 January 2009	3,395,148	11,894,551	7,778,674	5,898,020	28,966,393
Reclassification of prepaid land right (Note 42)	195,484	-	-	715	196,199
At January 2009 (Restated)	3,590,632	11,894,551	7,778,674	5,898,735	29,162,592
Acquisition of subsidiaries (Note 4.5)	-	-	1,935	-	1,935
Additions	7,330	107,247	24,077	8,316,341	8,454,995
Transfers	1,002,490	8,755,046	764,645	(10,522,181)	-
Disposals/reclassifications	(5,684)	6,465,863	(6,596,141)	(32,625)	(168,587)
Exchange adjustment	417,631	(262,658)	952,940	689,505	1,797,418
At 31 December 2009 (Restated)	5,012,399	26,960,049	2,926,130	4,349,775	39,248,353
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/ reclassifications	(28,761)	(2,453,719)	(81,519)	(700)	(2,564,699)
Reclassifications from intangibles	-	29,571	1,115	-	30,686
Exchange adjustment	185,038	484,967	3,617	117,570	791,192
At 31 December 2010	5,764,740	31,674,016	3,385,484	3,623,067	44,447,307
Depreciation:					
At 1 January 2009	367,915	3,565,682	1,681,229	-	5,614,826
Reclassification of prepaid land right (Note 42)	32,897	-	-	-	32,897
At January 2009 (Restated)	400,812	3,565,682	1,681,229	-	5,647,723
Provided during the year	347,920	3,024,104	419,531	-	3,791,555
Relating to disposals/reclassifications	578,832	146,842	(881,821)	-	(156,147)
Exchange adjustment	45,487	(60,507)	213,727	-	198,707
At 31 December 2009 (Restated)	1,373,051	6,676,121	1,432,666	-	9,481,838
Provided during the year	433,064	3,725,805	537,540	-	4,696,409
Relating to disposals/ reclassifications	(28,750)	(1,923,836)	(73,593)	-	(2,026,179)
Reclassification from intangibles	-	15,927	597	-	16,524
Exchange adjustment	51,927	(5,972)	59,776	-	105,731
At 31 December 2010	1,829,292	8,488,045	1,956,986	-	12,274,323
Net book value:					
At 31 December 2010	**3,935,448**	**23,185,971**	**1,428,498**	**3,623,067**	**32,172,984**
At 31 December 2009 (Restated)	3,639,348	20,283,928	1,493,464	4,349,775	29,766,515

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

i) Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR 7,573,000 (2009: 70,320,000).

ii) The property, plant and equipment of the subsidiaries Wataniya Telecom Algeria S.P.A, Wataniya Telecom Maldives Pvt Ltd and the joint venture Tunisiana amounting to QR 3,322,178,000 (2009: QR 3,472,184,000) are under registered mortgage to secure bank loans (Note 27).

iii) During the year ended 31st December 2009, the estimated useful life of certain exchange and network assets for one of its subsidiaries were revised from 7 years to 15 years based on management's best estimate and has been accounted for as a change in accounting estimate. This change has resulted in an increase in the profit for the year ended 31 December 2009 by QR 27,444,000.

iv) On August 31, 2009, one of the Subsidiary Company launched its Palapa D Satellite. The Satellite experienced an under-performance of the launch vehicle during the Satellites' placement to its intended orbital position. Consequently, its orbital lifetime has been reduced. The insurance claim for the partial loss of the Satellite has been made and is recorded as a reduction of the cost of the Satellite. The Satellite has been in operation since November 2009 after going through the process of testing and arranging its orbital position in September and October 2009. On January 4 and 19, 2010, the Company collected the Palapa D Satellite insurance claim amounting to QR 211,236,132 as a loss compensation for the decrease in the Satellite's useful life from 15 years to 10.77 years due to the under-performance of the launch vehicle in the Satellite's orbital process.

v) Land and buildings include land lease rights with a net carrying amount of QR 174,344,000 (2009: QR 168,823,000) held under finance lease.

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15 INTANGIBLE ASSETS

	License costs QR'000	*Goodwill QR'000*	*Customer contracts and related customer relationship QR'000*	*Brand/ Trade names QR'000*	*Concessions intangible assets QR'000*	*Other intangibles QR'000*	*Total QR'000*
Cost:							
At 1 January 2009	22,130,772	8,182,671	867,752	3,118,980	606,942	22,390	34,929,507
Acquisition of a subsidiary	-	13,636	-	-	-	8,728	22,364
Acquisition of non-controlling interests (Note 4)	-	1,441,148	-	-	-	-	1,441,148
Additions	1,024,880	-	-	-	62,334	36,386	1,123,600
Reversal of negative goodwill (Note 4)	-	78,224	-	-	-	-	78,224
Reversal of license cost (i)	(393,469)	-	-	-	-	-	(393,469)
Reclassification (ii)	-	123,447	(83,026)	(40,421)	-	-	-
Exchange adjustment	135,153	354,561	108,825	356,434	(32,780)	3,757	925,950
At 31 December 2009	22,897,336	10,193,687	893,551	3,434,993	636,496	71,261	38,127,324
Additions	-	-	-	33,894	139,059	20,890	193,843
Reclassification to property, plant and equipment	-	-	-	-	(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	**23,117,202**	**10,495,934**	**929,917**	**3,592,923**	**734,888**	**106,748**	**38,977,612**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 INTANGIBLE ASSETS (continued)

	License costs QR'000	*Goodwill QR'000*	*Customer contracts and related customer relationship QR'000*	*Brand/ Trade names QR'000*	*Concessions intangible assets QR'000*	*Other intangibles QR'000*	*Total QR'000*
Amortisation and impairment:							
At 1 January 2009	1,672,300	5,462	224,643	230,661	118,469	6,690	2,258,225
Amortisation during the year	1,071,556	-	336,858	187,914	75,939	20,419	1,692,686
Impairment during the year	-	68,861	-	-	-	-	68,861
Exchange adjustment	(56,913)	40	57,960	12,370	(12,244)	2,287	3,500
At 31 December 2009	2,686,943	74,363	619,461	430,945	182,164	29,396	4,023,272
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	3,833,111	75,306	827,157	666,767	245,063	51,025	5,698,429
Net book value:							
At 31 December 2010	**19,284,091**	**10,420,628**	**102,760**	**2,926,156**	**489,825**	**55,723**	**33,279,183**
At 31 December 2009	20,210,393	10,119,324	274,090	3,004,048	454,332	41,865	34,104,052

15 INTANGIBLE ASSETS (continued)

(i) Reversal of licence cost in 2009 represents the reversal of Wataniya Palestine Mobile Telecomunication P.S.C.(WPT) license cost relating to the right to use the frequencies in Gaza, Palestine. Previously, the Group recognised license costs relating to the right to use the frequencies in both Gaza and West Bank under intangible assets and the related liability under other noncurrent liabilities. The license was conditional upon the Ministry of Telecommunications and Information Technology, Palestine, fulfilling its obligations to enable WPT to launch commercial operations in West Bank and Gaza. However, WPT was not granted access to launch services in Gaza until further notice. Hence the Group has derecognised the license cost relating to the right to use the frequencies in Gaza, Palestine (based on the split of assumed subscribers and revenue for West Bank and Gaza) from intangible assets and the corresponding liability from other non-current liabilities.

(ii) During 2008, Asiacell Communication LLC (ACL Iraq) finalised its accounting and the Purchase Price Allocation for the acquisition of Asia Cell, Iraq. The fair values of the trade name and customer relationships were calculated on the basis that ACL Iraq has a full tax exemption for a period of 10 years. Based on the new information that became available in 2009, ACL Iraq is not exempt from tax which has an impact on the recognised fair value of intangible assets. The new fair values are reflected on the financial statements as of 1 January 2009 and the effect of excess amortisation charged in 2008 of QR 17,409,000 is reflected in 2009 as a reduction of accumulated amortisation. As a result, the revised fair values of intangible assets have been incorporated in the 2009 with an adjustment for the excess amortisation of intangible assets amounting to QR 17,409,000.

(iii) Intangible assets of the joint venture Tunisiana representing the mobile license totalling to QR 370,084,682 (2009: QR 473,718,910) are under registered mortgage to secure certain bank loans (Note 27).

(iv) The Group has recorded impairment loss on goodwill and license costs amounting to QR 36,251,000 (2009: QR 68,861,000) based on the management's assessment of the related assets.

16 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).

16 BUILD-OPERATE-TRANSFER AGREEMENT (continued)

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 15). 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 costs 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.

17 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Principal activity	*Country of incorporation*	***Ownership***	
			2010	*2009*
Navlink, Inc.,	*Managed Service Provider delivering technology solutions in the enterprise data market*	*United State of America*	*38%*	*38%*
Asia Mobile Holdings Pte Ltd ("AMH")	*Holding company*	*Singapore*	*25%*	*25%*
PT Lintas Media Danawa	*Information and communication services*	*Indonesia*	*-*	*35%*
PT Multi Media Asia Indonesia	*Satellite based telecommunication services*	*Indonesia*	*27%*	*27%*
PT Swadharma Marga Inforindo	*Telecommunication and information services*	*Indonesia*	*20%*	*20%*
Liberty Telecoms Holdings Inc. ("LTHI")	*Telecommunication services*	*Philippines*	*40%*	*40%*
MEEZA QSTP LLC	*Information technology services*	*Qatar*	*20%*	*20%*

(i) Navlink Inc. a Delaware Corporation is engaged in managing service delivery and providing technology solutions in the enterprise data market. During the year 2009, the investment in Navlink Inc., a Delaware Corporation was impaired to the extent of QR 46,337,000.

17 INVESTMENT IN ASSOCIATES (continued)

(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 Lintas Media and Danawas ("LMD"), PT Multi Media Asia Indonesia and PT Swadharma Marga Interindo were acquired through PT Indosat Tbk. During the year, PT Indosat Tbk through its subsidiary Lintasarta had increased its stake in LMD from 35% to 70%. Accordingly, LMD has been classified as a subsidiary during the year.

(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.

	2010 ***QR'000***	*2009* *QR'000*
Group's share of associates' statement of financial position:		
Current assets	**1,478,339**	1,250,749
Non-current assets	**1,821,929**	1,841,579
Current liabilities	**(859,130)**	(685,739)
Non-current liabilities	**(1,567,500)**	(1,584,532)
Net assets	**873,638**	822,057
Goodwill on acquisition	**1,299,014**	1,168,915
Less: impairment on investment in associate	**(46,337)**	(46,337)
Carrying amount of the investment	**2,126,315**	1,944,635
Group's share of associates' revenues and results:		
Revenues	**1,563,997**	1,159,898
Results	**(129,636)**	9,358

18 AVAILABLE-FOR-SALE INVESTMENTS

	2010 ***QR'000***	*2009* *QR'000*
Quoted equity investments	**545,899**	493,253
Unquoted equity investments	**404,296**	362,416
Unquoted debt securities	**117,227**	160,264
Investments in funds	**794,584**	682,825
	1,862,006	1,698,758

At 31 December 2010, certain unquoted equity investments amounting to QR 287,273,000 (2009: QR 269,325,000) 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 9,999,000 (2009: QR 271,578,000) 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.

