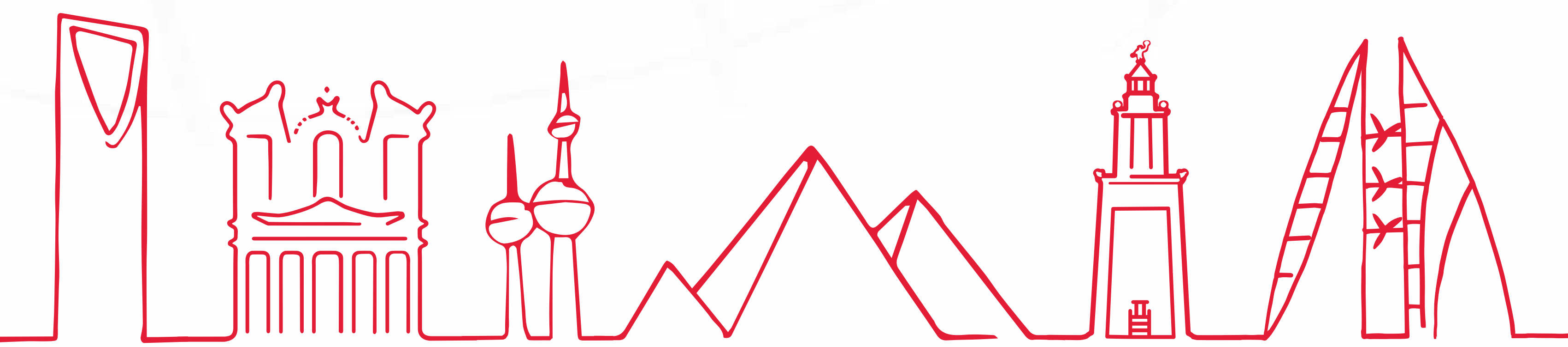
Batelco Group

One family, **Global presence**

Annual Report 2014



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**His Royal Highness
Prince Khalifa bin Salman
Al Khalifa**

The Prime Minister of
the Kingdom of Bahrain

**His Majesty
King Hamad bin Isa
Al Khalifa**

The King of the Kingdom
of Bahrain

**His Royal Highness
Prince Salman bin Hamad
Al Khalifa**

The Crown Prince,
Deputy Supreme Commander
and First Deputy Prime
Minister of the Kingdom
of Bahrain

One Family, Global Presence

During 2014 the Batelco Group adapted to its status as a major international player with operations in 14 geographies around the world.

We can be found in Bahrain, our home base, and around the Middle East region in Jordan, Kuwait, Saudi Arabia, Yemen and Egypt. The newer additions to our family can be found in Jersey, Guernsey and the Isle of Man and also in the Maldives and Diego Garcia and as far afield as St. Helena, Ascension Islands and the Falklands in the South Atlantic.

Given the widespread nature of our business, our customer base is multicultural with differing communication needs; however, we strive to incorporate those varying needs into our strategy which places our 9.5 million customers in the forefront of everything we do.

Of course, the teams serving our customers are also multicultural and we believe that the synergy of all our individual employees determines success thanks to a strong team spirit and focussed team work.

The communication evolution never stops. At the office, at home, on the move, it keeps changing every aspect of daily life. It is our aspiration to always be there to guide customers and bring them simpler solutions to make sure they enjoy the very best services the world has to offer in an increasingly digital world.

Vision and Mission

Vision

Batelco Group will be the leading integrator of digital solutions and services in its chosen markets.

Mission

We deliver innovation and value to our customers in each market, through competitive solutions and people excellence.

Values

Values

Our People
We are proud to be Batelco and keep empowering, appreciating and motivating others.

Teamwork
We support and trust each other, think win win and work towards our common vision.

Customer Driven
We respect and listen to