19 OTHER NON-CURRENT ASSETS

	2010 ***QR'000***	*2009* *QR'000* *(Restated)*
Prepaid lease rentals (i)	**303,955**	284,803
Long term advances (ii)	**417,348**	519,309
Long term loans (iii)	**140,437**	178,656
Others (iv)	**106,149**	145,363
	967,889	1,128,131

(i) Prepaid lease rentals represents 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 45,097,000 (2009: QR 57,093,000) relating to long term portion of prepaid pension costs (Note 28).

20 INCOME TAX

The income tax represents amounts recognised by subsidiary companies.

The major components of the income tax expense for the years 2010 and 2009 are:

	2010 ***QR'000***	*2009* *QR'000* *(Restated)*
Current income tax:		
Current income tax charge	**(519,558)**	(546,816)
Adjustments in respect of previous years' income tax	**-**	(35,328)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(25,992)**	(35,814)
Income tax included in the consolidated income statement	**(545,550)**	(617,958)

The Company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiary companies and a joint venture company is in the range of 10% to 35% (2009: 12% 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:-

	2010 ***QR'000***	*2009* *QR'000* *(Restated)*
Accounting consolidated profit before tax	**4,633,472**	4,546,248
The Company and its subsidiaries that are not subject to corporate income tax	**(1,804,760)**	(1,861,409)
Accounting profit of subsidiaries and associates that are subject to corporate income tax	**2,828,712**	2,684,839
Add:		
Allowances, accruals and other temporary differences	**8,340**	16,830
Expenses and income that are not subject to corporate tax	**677,661**	318,398
Deduct:		
Depreciation-net	**(908,643)**	(364,158)
Unutilised tax losses brought forward	**(80,554)**	(283,255)
Taxable profit of subsidiaries and associates that are subject to corporate income tax	**2,525,516**	2,372,654
Current income tax charge at the effective income tax rate of 21% (2009: 23%)	**519,558**	546,816

20 INCOME TAX (continued)

	Consolidated statement of financial position		*Consolidated income statement*	
	2010	*2009*	***2010***	*2009*
	QR'000	*QR'000 (Restated)*	***QR'000***	*QR'000 (Restated)*
Accelerated depreciation for tax purposes	**(926,801)**	(661,833)	**(256,250)**	(79,967)
Losses available to offset against future taxable income	**465,244**	299,046	**166,198**	(75,325)
Allowances, accruals and other temporary differences	**32,006**	54,156	**(22,150)**	(7,136)
Deferred tax origination on Purchase Price Allocation	**(844,238)**	(869,434)	**86,210**	126,614
Deferred tax (expense) income			**(25,992)**	(35,814)
Deferred tax liability - net	**(1,273,789)**	(1,178,065)		

Reflected in the consolidated statement of financial position as follows:

	2010	*2009*
	QR'000	*QR'000 (Restated)*
Deferred tax asset	**357,998**	353,202
Deferred tax liability	**(1,631,787)**	(1,531,267)
	(1,273,789)	(1,178,065)

Reconciliation of deferred tax liability – net:

	2010	*2009*
	QR'000	*QR'000 (Restated)*
At 1 January	**1,178,065**	898,568
Tax expense (income) during the year	**25,992**	35,814
Tax impact on restatement of prepaid land right (Note 3.2)	**-**	(276)
Tax relating to translation reserve	**(2,924)**	(1,410)
Exchange adjustment	**72,656**	245,369
At 31 December	**1,273,789**	1,178,065

21 INVENTORIES

	2010	*2009*
	QR'000	*QR'000*
Subscribers' equipment	**177,262**	196,103
Other equipment	**137,065**	62,868
Cables and transmission equipment	**36,835**	23,471
	351,162	282,442
Less: Provision for obsolete and slow moving inventories	**(34,578)**	(27,911)
	316,584	254,531

Inventories consumed and recognised as expense during the year included as part of cost of equipment sold and other services under operating expenses, amounted to QR 749,745,000 (2009: QR 692,842,000).

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

	2010	*2009*
	QR'000	*QR'000*
At 1 January	**27,911**	24,020
Provided during the year (Note 7)	**6,658**	4,049
Amounts written off	**(192)**	(150)
Exchange adjustment	**201**	(8)
	34,578	27,911

22 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010	*2009*
	QR'000	*QR'000*
Trade accounts receivable	**2,180,994**	1,826,938
Other receivables and prepayments	**2,148,648**	1,868,438
Unbilled subscriber revenue	**280,471**	336,422
Positive fair value of derivatives contracts (Note 32)	**30,358**	114,312
Amounts due from international carriers	**98,703**	52,644
Net prepaid pension costs (Note 28)	**776**	945
	4,739,950	4,199,699

Other receivables and prepayments include claims for tax refund of QR 235,035,131 (2009: QR 252,445,405) relating to subsidiaries.

22 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

At 31 December 2010, trade accounts receivable amounting to QR 783,646,000 (2009: QR 654,393,000) were impaired and fully provided for.

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

	2010 ***QR'000***	*2009* *QR'000*
At 1 January	**654,393**	516,324
Acquisition of subsidiaries	**-**	370
Charge for the year (Note 8)	**199,364**	173,532
Amounts written off	**(71,507)**	(78,415)
Amount recovered	**(8,473)**	-
Exchange adjustment	**9,869**	42,582
At 31 December	**783,646**	654,393

At 31 December 2010, the ageing of unimpaired trade accounts receivable is as follows:

			Past due not impaired			
	Total *QR '000*	*Neither past due nor impaired* *QR '000*	*< 30days* *QR '000*	*30-60 days* *QR '000*	*60-90 days* *QR '000*	*> 90 days* *QR '000*
2010	**2,180,994**	**504,503**	**406,977**	**251,791**	**186,107**	**831,616**
2009	1,826,938	507,770	326,821	177,172	116,432	698,743

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.

23 CASH AND CASH EQUIVALENTS

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

	2010 ***QR'000***	*2009* *QR'000*
Bank balances and cash	**25,575,667**	11,511,570
Bank overdrafts (Note 27)	**(1,710)**	(4,942)
	25,573,957	11,506,628
Restricted deposit	**(16,037)**	(20,305)
Cash and cash equivalents at 31 December	**25,557,920**	11,486,323

23 CASH AND CASH EQUIVALENTS (continued)

Notes:

(i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 15,804,342,000 (2009: QR 111,438,000). 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 .76% to 10% (2009 : 0.5% to 14.5%)

24 SHARE CAPITAL

	2010 ***QR'000***	*2009* *QR'000*
Authorised		
200,000,000 Ordinary shares of QR 10 each	**2,000,000**	2,000,000
Issued and fully paid up		
146,666,700 Ordinary shares of QR 10 each	**1,466,667**	1,466,667

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

25 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued share capital. During the year 2007, the Board of Directors resolved to cap the legal reserve at QR 1,000,000,000 until such time the legal reserve falls below 50% of the issued capital.

During 2008, an amount of QR 5,494,137,000, 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.

26 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2010	2009
	QR'000	QR'000
Available-for-sale investments:		
Gain (loss) arising during the year	**279,512**	(43,299)
Reclassification adjustments for profit included in the income statement	**(40,516)**	(15,491)
Transfer to income statement on impairment (Note 18)	**9,999**	271,578
	248,995	212,788
Cash flow hedges :		
Gain arising during the year	**1,627**	85,232
Income tax effect	**2,228**	-
Ineffective portion of cash flow hedges transferred to income statement (Note 10)	**(107)**	(8,605)
	3,748	76,627
Associates:		
Share of net gain on cash flow hedges	**1,473**	6,276
Translation reserves:		
Exchange differences on translation of foreign operations	**1,053,146**	1,635,423
Income tax benefits	**689**	1,410
	1,053,835	1,636,833
Other comprehensive income for the year, net of tax	**1,308,051**	1,932,524

27 INTEREST BEARING LOANS AND BORROWINGS

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

	Maturity	***2010 QR'000***	*2009 QR'000*
The Company's loans:			
Loan 1 (i)	Aug 2012	**10,924,500**	10,924,500
Loan 2 (ii)	Various	**7,283,000**	-
Loan 3 (ii)	Nov 2011	**-**	7,270,974
Subsidiaries' loans:			
Qtel International Finance Limited			
Loan 4 (iii)	Jun 2014	**3,277,350**	3,277,350
Loan 5 (iii)	Jun 2019	**2,184,900**	2,184,900
Loan 6 (iii)	Oct 2016	**3,641,500**	-
Loan 7 (iii)	Feb 2021	**3,641,500**	-
Loan 8 (iii)	Oct 2025	**2,731,125**	-
Omani Qatari Telecommunications Company S.A.O.G.			
Loan 9 (iv)	Mar 2012	**672,675**	568,766
National Mobile Telecommunications Company K.S.C. and its subsidiaries:			
Loan 10 (v)	Mar 2015	**1,319,554**	1,295,065
Loan 11 (v)	Mar 2012	**140,530**	298,263
Loan 12 (v)	Nov 2013	**43,698**	65,547
Loan 13 (v)	Jun 2016	**317,610**	197,791
Loan 14 (v)	Dec 2013	**364,988**	-
wi tribe Limited:			
Loan 15 (vi)	May 2011	**425,321**	-
Starlink W.L.L.:			
Loan 16 (vii)	Various	**33**	154
PT Indosat Tbk and its subsidiaries:			
Loan 17 (viii)	Sep 2012	**526,526**	1,007,214
Loan 18 (ix)	Jun 2013	**1,638,691**	1,638,660
Loan 19 (x)	Sep 2012	**526,526**	1,200,908
Loan 20 (xi)	Nov 2019	**660,021**	733,343
Loan 21 (xii)	Various	**810,242**	479,380
Loan 22 (xiii)	May 2013	**198,012**	206,186
Loan 23 (xiv)	-	**-**	174,326
Loan 24 (xv)	Nov 2016	**83,688**	93,531
Loan 25 (xvi)	May 2011	**13,838**	41,513
Loan 26 (xvii)	Jan 2011	**1,998**	9,659
Loan 27 (xviii)	Jun 2012	**21,257**	9,209
Loan 28 (xix)	Various	**1,053,052**	1,007,214
Loan 29 (xx)	-	**-**	854,823
Loan 30 (xxi)	Various	**526,526**	503,607
Loan 31 (xxii)	Various	**437,421**	418,381
Loan 32 (xxiii)	-	**-**	398,413

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

	Maturity	***2010 QR'000***	*2009 QR'000*
The Company's loans:			
Loan 33 (xxiv)	Jun 2011	**330,091**	315,723
Loan 34 (xxv)	-	**-**	247,930
Loan 35 (xxvi)	Apr 2013	**230,861**	220,812
Loan 36 (xxvii)	May 2014	**162,008**	154,956
Loan 37 (xxviii)	Jun 2011	**115,431**	110,406
Loan 38 (xxix)	Nov 2032	**81,004**	77,478
Loan 39 (xxx)	Various	**81,004**	77,478
Loan 40(xxxi)	Jun 2012	**10,126**	9,685
Loan 41 (xxxii)	Jun 2012	**6,881**	6,581
Loan 42 (xxxiii)	Jul 2020	**2,366,998**	-
Bank overdrafts (Note 23)		**1,710**	4,942
		46,852,196	36,085,668
Less: Deferred financing costs		**(590,522)**	(402,826)
		46,261,674	35,682,842

	Principal repayment amount QR'000	*Deferred financing costs QR'000*	***2010 QR'000***	*2009 QR'000*
Presented in the consolidated statement of financial position as:				
Current portion	**2,609,948**	**(91,095)**	**2,518,853**	1,884,409
Non-current portion	**44,242,248**	**(499,427)**	**43,742,821**	33,798,433
	46,852,196	**(590,522)**	**46,261,674**	35,682,842

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

	2010 QR'000	*2009 QR'000*
At 1 January	**402,826**	189,884
Additions during the year	**335,870**	398,839
Amortised during the year (Note 10)	**(152,632)**	(139,246)
Capitalised into capital work in progress	**-**	(62,016)
Exchange adjustment	**4,458**	15,365
At 31 December	**590,522**	402,826

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

The Company's loans

i) Loan 1 (unsecured) was initially launched at US$ 2,500,000,000 (QR 9,103,750,000) and the Group has fully drawn down the loan on 6 September 2007. The facility was used to refinance the Group's existing US$ 2,500,000,000 (QR 9,103,750,000) bridge loan signed on 9 March 2007. On 1 November 2007, the facility was eventually increased by US$ 500,000,000 (QR 1,820,750,000) to US$ 3,000,000,000 (QR 10,924,500,000). The purpose of the loan was for general corporate purposes.

ii) Loan 2 (unsecured) represents a dual tranche facility agreement that the Company has entered into on 23 April 2010, denominated in US Dollars, amounting to US$ 2,000,000,000 (QR 7,283,000,000) of which US$ 1,250,000,000 (QR 4,551,875,000) will mature on 26 May 2013 and US$ 750,000,000 (QR 2,731,125,000) will mature on 26 May 2015. The facility carries interest at LIBOR plus applicable margins and was fully drawn down on 26 May 2010.

Loan 3 was fully paid by the Company on 26 May 2010.

Subsidiaries' loans

iii) On 27 May 2009, the Group established a US$ 5,000,000,000 (QR 18,207,500,000) Global Medium Term Note Programme ("Notes") and officially listed in London Stock Exchange, which is unconditionally and irrevocably guaranteed by the Company. The Notes can be issued in any number of series, but the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme should not exceed US$ 5,000,000,000 (QR 18,207,500,000). Subsequent to listing, the Group issued two series of Notes and received the proceeds of the Notes on 10 June 2009. These Notes have a total face value of US$ 1,500,000,000 (QR 5,462,250,000) and carry interest at fixed rates. The two series are:

Loan 4 (Notes): First series Notes amounting to QR 3,277,350,000 (US$ 900,000,000) which bear interest at fixed coupon rate of 6.5% per annum starting from 10 June 2009. These Notes will mature on 10 June 2014.

Loan 5 (Notes): Second series Notes amounting to QR 2,184,900,000 (US$ 600,000,000) which bears interest at fixed coupon rate of 7.875% per annum starting from 10 June 2009. These Notes will mature on 10 June 2019.

An update of the US$ 5,000,000,000 (QR 18,207,500,000) Global Medium Term Note Programme ("Notes") was completed and dated 5 October 2010. Subsequently, the Group issued three additional series of Notes. These Notes have a total face value of US$ 2,750,000,000 (QR 10,014,125,000) and carry fixed interest rates. The three series are:

Loan 6 (Notes): Third series Notes amounting to QR 3,641,500,000 (US$ 1,000,000,000) which bears interest at fixed coupon rate of 3.375% per annum starting from 14 October 2010. These Notes will mature on 14 October 2016.

Loan 7 (Notes): Fourth series Notes amounting to QR 3,641,500,000 (US$ 1,000,000,000) which bears interest at fixed coupon rate of 4.750% per annum starting from 14 October 2010. These Notes will mature on 16 February 2021.

Loan 8 (Notes): Fifth series Notes amounting to QR 2,731,125,000 (US$ 750,000,000) which bears interest at fixed coupon rate of 5.00% per annum starting from 19 October 2010. These Notes will mature on 19 October 2025.

Based on the Programme indenture, the Company should be owned directly or indirectly at least 50.1% by the Government of State of Qatar.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

iv) Loan 9 relates to a syndicated loan facility agreement with a consortium of banks for a term loan originally at US$ 270,000,000 (QR 983,205,000) to finance the activities of Omani Qatari Telecommunications Company S.A.O.C. (Nawras). In 2007, the subsidiary renegotiated the terms of the existing borrowings and availed of additional facilities amounting to US$ 91,000,000 (QR 331,376,500). At 31 December 2010, the subsidiary utilized the facility in full.

The facilities are 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. The loan agreement also contains certain restrictive covenants.

The subsidiary has entered into interest rate swaps to hedge its risks associated with interest rate fluctuations. The loan is repayable in nine semi-annual instalments commencing from 12 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 amounted to 1.18% (2009: 1.61%).

v) Loan 10 to Loan 14 represents the loans relating to National Mobile Telecommunication Company K.S.C. and its subsidiaries and the repayment terms of these loans are as follows:

Description of loan		*Repayment term*
Loan 10	:	Over a period of 9 years in instalments starting from December 2005
Loan 11	:	Over a period of 4 years in instalments starting from March 2008
Loan 12	:	Over a period of 5 years in instalments starting from November 2008
Loan 13	:	Repayable in semi-annual instalments commencing 15 January 2011 and ending 15 January 2016
Loan 14	:	Repayable in 15 December 2013

Loans 10 - 14 are secured by pledges on the respective subsidiaries and joint venture's assets and their shares. The loans are subject to various obligations and financial covenants over the terms of the debt.

vi) Loan 15 relates to wi-tribe Limited. This represents an unsecured revolving credit facility availed of by the subsidiary during the year amounting to US$151,000,000 (QR 549,900,000) carrying a fixed rate interest of 6% per annum. The loan is repayable by 11 May 2011

Loans 1 to 3 and loans 9 to 14 bear interest at respective reference rates (LIBOR, EURIBOR, Algerian repo rates, Kuwaiti Central Bank discount rate, Tunisia money market rate) plus applicable margins ranging from 0.30% to 6.5%.

vii) Loan 16 relates to the Starlink W.L.L. This represents vehicle loans which are secured against motor vehicles jointly registered in the name of the subsidiary and the bank.

viii) Loan 17 represents an unsecured five year credit facility denominated in Indonesian Rupiah (Rp) for the purchase of telecommunication equipment.

The first facility amounting to Rp 2,000,000 million (QR 810,040,000) bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating rates for the remaining years based on the prevailing annual rate of average 3-month JIBOR plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan draw downs in the 3rd and 4th years after the first drawdown, and (c) 50% of the total loan draw downs in the 5th year after the first signing date of the agreement.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 17 (continued)
On 27 September and 27 December 2007, the subsidiary made the first and second loan drawdowns totalling Rp 2,000,000 million (QR 810,040,000) representing the full amount of the facility.

Voluntary prepayment (whole or any part of the loan) is permitted without penalty if the prepayment is made after the 24th month from the date of the agreement subject to 7 days' prior written notice. Prepayment prior to the 24th month after the agreement date is allowed with penalty of 2% of the prepaid amount.

On 27 September 2008 and 25 September 2009, the subsidiary paid the first and second annual installments, respectively amounting to Rp 400,000 million (QR 162,008,000).

On 27 September 2010, the subsidiary paid the third annual installment amounting to Rp 300,000 million (QR 121,506,000).

Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.

As on 31 December 2009, there was a second facility amounting to Rp 1,000,000 million (QR 405,020,000), fully drawn down by the subsidiary on 31 July 2009 with interest at 3-month JIBOR plus 4.00% per annum which was changed effective on 31 May 2010 to an average 3-month JIBOR plus 2.25% per annum.

On 30 July 2010, the subsidiary paid the first annual instalment amounting to Rp100,000 million (QR 40,502,000).

On 15 November 2010, the subsidiary made an early repayment of the remaining loan balance amounting to Rp900,000 million (QR 364,518,000).

ix) Loan 18 represents a syndicated US Dollar loan facility dated 12 June 2008 amounting to US$ 450,000,000 (QR 1,638,675,000). The purpose of the loan is 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 repayment of the loan drawdowns will be made semi-annually, as follows: (a) 25% of the total loan drawdowns in 3rd year after the signing date of the agreement (first repayment date), (b) 24% of the total loan drawdowns in 6th month after the first repayment date, (c) 8% each of the total loan drawdowns in 12th and 18th months after the first repayment date, and (d) 35% of the total loan drawdowns in 24th month after the first repayment date. The loan bears interest at floating rates based on US Dollar LIBOR plus margin (1.9% per annum for onshore lenders and 1.85% per annum for offshore lenders), which is payable semi-annually. Based on the loan agreement the subsidiary is required to maintain certain loan covenants such as maintaining certain financial ratios.

x) Loan 19 represents unsecured five year credit facility dated 28 August 2007 denominated in Indonesian Rupiah (Rp) for the repayment of existing loan facility and the purchase of telecommunication equipment, which amounts to Rp 1,600,000 million (QR 648,032,000) and subsequently increased to Rp 2,000,000 million (QR 810,040,000) on 20 September 2007.

The loan bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating rates for the remaining years based on the prevailing annual rate of 3-month JIBOR plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3rd year and 4th years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5th year after the first drawdown.

On 27 September, 26 October and 27 December 2007, the subsidiary made drawdowns totaling Rp 2,000,000 million (QR 810,040,000).

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 19 (continued)
Voluntary prepayment (whole or any part of the loan) is permitted without penalty if the prepayment is made after the 24th month from the date of the agreement subject to 7 days' prior written notice. Prepayment prior to the 24th month after the agreement is allowed with penalty of 2% of the prepaid amount.

On 27 September 2008 and 25 September 2009, the subsidiary paid the first and second annual instalments amounting to Rp 400,000 million (QR 162,008,000). The third annual instalment of Rp 300,000 million (QR 121,506,000) was paid on 21 September 2010.

The other three year and five year credit facilities which were outstanding as on 31 December 2009 amounting to Rp 1,500,000 (QR 607,530,000), were paid as follows: 16 March and 25 June 2010 for the first annual instalments and 19 October 2010 for the early repayment of the remaining loan balances, total payments amounted to Rp 1,500,000 million (QR 607,530,000).

Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.

xi) Loan 20 represents a 12 year COFACE term facility agreement ("COFACE Facility") amounting to US$ 157,243,000 (QR 572,600,385) to finance the payment of 85% of the French Content under the Palapa D Satellite Contract plus 100% of the COFACE Premium. The loan bears interest at the fixed annual rate of 5.69% which is payable semi annually. The total loan outstanding after the availability period shall be repaid in twenty semi-annual instalments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) 29 September 2009.

In addition, loan 20 represents a 12 year SINOSURE term facility agreement ("SINOSURE Facility") amounting to US$ 44,200,000 (QR 160,954,300) to be used to finance the payment of 85% of the Launch Service Contract. The loan bears interest at floating rates based on the U.S. Dollar LIBOR Plus 0.35% per annum. The total loan outstanding after the availability period shall be repaid in twenty semi-annual instalments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) 29 September 2009.

As of 31 December 2009, the subsidiary has already drawn from these credit facilities for an amount of US$ 201,387,000 (QR 733,350,000).

On 29 March and 29 September 2010, the subsidiary paid the first and second semi-annual instalments on these credit facilities totalling to US$ 20,138,680 (QR 73,335,000).

Based on the credit facility agreements the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

xii) Loan 21 represents credit facilities consist of facilities A, B and C with maximum amounts of US$ 100,000,000 (QR 364,150,000), US$ 155,000,000 (QR 564,432,500) and US$ 60,000,000 (QR 218,490,000) respectively, for the purchase of telecommunication equipment. The loans from the facilities bear interest at certain rates per annum as determined in the agreement and the related interest is payable semi-annually until the respective maturity dates. The repayment of each of facilities A, B and C shall be made in fourteen instalments starting six months after 31 May 2009, 28 February 2010 and 30 November 2010, respectively.

As of 31 December 2010, the subsidiary has already drawn US$ 100,000,000 (QR364,150,000) and US$ 155,000,000 (QR 564,432,500) from facilities A and B respectively.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 21 (continued)
On 30 November 2009, 27 May 2010 and 30 November 2010, the subsidiary paid the first, second and third semi-annual instalments, respectively, for facility A amounting to US$ 21,428,580 (QR 78,032,174).

On 28 August 2010, the subsidiary paid the first semi-annual instalment for facility B amounting to US$ 11,071,430 (QR 40,316,612).

Based on the loan agreement, the subsidiary is required to comply with certain covenants, such as maintaining certain financial ratios.

xiii) Loan 22 denominated in Rp and received in US $ amounting to US$ 50,000,000 (QR 182,075,000) was obtained to finance the purchase of telecommunications equipment. The loan will mature on 30 May 2013. The loan bears interest at the fixed annual rate of 8.75% applied on the Rp 434,300 million (QR 175,900,186), which is payable quarterly every 28 February, 30 May, 30 August and 30 November commencing on 30 August 2007 up to 30 May 2012.

The loan agreement provides an option to the lender to convert the loan payable into a U.S. Dollar loan of US$ 50,000,000 (QR 182,075,000) on 30 May 2012 ("FX Conversion Option"). The fair value of the FX Conversion Option as of 31 December 2010 and 2009 amounted to US$ 6,072,200 (QR 22,111,916) and US$ 11,038,100 (QR 40,195,241).

If the lender takes such option, starting 30 May 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US$ 50,000,000 (QR 182,075,000) principal and both U.S. Dollar principal and interest thereon will be due on 30 May 2013.

Based on the loan agreement, the subsidiary is required to notify the lender regarding the following events which can result in loan termination, such as:

(i) certain changes affecting withholding taxes in the United Kingdom or Indonesia;
(ii) default under Guaranteed Notes due 2012;
(iii) default under the subsidiary US$ Notes and IDR Bonds;
(iv) redemption, purchase or cancellation of the Guaranteed Notes due 2012 and there are no US$ Indosat Notes outstanding upon such redemption, purchase or cancellation; and
(v) change of control in the subsidiary.

On 24 June 2008, the subsidiary received a waiver letter from the lender affirming that it will not terminate the loan due to the change of control of the subsidiary.

xiv) Loan 23 represents a five-year unsecured credit facility for capital expenditure and general corporate purposes with a maximum amount of Rp 500,000 million (QR 202,510,000). The loan bears interest at (i) fixed annual rates for the first two years (9.7% in the first year and 10.4% in the second year)and (ii) floating rates for the remaining years based on prevailing annual interest rate of 3-month Certificates of Bank Indonesia plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3rd and 4th years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5th year after the signing date of the agreement. The loan was fully drawn down by the subsidiary on 31 January 2008.

Voluntary early repayment is permitted on each interest payment date without penalty if the repayment is made after the 24th month from the date of the first drawdown subject to 15 days' prior written notice. Repayment prior to the 24th month after the agreement date is allowed with penalty of 1% of the prepaid amount.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 23 (continued)
On 30 January 2009 and 1 February 2010, the subsidiary paid the first and second annual instalments amounting to Rp 100,000 million (QR 40,502,000).

Based on the credit facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

On 30 October 2010, the subsidiary made an early repayment of the remaining loan balance amounting to Rp 400,000 million (QR 162,008,000).

xv) Loan 24 represents a 9 year unsecured commercial facility amounting to US$ 27,037,000 (QR 98,455,236). The purpose of the loan is to finance the construction and launch of the satellite and the payment of the SINOSURE Premium in connection with the SINOSURE Facility (Loan 20). The loan bears interest at floating rates based on U.S. Dollar LIBOR plus 1.45% per annum, which is payable semi-annually.

The repayment of the loan shall be repaid in fifteen semi- annual instalments starting 24 months from the date of the loan agreement. For the first five instalments, the subsidiary will repay US$ 1,351,850 (QR 4,922,762) each and US$ 2,027,780 (QR 7,384,161) for the remaining instalments thereafter.

On 1 April 2008, the subsidiary received the full drawdown from its 9-year Commercial Facility.

On 27 November 2009, 27 May and 29 November 2010, the subsidiary paid the first, second and third semi-annual instalments amounting to US$ 4,055,550 (QR 14,768,285).

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

xvi) Loan 25 represents a credit facility amounting to USD 38,000,000 (QR 138,377,000) for purchase of telecommunication equipment. The loan bears interest at the fixed annual rate of 4.15%. The loan , together with the related interest, is payable semi-annually until 12 May 2011

Voluntary early repayment is permitted only after 60 days from the date of the loan agreement subject to 15 days' prior written notice. The subsidiary may repay the whole or any part of the loan before the due dates in the minimum amount of US$ 10,000,000 (QR 36,415,000) divisible by US$ 1,000,000 (QR 3,641,500).

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

xvii) Loan 26 represents a credit facility amounting to Rp 50,000 million (QR20,251,000) for purchase of telecommunication equipment, computers and other supporting facilities. The facility bears interest at the prevailing rate of 1-month Certificate of Bank Indonesia plus 2.25% per annum. The quarterly repayment of the principal amount started on 10 October 2008 and will continue up to January 2011. These facilities are collaterised by all equipment purchased from the proceeds of the credit facilities.

xviii) Loan 27 represents an investment credit facility amounting to Rp 75,000 million (QR30,376,500) for the purchase of telecommunications equipment, computers and other supporting facilities. The facility bears interest at the annual rate of plus 14.5%. The quarterly repayment of the principal amount of Rp 7,500 million (QR3,037,650) each started on 24 May 2010 and will continue up to 24 August 2012. the subsidiary has already fully drawn the amount of the facility. The facility is collaterized by all equipment purchased from the proceeds of the credit facility.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

xix) Loan 28 represents Fifth Indosat Bonds issued in the year 2007 with fixed rates. The bonds have a total face value of Rp 2,600,000 million (QR 1,053,052,000). The bonds consist of two series:

- Series A bonds amounting to Rp 1,230,000 million (QR498,174,600) which bear interest at the fixed rate of 10.20% per annum starting 29 May 2007. These bonds will mature on 29 May 2014.
- Series B bonds amounting to Rp 1,370,000 million (QR554,877,400) which bear interest at the fixed rate of 10.65% per annum starting 29 May 2007. These bonds will mature on 29 May 2017.

The bonds will mature before the maturity dates, 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 temporarily or as an early settlement.

The payment agent shall pay interest on the bonds as follows:

- Series A : Starting 29 August 2007 and every quarter thereafter up to 29 May 2014.
- Series B : Starting 29 August 2007 and every quarter thereafter up to 29 May 2017.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xx) Loan 29 represents Guaranteed Notes Due 2010 with a fixed rate and a total face value of US$ 300,000,000 (QR 1,092,450,000) issued through IFB. The notes bore interest at the fixed rate of 7.75% per annum payable in semi-annual instalments. The notes service interest semiannually on 5 May and 5 November of each year, commencing on 5 May 2004. The notes matured on 5 November 2010.

The notes were redeemable at the option of IFB, in whole or in part at any time on or after 5 November, 2008. The notes were redeemable at prices equal to 103.8750%, 101.9375% and 100.0000% of the principal amount during the 12-month period commencing on 5 November 2008, 2009 and 2010, respectively. The notes were also redeemable at the option of IFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IFB or the subsidiary to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of IFB (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of IFB's assets), the holder of the notes has the right to require IFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on 5 November 2003 and used primarily to repay a portion of Indosat's (including Satelindo's and IM3's) outstanding indebtedness amounting to Rp 1,500,000 million (QR 607,530,000) and US$ 447,500,000 (QR 1,629,571,250).

Based on the facility agreement, the subsidiary was required to comply with certain conditions, such as maintaining certain financial ratios. The notes were unconditionally and irrevocably guaranteed by the subsidiary.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 29 (continued)
On 22 July 2008, IFB announced the Change of Control Offer to all holders of the notes. This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on 17 September 2008. The bondholders expressed their rights that required IFB to repurchase all or any part of such holders' notes.

On 19 September 2008, IFB paid a total of US$ 67,805,000 (QR 246,911,908) for the purchased portion of the notes with a total principal amount of US$ 65,253,000 (QR 237,618,800) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On 12 May 2010, the subsidiary, together with IFB and IIFB, announced the commencement by IFB and IIFB of cash tender offers to purchase for cash any or all of IFB's outstanding Guaranteed Notes Due 2010 (the "2010 Notes") and IIFB's outstanding Guaranteed Notes Due 2012 (the "2012 Notes"). In addition to its offer to purchase the 2010 Notes, IFB was also soliciting, as one proposal, consents to certain proposed amendments to the amended and restated indenture, dated as of 25 January 2006 (the "2010 Indenture"), which would shorten the notice period for optional redemption of the 2010 Notes and to the release of IIFB as a guarantor under the 2010 Indenture.

On 2 August 2010, IFB paid a total of US$ 174,699,000 (QR 636,166,409) for the purchased portion of the 2010 Notes under tender offers with total principal amounts of US$ 167,774,000 (QR 610,949,021) and US$100,000 (QR 364,150) at prices equal to 102.1875% and 101.9375%, respectively, of the principal amounts purchased, plus the accrued and unpaid interest up to settlement date, consent fee of US$ 9,000 (QR 32,774) and other additional expense.

On August 10, 2010, IFB paid a total of US$ 69,536,000 (QR 253,215,344) for the remaining purchased portion of the 2010 Notes which was called with a total principal amount of US$ 66,873,000 (QR 243,518,030) at a price equal to 101.9375% of the principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expense.

xxi) Loan 30 represents Seventh Indosat Bonds issued in the year 2009 with fixed rates. The bonds have a total face value of Rp 1,300,000 million (QR 526,526,000). The bonds consist of two series:

- Series A bonds amounting to Rp 700,000 million (QR 283,514,000) which bear interest at the fixed rate of 11.25% per annum starting 8 December 2009. These bonds will mature on 8 December 2014.
- Series B bonds amounting to Rp 600,000 million (QR 243,012,000) which bear interest at the fixed rate of 11.75% per annum starting 8 December 2009. These bonds will mature on 8 December 2016.

The bonds will mature before the maturity dates, 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 temporarily or as an early settlement.

The payment agent, shall pay interest on the bonds as follows:

- Series A : Starting 8 March 2010 and every quarter thereafter up to 8 December 2014.
- Series B : Starting 8 March 2010 and every quarter thereafter up to 8 December 2016.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of Base Station Subsystem to expand the subsidiary's cellular network

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 30 (continued)
The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

The subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios

xxii) Loan 31 represents Sixth Indosat Bonds in Year 2008 with fixed rates ("Sixth Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 1,080,000 million (QR 437,421,600). The bonds consist of two series:

- Series A bonds amounting to Rp 760,000 million (QR 307,815,200) which bear interest at the fixed rate of 10.25% per annum starting 9 April 2008. These bonds will mature on 9 April 2013.

- Series B bonds amounting to Rp 320,000 million (QR129,606,400) which bear interest at the fixed rate of 10.80% per annum starting 9 April 2008. These bonds will mature on 9 April 2015.

The bonds will mature before the maturity dates 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 temporarily or as an early settlement.

The payment agent shall pay interest on the bonds, as follows:

- Series A : Starting 9 July 2008 and every quarter thereafter up to 9 April 2013.
- Series B : Starting 9 July 2008 and every quarter thereafter up to 9 April 2015.

The subsidiary received the proceeds of the bonds on 9 April 2008.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure purposes.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxiii) Loan 32 represents Guaranteed Notes Due 2012 with a fixed rate and face value of US $ 250,000,000 (QR 910,375,000) issued through IIFB. The notes were issued at 99.323% of their principal amount. The notes bear interest at the fixed rate 7.125% per annum; interest servicing is in semiannual equal instalments due on 22 June and 22 December of each year, commencing 22 December 2005. The notes will mature on 22 June 2012.

The notes will be redeemable at the option of IIFB, in whole or in part at any time on or after 22 June 2010 at prices equal to 103.5625%, 101.7813% and 100.0000% of the principal amount during the 12-month period commencing 22 June 2010, 2011 and 2012, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to 22 June 2008, IIFB may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of the subsidiary, at a price equal to 107.125% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IIFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 32 (continued)
affecting withholding taxes in Indonesia and the Netherlands that would require IIFB or the subsidiary to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of IIFB (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of IIFB's assets), the holder of the notes has the right to require IIFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on 23 June 2005 and used for general corporate purposes, including capital expenditures.

Based on the notes indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The notes are unconditionally and irrevocably guaranteed by the subsidiary.

On 22 July 2008, IIFB announced the Change of Control Offer to all holders of the notes. This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on 17 September 2008. The bondholders exercised their rights that required IIFB to repurchase all or any part of such holders' notes.

On 19 September 2008, IIFB paid a total of US$ 144,441,000 (QR 525,981,902) for the purchased portion of the notes with a total principal amount of US$ 140,590,000 (QR 511,958,485) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On 12 May 2010, the subsidiary, together with IFB and IIFB, announced the commencement by IFB and IIFB of cash tender offers to purchase for cash any or all of IFB's outstanding Guaranteed Notes Due 2010 (the"2010 Notes") and IIFB's outstanding Guaranteed Notes Due 2012 (the "2012 Notes").

On 2 August 2010, IIFB paid a total of US$58,614,000 (QR 213,442,881) for the purchased portion of the 2012 Notes under tender offers with total principal amounts of US$55,835,000 (QR 203,323,153) and US$200,000 (QR 728,300) at prices equal to 103.8125% and 103.5625%, respectively, of the principal amounts purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On 2 September 2010, IIFB paid a total of US$56,016,000 (QR 203,982,264) for the remaining purchased portion of the 2012 Notes which was called with a total principal amount of US$53,375,000 (QR 194,365,063) at a price equal to 103.5625% of the principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expenses.

xxiv) Loan 33 represents Fourth Indosat Bonds in Year 2005 with fixed rates issued ("Fourth Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 815,000 million (QR 330,091,300). The bonds bear interest at the fixed rate of 12% per annum, payable on a quarterly basis. The bonds will mature on 21 June 2011:

The bonds will mature before maturity date if the subsidiary exercises the following options:

- Early Settlement option : The subsidiary has the right to make early payment for all the bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value.
- Buy-back option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans

Loan 33 (continued)
The proceeds of the bonds were used for capital expenditure purposes.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxv) Loan 34 represents Third Indosat Bonds in Year 2003 with fixed rates issued ("Third Indosat Bonds"), with BRI as the trustee. The bonds were issued in two series. The Series A matured on 21 October 2008.

The Series B bonds which amounted to Rp 640,000,000 (QR 259,212,800) bore interest at the fixed rate of 12.875% per annum for 7 years starting 22 October 2003. On 22 October 2010, this was paid in full by the subsidiary.

The bonds would mature before maturity date if after the 1st anniversary of the bonds, the subsidiary exercised its option to buy back part or all of the bonds at market price temporarily or as an early settlement. The subsidiary did not exercise its early settlement option to make early payment for all the bonds on the 6th anniversary of the bonds at 100% of the bonds' nominal value.

The payment agent, paid interest on the Series B bonds, on 22 January 2004 and every quarter thereafter up to 22 October 2010.

The proceeds of the bonds were used as capital injection to Satelindo which, in turn, used the proceeds to repay its debts and Guaranteed Floating Rate Bonds.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific subsidiary assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxvi) Loan 35 represents Sukuk Ijarah III issued in the Year 2008 this was issued with BRI as the trustee. The bonds have a total face value of Rp 570,000 million (QR230,861,400). The bonds will mature on 9 April 2013. 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.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 58,425 million (QR23,663,294) payable on a quarterly basis starting 9 July 2008 up to 9 April 2013.The proceeds of the bonds were used for capital expenditure purposes.

The subsidiary received the proceeds of the bonds on 9 April 2008. Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans

xxvii) Loan 36 represents Indosat's Sukuk Ijarah II issued in the Year 2007 with BRI as the trustee. The bonds have a total face value of Rp 400,000 million (QR 162,008,000). The bonds will mature on 29 May 2014. 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.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") amounting to Rp 40,800 million (QR16,524,816) payable on a quarterly basis starting 29 August 2007 up to 29 May 2014. The proceeds of the bonds were used for capital expenditure purposes.

The subsidiary received the proceeds of the bonds on 31 May 2007. Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxviii) Loan 37 represents Indosat's Syari'ah Ijarah Bonds issued in the Year 2005. The bonds have a total face value of Rp 285,000 million (QR115,430,700) and will mature on 21 June 2011. Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 34,200 million (QR13,851,684) payable on a quarterly basis starting 21 September 2005 up to 21 June 2011.

The bonds will mature before maturity date if the subsidiary exercises the following options:

- Early Settlement Option: the subsidiary has the right to make early payment for all the bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value.
- Buy-back Option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The proceeds of the bonds were used for capital expenditure purposes. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxix) Loan 38 represents Second Indosat Bonds issued in the Year 2002 with fixed and floating rates with BRI as the trustee. The bonds were issued in three series. The series A and series C bonds matured on November 6, 2007.

- Series B bonds amounting to Rp 200,000 million (QR 81,004,000) which bear interest at the fixed rate of 16% per annum for 30 years starting 6 February 2003. The bonds mature if the subsidiary or the bondholder exercises the following options:

  Buy Option : the subsidiary has the right to make early payment for all the Series B bonds on the 5th, 10th, 15th, 20th and 25th anniversaries of the bonds at 101% of the bonds' nominal value.

  Sell Option : the bondholder has the right to ask for early settlement from the subsidiary at 100% of the bonds' nominal value: 1) at any time, if the rating of the bonds decreases to AA- or lower (Special Sell Option) or 2) on the 15th, 20th and 25th anniversaries of the bonds (Regular Sell Option).

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans

Loan 38 (continued)
The payment agent pays interest on the series B bonds starting 6 February 2003 and every quarter thereafter up to 6 November 2032.

The proceeds of the bonds were used to repay other loans. Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralised by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxx) Loan 39 represents Indosat's Sukuk Ijarah IV issued in Year 2009 with BRI as the trustee. The bonds have a total face value of Rp 200,000 million (QR81,004,000). The bonds were issued in two series:

- Series A bonds amounting to Rp 28,000 million (QR11,340,560) with annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 3,150 million (QR 1,275,813) payable on a quarterly basis starting 8 March 2010 up to 8 December 2014.
- Series B bonds amounting to Rp 172,000 million (QR69,663,440) with annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 20,210 million (QR8,185,454) payable on a quarterly basis starting 8 March 2010 up to 8 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.

The subsidiary received the proceeds of the bonds on 8 December 2009. The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of Base Station Subsystem to expand the subsidiary's cellular network.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralised by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxxi) Loan 40 represents Limited Bonds II issued by Lintasarta. Indosat and Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds II amounting to Rp 66,150 million (QR 26,792,073), after the elimination of Limited Bonds II amounting to Rp 35,000 million (QR 14,175,700), balance amounts to Rp 25,000 million (QR 10,125,500). The limited bonds represent unsecured bonds which were originally set to mature on 14 June 2009 and is subject to interest at the floating rates determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rates was 19% and the minimum limit was 11% per annum. The interest is payable on a quarterly basis starting 14 September 2006.

The proceeds of the limited bonds were used for capital expenditure to expand Lintasarta's telecommunication peripherals.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 40 (continued)
On 14 June 2009, Lintasarta paid a portion of the limited bonds amounting to Rp 6,150,000 (QR2,490,873). Based on the minutes of the joint meeting of Lintasarta's Board of Commissioners and Directors held on 20 May 2009, it was agreed to extend the maturity date of the remaining Limited Bonds II of Rp 60,000 million (QR24,301,200) to 14 June 2012 and to increase the minimum limit of the floating interest rates to 12.75%. On 25 August 2009, the amended agreement of Limited Bonds II to accommodate the changes in maturity date and minimum limit of floating interest rates was finalized.

xxxii) Loan 41 represents Indosat's Limited Bonds I amounting to Rp 40,000 million (QR16,200,800). The limited bonds are unsecured. These were originally set to mature on 2 June 2006 and is subject to interest at the fixed rate of 16% per annum for the first year and floating rates for the succeeding years.

On the maturity date, Lintasarta paid a certain portion of the limited bonds amounting to Rp 5,144 million (QR2,083,423) and subsequently extended the maturity date of the remaining balance of Rp 34,856 million (QR14,117,377) until 2 June 2009. The extension of maturity date was made based on the first amendment dated 14 June 2006 of the Limited Bonds I agreement. The floating interest rates of the bonds are determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rate is 19% and the minimum limit is 11% per annum.

On 2 June 2009, Lintasarta paid a portion of the limited bonds amounting to Rp 8,303 million (QR 3,362,881). Based on the minutes of the joint meeting of Lintasarta's Board of Commissioners and Directors held on 20 May 2009, it was agreed to extend the maturity date of the remaining Limited Bonds I of Rp 26,553 million (QR 10,754,496) to 2 June 2012 and to increase the minimum limit of the floating interest rates to 12.75%. After the elimination of Limited Bonds II amounting to Rp 9,564 million (QR 3,873,611), balance amounts to Rp 16,989 million (QR 6,880,885). On 25 August 2009, the amended agreement of Limited Bonds I to accommodate the changes in maturity date and minimum limit of floating interest rates was finalised.

xxxiii) Loan 42 represents Indosat's Guaranteed Notes ("GN") 2020 with fixed rate and with a total face value of US$650,000 million (QR 2,366,975,000). The notes were 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 and additional amounts, if any. In addition, prior to 29 July 2013, IPBV may redeem up to a maximum of 35 % of the original aggregate principal amount, with the proceeds of one or more public equity offerings at a price equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IPBV or the subsidiary, in whole but not in part, at any time, upon not less than 30 days nor more than 60 days prior notice, at a price equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to (but not including) the redemption date and any additional amounts, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands. Upon a change in control of the subsidiary, (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of the subsidiary's assets), the holder of the notes has the right to require IPBV to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 42 (continued)

The net proceeds, after deducting the underwriting fees and offering expenses, were received on 29 July 2010 and used (i) to fund the offers to purchase the outstanding Guaranteed Notes Due 2010 and Guaranteed Notes Due 2012 and any consent solicitation relating to, or redemption of, such notes and (ii) to refinance part of the subsidiary's other existing indebtedness.

The notes are unconditionally and irrevocably guaranteed by the subsidiary.

The subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

28 EMPLOYEE BENEFITS

	2010	*2009*
	QR'000	*QR'000*
Employees' end of service benefits	**337,640**	285,617
Post retirement health care plan	**258,917**	212,679
Defined benefit pension plan/Labour Law No. 13/2003	**76,121**	57,253
Other employee benefits	**18,304**	49,941
	690,982	605,490

Movement in the provision for employee benefits are as follows:

	2010	*2009*
	QR'000	*QR'000*
At 1 January	**605,490**	501,627
Acquisition of subsidiaries	**-**	595
Provided during the year	**82,986**	113,680
Paid during the year	**(13,277)**	(52,877)
Exchange adjustment	**15,783**	42,465
At 31 December	**690,982**	605,490

The details of the benefit plans operated by the Group were 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.

28 EMPLOYEE BENEFITS (continued)

Post-retirement healthcare

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 July 1, 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the year ended 31 December 2010 is calculated based on the actuarial valuations as of 31 December 2010. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2010	*2009*
Annual discount rate	**9.5%**	11%
Ultimate cost trend rate	**6%**	6%
Next year trend rate	**14%**	16%
Period to reach ultimate cost trend rate	**4 years**	5 years

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

	2010 ***QR'000***	*2009* *QR'000*
Interest cost	**26,416**	20,634
Amortisation of unrecognised past service cost	**4,189**	3,684
Service cost	**11,312**	6,919
Periodic post-retirement healthcare cost	**41,917**	31,237

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

	2010 ***QR'000***	*2009* *QR'000*
Projected benefit obligation	**342,905**	234,627
Unrecognised actuarial (loss) gain	**(65,388)**	(833)
Unrecognised past service costs	**(12,658)**	(16,156)
Accrued post-retirement healthcare cost	**264,859**	217,638

28 EMPLOYEE BENEFITS (continued)

Post-retirement healthcare (continued)

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

	2010 ***QR'000***	*2009* *QR'000*
At 1 January	**217,638**	160,883
Net periodic post-retirement healthcare cost	**41,917**	31,237
Benefit payment	**(5,049)**	(4,099)
Exchange adjustment	**10,353**	29,617
At 31 December	**264,859**	217,638

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 was as follows:

	2010 ***QR'000***	*2009* *QR'000*
Increase		
Service and interest costs	**47,218**	37,077
Accumulated post-retirement healthcare benefit obligation	**417,551**	281,115
Decrease		
Service and interest costs	**31,133**	24,984
Accumulated post-retirement healthcare benefit obligation	**284,580**	197,771

As of 31 December 2010, the current portion of post- retirement healthcare cost included in accrued expenses (Note 30) amounted to QR 5,942,000 (2009: QR 4,959,000) and the non-current portion included in employee benefits amounted to QR 258,917,000 (2009: QR 212,679,000).

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 defined benefit pension plan, whichever amount is higher.

The net periodic pension cost under the Labor Law for the year ended 31 December 2010 is calculated based on the actuarial valuations as of 31 December 2010. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2010	***2009***
Annual discount rate	**8.5% - 9.0%**	10.5%
Annual rate of increase in compensation	**8.0% - 9.0%**	9.0%-10.0%

28 EMPLOYEE BENEFITS (continued)

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

a) The composition of the periodic pension cost under the Labor Law for the years ended 31 December 2010 and 2009 were as follows:

	2010 ***QR'000***	*2009* *QR'000*
Service cost	**8,715**	6,904
Interest cost	**7,849**	6,570
Amortisation of recognised actuarial loss	**601**	649
Immediate recognition of past service cost-vested benefit	**-**	319
Periodic pension cost	**17,165**	14,442

b) The composition of the accrued pension cost under the Labour Law during the years ended 31 December 2010 and 2009 are as follows:

	2010 ***QR'000***	*2009* *QR'000*
Projected benefit obligations	**88,195**	72,786
Unrecognised actuarial loss	**(6,985)**	(10,516)
Unrecognised past service cost	**(3,901)**	(4,009)
Accrued pension costs	**77,309**	58,261

As of 31 December 2010, the current portion of pension cost under the Labor Law included in accrued expenses (Note 30) amounted to QR 1,188,000 (2009: QR 1,008,000) and the non-current portion included in employees service benefits amounted to QR 76,121,000 (2009: QR 57,253,000).

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 143,782,100 and were paid on due dates.

28 EMPLOYEE BENEFITS (continued)

ii) Defined Benefit Pension Plan (continued)

On 1 March 2007, the Indosat 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.

The premium of QR 3,078,200 was fully paid on 29 March 2007. Subsequently, in August 2007 , February to December 2008 , January to December 2009 and January to December 2010, the subsidiary made payments for additional premium of QR 111,400 for additional 55 employees, QR 326,000 for additional 161 employees and QR 168,000 for additional 81 employees QR 48,600 for additional 14 employees , respectively.

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 8 March 2010, the subsidiary's Directors issued decision letter No. 004/DIREKSI/2010 regarding the adjustment on the computation of regular monthly pension payment (PHT), lump-sum pension (THT), and lump-sum pension of active employees (THT of active employees) under a fully funded plan effective 1 January 2010. Such adjustment makes the subsidiary's legal or constructive obligation be limited to the amount that it agrees to contribute to the plan. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the subsidiary to the plan, together with investment returns arising from the contributions. Consequently, the actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employees. This development results in the change of the subsidiary's fully funded plan with Jiwasraya to become a "Defined Contribution Pension Plan" effective 1 January 2010 and in the recognition of the remaining prepaid pension amounting to QR 48,832,000 as full expense in 2010.

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 24,958,500 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 basic salary pension 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.

28 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 QR669,500 which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to QR 3,910,000 for the year ended 31 December 2010 (2009: QR 3,739,000).

The net periodic pension cost for the pension plans for the year ended 31 December 2010 is calculated based on the actuarial valuations as of 31 December 2010. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2010	*2009*
Annual discount rate	**8.5% - 9.0%**	10.5% -10.7%
Expected annual rate of return on plan assets	**4.5% - 8.0%**	4.5% - 9.0%
Annual rate of increase in compensation	**3.0%**	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 was as follows:

	2010 QR'000	*2009 QR'000*
Interest cost	**29,878**	22,436
Service cost	**16,730**	13,927
Net amortisation	**341**	(504)
Return on plan assets	**(28,640)**	(24,461)
Net periodic pension cost	**18,309**	11,398

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

	2010 QR'000	*2009 QR'000*
Plan assets at fair value	**345,465**	315,176
Projected benefit obligation	**(304,018)**	(281,411)
Excess of plan assets over projected benefit obligation	**41,447**	33,765
Unrecognised actuarial loss	**4,426**	24,273
Total prepaid pension cost	**45,873**	58,038

28 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:

	2010	*2009*
	QR'000	*QR'000*
At 1 January	**58,038**	57,567
Net periodical pension cost	**(18,309)**	(11,398)
Refund	**(261)**	(392)
Contribution	**3,958**	4,051
Exchange adjustment	**2,447**	8,210
At 31 December	**45,873**	58,038
Presented in the consolidated statement of financial position as follows:		
Current portion (Note 22)	**776**	945
Long-term portion (Note 19)	**45,097**	57,093
	45,873	58,038

Plan assets as of 31 December 2010 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

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, Indosat 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 2010 amounted to QR 18,857,000 (2009: QR 7,535,000). The plan assets are being administered and managed by seven financial institutions appointed by the Indosat and Satelindo, based on the choice of the employees.

29 OTHER NON-CURRENT LIABILITIES

	2010 *QR'000*	*2009* *QR'000*
Communications and Media Commission (CMC) Iraq (i)	**1,365,563**	1,820,750
Ministry of Communication and Technology ('MOCIT') Indonesia (ii)	**1,044,706**	1,141,123
Non-current portion of negative fair value of derivatives (Note 32)	**357,004**	267,594
Ministry of Telecommunications and Information Technology- Palestine (Note 15)	**197,903**	182,736
Telecommunications Regulatory Commission ("TRC") Jordan (iii)	**24,391**	26,944
Site restoration provision (iv)	**30,601**	22,401
Others	**165,231**	58,933
Employee provisions (v)	**222,343**	285,606
	3,407,742	3,806,087

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 4,551,875,000 to the CMC of which QR 1,820,750,000 remains outstanding and is payable in four equal annual instalments, subject to 6% annual interest rate. The current portion of the instalment payable amounting to QR 455,188,000 is included under accounts payable and accruals (Note 30).

(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 985,061,000 (2009: QR 1,076,943,000) and QR 59,645,000 (2009: QR 64,180,000) respectively. The 3G license was obtained in two phases one during the year 2006 and 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 36,512,000 in annual instalments of QR 4,571,000 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.

(v) Employee provision consists of entitlements of senior employees of the Company and certain subsidiaries of the Group to "shadow shares" that are settled in cash once the prescribed vesting period and vesting conditions under the plan are met. The Group fair values these entitlements at the end of every reporting year and upon settlement.

The current portion of these employee provisions amounting to QR 117,199,000 is included under accounts payable and accruals.

30 ACCOUNTS PAYABLE AND ACCRUALS

	2010 ***QR'000***	*2009* *QR'000*
Trade accounts payable	**3,826,538**	4,405,651
Accrued expenses	**3,388,793**	3,071,580
License costs payable (Note i)	**459,759**	255,442
Amounts due to international carriers	**104,232**	119,603
Negative fair value of derivatives (Note 32)	**405,241**	498,869
Other payables (Note ii)	**2,291,075**	1,323,050
	10,475,638	9,674,195

(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 29 (i) and 29 (iii) respectively.

(ii) Included in other payables is an amount of QR 294,498,000 (2009: QR 219,978,000) 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.

31 DIVIDENDS AND BONUS SHARES

Dividends paid and proposed

	2010 ***QR'000***	*2009* *QR'000*
Declared, accrued and paid during the year:		
Final dividend for 2009, QR7 per share (2008 : QR 10 per share)	**1,026,667**	1,466,667
Proposed for approval at Annual General Meeting (not **r**ecognised as a liability as at 31 December): Final dividend for 2010, QR 5 per share (2009 : QR 7 per share)	**733,334**	1,026,667

Bonus shares:
The Board of Directors has proposed the issue of bonus shares of 20% of the share capital as at 31 December 2010 amounting to QR 293,333,330 (2009 Nil) .

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

32 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not designated as hedging instruments

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

	Notional amounts	
	2010	*2009*
	QR'000	*QR'000*
Cross currency swaps	**1,001,413**	1,853,524
Currency forward contracts	**6,155**	777,718
Interest rate swaps	**1,759,708**	1,759,708
	2,767,276	4,390,950

	Fair values			
	2010		*2009*	
	Positive	*Negative*	*Positive*	*Negative*
	QR'000	***QR'000***	*QR'000*	*QR'000*
Cross currency swaps	**28,082**	**6,489**	86,777	6,629
Currency forward contracts	**16**	**105**	3,164	213
Interest rate swaps	**-**	**80,754**	-	60,986
	28,098	**87,348**	89,941	67,828

Cash flow hedges

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

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

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

	Negative fair value QR'000	*Positive fair value QR'000*	*Notional amounts QR'000*
Interest rate swaps			
31 December 2010	**674,897**	**2,260**	**23,666,548**
31 December 2009	698,635	24,371	23,764,992

33 COMMITMENTS

Capital expenditure commitments

	2010	*2009*
	QR'000	*QR'000*
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	**2,832,404**	3,433,270
Intangible assets		
For the acquisition of Palestine mobile license	**515,641**	515,637

Operating lease commitments

	2010	*2009*
	QR'000	*QR'000*
Future minimum lease payments:		
Not later than one year	**180,612**	121,683
Later than one year and not later than five years	**515,269**	418,193
Later than five years	**302,158**	226,238
Total operating lease expenditure contracted for at 31 December	**998,039**	766,114

34 CONTINGENT LIABILITIES

	2010	*2009*
	QR'000	*QR'000*
Letters of guarantees	**493,341**	579,133
Letters of credit	**19,341**	14,743
Claims against the Group not acknowledged as debts	**4,678**	11,518

Legal action

On 6 June 2008, Qtel entered into a Share Purchase Agreement ("SPA") with STT Communications Ltd. ("STTC"), a subsidiary of Singapore Technologies Telemedia Pte. Ltd. ("STT"), pursuant to which Qtel, through its subsidiary, Qtel South East Asia Holding S.P.C. ("QSEA"), acquired 100% of both Indonesia Communications Limited "ICLM") and Qatar Telecom (Qtel Asia) Pte Ltd. ("QA") from Asia Mobile Holdings Pte. Ltd ("AMH"), which is 75% indirectly owned by STT and 25% indirectly owned by Qtel. ICLM and QA together owned 40.8% of the voting shares of PT Indosat Tbk. Under the SPA, Qtel was responsible for the seller's liabilities and associated costs which have arisen or may arise in relation to or in connection with the KPPU proceedings mentioned below.

In April 2007, QA, ICLM together with each of STT, STTC, AMH, Asia Mobile Holding Company Pte. Ltd. ("AMHC"), were summoned to appear before the Business Competition Supervisory Commission of the Republic of Indonesia ("KPPU") in response to allegations that each of them as well as Temasek Holdings (Private) Limited ("Temasek"), Singapore Telecommunications Ltd. ("SingTel") and Singapore Telecom Mobile Pte. Ltd. ("SingTel Mobile") (together, the "Foreign Reported Parties") are part of an alleged Temasek Business Group which has breached Article 27(a) of the Indonesian Law No. 5/1999 (the "Anti-Monopoly Law"). Other than Foreign Reported Parties, KPPU also summoned PT. Telkomsel in relation to allegations that PT. Telkomsel has breached Articles 17(1) and 25(1) of the Anti-Monopoly Law by consecutively implementing excessive cellular telecommunication tariff and abusing its dominion position in cellular telecommunication market in Indonesia (PT Telkomsel and Foreign Reported Parties all together are referred to as "Reported Parties").

34 CONTINGENT LIABILITIES (continued)

Legal action (continued)
The Commission Panel of the KPPU had ruled, amongst other things, that the Foreign Reported Parties had violated Article 27(a) of the Anti-Monopoly Law and ordered the Foreign Reported Parties to take the necessary actions as stipulated in the aforementioned ruling.

Subsequent to the ruling mentioned above, several appeals and a civil review petition had been submitted to the Central Jakarta District Court and the Supreme Court of Indonesia. Based on the final and binding Civil Review Decision No. 128 PK/PDT.SUS/2009 ("PK 128/2009") rendered by the Supreme Court, the civil review petitions against the Supreme Court Decision No. 496/K/Pdt.Sus/2008 ("SC 496/2008") had been rejected, and that PK 128/2009 reinforces SC 496/2008.

In accordance with PK 128/2009 in conjunction with SC 496/2008, the Reported Parties were required to each pay a fine amounting to Rp 15 billion (QR 5.8 million) to the State Treasury Account through the appointed Government bank. The Group has provided for the liability which is included in accounts payable and accruals (Note 30). This was subsequently settled in February 2011.

Filings against the Company
On 13 May 2010, Qatar Telecom (Qtel) Q.S.C. (Qtel) introduced Virgin Mobile branded services, styled as Virgin Mobile Qatar, into the Qatari mobile telecommunications marketplace. On 7 June 2010, Vodafone Qatar filed a complaint under the formal dispute resolution procedures issued by ictQATAR. Vodafone Qatar alleged in the complaint 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.

On 15 June 2010, Qtel filed an 'Answer' to the Complaint filed by Vodafone Qatar. Qtel defended its relationship with Virgin Mobile as a branding arrangement that is consistent with Qatari law and international best practice.

ictQATAR has conducted an investigation which included filings by both Qtel and Vodafone Qatar, and considered applicable Qatari law, relevant facts, and, where appropriate, international best practices. After due consideration, ictQATAR concluded that Virgin Mobile is a branded service of Qtel and not an unlicensed third mobile telecommunications provider. Virgin Mobile is not present in Qatar, either as an actual provider, seller, or reseller of mobile telecommunications services, nor has Qtel established a separate corporate entity to resell its Virgin Mobile branded services. As such, the provision of Qtel's Virgin Mobile-branded service does not require a license under Article 9 of the Telecommunications Law.

However, ictQATAR has 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. In addition, ictQATAR has determined that Qtel should be compelled to pay an appropriate fine for such actions during this period and has referred this matter to the Office of the Attorney General for assessment of an appropriate penalty. Furthermore, it has been suggested that Qtel's actions during this period may constitute violations of other Qatari laws. ictQATAR has referred these issues to the Office of the Attorney General for further action.

Qtel awaits decisions from the Office of the Attorney General on the referral above and hence no provision has been made in the consolidated financial statements of the Group for the year ended 31 December 2010.

35 TAX CLAIM

A tax claim was made to the joint venture, 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 177,902,000 without penalties (2009: QR 189,901,000).

In May 2007, Tunisiana received the first judgement which reduced the claimed amount to QR 38,662,000 (2009: QR 41,421,000). In 2007, Tunisiana filed an appeal against the first judgement.

Tunisiana has made a total provision of QR 38,662,000 (2009: QR 41,421,000) with regards to this claim and deposited the amount claimed with the Public Treasury in 2008. 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.

36 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 summarised below:

Market risk

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

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 2010, after taking into the effect of interest rate swaps, approximately 75% of the Group's borrowings are at a fixed rate of interest (2009: 71%).

36 FINANCIAL RISK MANAGEMENT (continued)

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

	Income statement +25b.p QR'000	*Equity +25 b. p QR'000*
At 31 December 2010		
US$ LIBOR	**(27,359)**	**30,034**
Others	**(1,699)**	**-**
At 31 December 2009		
US$ LIBOR	(52,945)	30,553
Others	(2,728)	-

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.

	2010 QR'000 Assets (Liabilities)	*2009 QR'000 Assets (Liabilities)*
Indonesian Rupiah (Rp)	**3,662,563**	3,774,964
KD	**5,895,629**	5,682,463
US Dollars (US$)	**(7,650,079)**	(5,264,287)
Euro	**(165,817)**	(1,345,426)
GBP	**(5,029)**	1,268
Others	**(225,921)**	(66,874)

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

36 FINANCIAL RISK MANAGEMENT (continued)

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

	Effect on income statement		*Effect on equity*	
	2010	*2009*	***2010***	*2009*
	+10%	*+10%*	***+10%***	*+10%*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Indonesian Rupiah	-	-	**366,256**	377,496
KD	-	-	**589,563**	568,246
US Dollars	**(765,008)**	(526,429)		-
Euro	**(16,582)**	(134,543)		-
GBP	**(503)**	126		-

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

	Changes in equity indices QR'000	*Effect on equity QR'000*
2010		
Qatar Exchange (QE)	**+10%**	**49,640**
Kuwait Stock Exchange (KSE)	**+15%**	**7,425**
2009		
Qatar Exchange (QE)	+10%	43,947
Kuwait Stock Exchange (KSE)	+15%	8,068

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.

36 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:

	2010	*2009*
	QR'000	*QR'000*
Qatar	**615,062**	437,931
Other countries	**1,565,932**	1,389,007
	2,180,994	1,826,938

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:

	2010	*2009*
	QR'000	*QR'000*
Available-for-sale debt instruments	**117,227**	160,264
Bank balances (excluding cash)	**25,536,973**	11,485,854
Positive fair value of derivatives	**30,358**	114,312
Amounts due from international carriers	**98,703**	52,644
Unbilled subscriber revenue	**280,471**	336,422
Other non-current assets	**140,437**	178,656
	25,923,698	11,991,730

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks, 75% 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.

36 FINANCIAL RISK MANAGEMENT (continued)

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

	On demand QR'000	*Less than 1 year QR'000*	*1 to 2 years QR'000*	*2 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 December 2010						
Interest bearing loans and borrowings	**1,710**	**4,815,303**	**15,153,921**	**19,177,445**	**20,405,155**	**59,553,534**
Trade 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**
Interest rate swaps						
	1,710	**12,882,133**	**16,330,785**	**21,275,547**	**20,713,950**	**71,204,125**

	On demand QR'000	*Less than 1 year QR'000*	*1 to 2 years QR'000*	*2 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 December 2009						
Interest bearing loans and borrowings	4,942	3,869,562	11,143,860	23,606,833	5,216,327	43,841,524
Trade accounts payable	-	4,405,651	-	-	-	4,405,651
License costs payable	-	623,977	980,563	2,128,040	405,463	4,138,043
Other financial liabilities	-	5,030,143	58,933	267,594	-	5,356,670
Interest rate swaps						
	4,942	13,929,333	12,183,356	26,002,467	5,621,790	57,741,888

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

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2010 and 31 December 2009.

Capital includes share capital, legal reserve, and retained earnings and is measured at QR 17,199,591,000 at 31 December 2010 (2009: QR 14,849,964,000).

37 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 financial statements:

	Carrying amounts		*Fair values*	
	2010	*2009*	***2010***	*2009*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Financial assets				
Available-for-sale investments	**1,862,006**	1,698,758	**1,862,006**	1,698,758
Other non-current assets	**140,437**	178,656	**140,437**	178,656
Accounts receivable	**2,590,526**	2,330,316	**2,590,526**	2,330,316
Bank balances and cash	**25,575,667**	11,511,570	**25,575,667**	11,511,570
Financial liabilities				
Interest bearing loans and borrowings	**46,852,196**	36,085,668	**46,210,611**	36,527,050
Other non-current liabilities	**2,880,625**	3,439,147	**2,880,625**	3,439,147
Accounts payable	**7,195,787**	6,888,221	**7,195,787**	6,888,221
Current account with State of Qatar	**2,891,194**	2,803,015	**2,891,194**	2,803,015
Income tax payable	**461,451**	391,492	**461,451**	391,492

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 value 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.

37 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

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

	2009 QR'000	*Level 1 QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Available- for- sale investments	1,429,433	599,703	682,825	146,905
Derivative financial instruments	114,312	-	114,312	-
	1,543,745	599,703	797,137	146,905

Financial liabilities

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

	2009 QR'000	*Level 1 QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Derivative financial instruments	766,463	-	766,463	-

37 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:

	2010	*2009*
	QR'000	*QR'000*
At 1 January	**146,905**	79,834
Transfers into Level 3	**-**	150,008
Gain (loss) to consolidated income statement	**(182)**	(74,934)
Revaluation gain (loss) transferred to fair value reserve	**22,295**	(368)
Purchases (Sales)	**(53,045)**	(6,509)
Exchange differences	**1,906**	(1,126)
At 31 December	**117,879**	146,905

38 RELATED PARTY DISCLOSURES

Related party transactions and balances
Related parties represent associated companies including Government and semi Government agencies, associates, 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 12). The current account payable to the State of Qatar amounts to QR 2,891,194,000 (2009: QR 2,803,015,000). 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.

Amounts due from Directors' for services provided under the ordinary course of business amounting to QR 178,000 (2009: QR 126,000) is included under the caption "trade accounts receivable" in Note 22.

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

Directors' remuneration of QR 10,700,000 was proposed for the year ended 31 December 2010 (2009: QR 10,700,000). In addition, an amount of QR 724,000 (2009: QR 700,000) was provided to members of the Committees of the Board of Directors. The compensation and benefits related to key management personnel amounted to QR 153,101,000 (2009: QR 121,192,000) and end of service benefits amounted to QR 15,664,000 (2009: QR 11,226,000). 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 8.

39 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.

39 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Revenue recognition- Nojoom, point plus and points more for loyalty programmes
The Group estimates the fair value of points awarded under the Nojoom, point plus and points more programme by applying statistical techniques. 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. As points issued under the programme do not expire, such estimates are subject to significant uncertainty.

40 IMPAIRMENT TESTING OF GOODWILL

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

Cash generating units	***Carrying value 2010 QR'000***	*Carrying value 2009 QR'000*
Kuwait	**609,162**	598,611
Algeria	**2,293,787**	2,254,058
Tunisia	**2,218,131**	2,179,710
Indonesia	**4,870,071**	4,658,132
Iraq	**353,408**	353,408
Others	**76,069**	75,405
	10,420,628	10,119,324

During the year, an impairment of QR 36,251,000 (2009: QR 68,861,000) has been made against intangible relating to one of NMTC's, subsidiaries WARF Telecom International Private Limited (WARF) included in others.

Goodwill was tested for impairment as at 31 December 2010. 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.

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 appropriate discount rates for each unit, regard has been given to the yield on a ten-year US Treasury bond and specific risk factors for each country.

40 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.

Kuwait :
Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 10.6% (2009: 10.1%) with a terminal growth rate of 2.75% (2009: 2.75%).

Algeria:
Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 12.2% (2009: 11.2%) with a terminal growth rate of 2.75% (2009: 2.75%).

Tunisia:
Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 10.1% (2009: 9.7%) with a terminal growth rate of 2.75% (2009: 2.75%).

Indonesia:
Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 12.7% (2009: 14.0%) with a terminal growth rate of 2.75% (2009: 2.75%).

Iraq :
Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 15.1% (2009: 19.0%) with a terminal growth rate of 2.75% (2009: 2.75%).

Management considers that changes to the discount rate could cause the carrying value of the following CGUs to exceed their recoverable amount:

Kuwait: If the discount rate is increased by 1.20% the recoverable amount equals the carrying value.
Algeria: If the discount rate is increased by 1.45% the recoverable amount equals the carrying value.
Tunisia: If the discount rate is increased by 1.45% the recoverable amount equals the carrying value.
Indonesia: If the discount rate is increased by 6.48% the recoverable amount equals the carrying value.
Iraq: If the discount rate is increased by 36.80% the recoverable amount equals the carrying value.

41 SEGMENT INFORMATION

For management reporting purposes, the Group is organized into business units based on their geographical area covered, and has five reportable operating segments as follows;

Qtel is a provider of domestic and international telecommunication services within the State of Qatar.

ACL, Iraq is a provider of mobile telecommunication services in Iraq.

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.

Indosat is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia.

Nawras is a provider of mobile telecommunication services in Oman and has also been awarded a license to operate fixed telecommunication services.

Management monitors the operating results of its business units 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 segments. Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

41 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 2010 and 2009:

Year ended 31 December 2010

	Qtel QR'000	*ACL, Iraq QR'000*	*Wataniya QR'000*	*Indosat QR'000*	*Nawras QR'000*	*Others QR'000*	*Adjustments and eliminations QR'000*		*Total QR'000*
Revenue									
Third party	5,299,222	4,979,835	6,942,710	7,929,272	1,855,496	172,464	-		27,178,999
Inter-segment	100,362	74,484	75,632	12,411	8,687	249,021	(520,597)	(i)	-
Total revenue	**5,399,584**	**5,054,319**	**7,018,342**	**7,941,683**	**1,864,183**	**421,485**	**(520,597)**		**27,178,999**
Results									
Segment profit before tax	**2,135,935**	**1,500,009**	**1,282,980**	**513,641**	**592,371**	**(601,037)**	**(790,427)**	(ii)	**4,633,472**
Depreciation and amortisation	**641,332**	**688,302**	**1,269,382**	**2,632,297**	**229,587**	**66,089**	**790,427**	(iii)	**6,317,416**

41 SEGMENT INFORMATION (continued)

Year ended 31 December 2009

	Qtel QR'000	*ACL, Iraq QR'000*	*Wataniya QR'000*	*Indosat QR'000*	*Nawras QR'000*	*Others QR'000*	*Adjustments and eliminations QR'000*	*Total QR'000*
Revenue								
Third party	5,641,367	3,972,708	6,089,738	6,575,074	1,623,952	122,417	-	24,025,256
Inter-segment	44,870	25,469	5,405	3,934	888	162,300	(242,866)(i)	-
Total revenue	5,686,237	3,998,177	6,095,143	6,579,008	1,624,840	284,717	(242,866)	24,025,256
Results								
Segment profit before tax (restated)	1,887,656	1,091,632	1,665,515	902,735	493,071	(528,001)	(966,360)(ii)	4,546,248
Depreciation and amortisation	599,614	565,381	1,055,494	2,064,466	194,545	29,018	975,723(iii)	5,484,241

41 SEGMENT INFORMATION (continued)

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

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

	2010 ***QR'000***	*2009* *QR'000* *(Restated)*
Amortisation of additional intangibles identified in PPA	**(790,427)**	(975,723)
Impairment of goodwill	**-**	(68,861)
Write back of negative goodwill	**-**	78,224
	(790,427)	(966,360)

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

41 SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2010 and 2009.

	Qtel QR'000	*ACL, Iraq QR'000*	*Wataniya QR'000*	*Indosat QR'000*	*Nawras QR'000*	*Others QR'000*	*Adjustments and eliminations QR'000*	*Total QR'000*
Segment assets (i)								
At 31 December 2010	**29,312,421**	**7,838,815**	**25,126,862**	**24,634,552**	**2,754,167**	**1,311,131**	**10,420,628**	**101,398,576**
At 31 December 2009	15,968,079	7,225,192	23,773,916	24,716,402	1,965,171	1,193,009	10,119,324	84,961,093
Capital expenditure (ii)								
At 31 December 2010	**1,323,468**	**1,351,582**	**1,366,259**	**2,216,969**	**701,264**	**176,076**	**-**	**7,135,618**
At 31 December 2009	938,526	1,229,057	1,426,738	5,303,339	492,947	187,988	-	9,578,595

Notes:

(i) Goodwill amounting to QR 10,420,628,000 December 2009: QR 10,119,324,000) was not considered as part of segment assets as goodwill is managed on a group basis.

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

42 COMPARATIVE INFORMATION

(i) Restatements

(a) 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.

During the year, the group appropriated an amount of QR 42,500,000 representing 2.5% of the net profit generated from Qatar Operation the contribution payable for the year ended 31 December 2009. This appropriation has been considered as a restatement as a restatement of the 2009 retained earnings in accordance with IAS 8, Accounting policies, changes in accounting estimates and errors.

Subsequently, the Group made an additional appropriation of QR 51,553,000 representing the contribution payable for the year ended 31 December 2010.

(b) The retrospective application of the amendments to IAS 17 has resulted in the classification of certain land lease rights as finance leases with a lease term of 50 years. This has resulted in an increase in the previous year's profit by QR 5,521,000, of which QR 1,745,000 is attributable to non- controlling interest. The retrospective application has resulted in an increase of retained earnings by QR 11,090,000 and an increase in non controlling interests by QR 6,105,000.

(ii) Reclassifications

Corresponding figures for 2009 have been reclassified in order to conform with the presentation for the current period. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or shareholder's equity.

	2009 QR'000	*As previously reported*	*As reclassified*
Income statement			
Depreciation & amortisation	5,489,762	As part of general and administrative expenses	Disclosed as separate line item on the face of income statement
Gain (Loss) on foreign currency exchange (net)	563,343	Disclosed as separate line item in the face of income statement	As part of Other income (expenses)-Net
Profit (loss) on disposal of AFS	16,398	Disclosed as separate line item in the face of income statement	As part of Other income (expenses)-Net
Interest income	446,635	As part of Other income	Disclosed as part of Finance cost-Net
Other statutory fees	65,919	As part of general and administrative expenses	As part of Royalty and fees
Loss on change in fair value of derivatives	187,190	As part of other expenses under General and administrative expenses	As part of Other income (expenses)-Net
Selling, general and administration expenses	1,378,204	As part of General and administrative expenses	As part of Operating expenses

43 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to year end, the Group has acquired an additional 25% interest in Orascom Telecom Tunisie S.A ('Tunisiana') for a total cash consideration of KD 188,680 thousand (QR 2,447,085,000). This resulted in increasing the Group's ownership interest in Tunisiana from 50% to 75%. In addition, the Group is able to exercise control over the entity and therefore, Tunisiana will be treated and accounted for as a subsidiary starting from the first reporting period after the acquisition date. The management is in the process of determining the fair value of the previously held interest in Tunisiana.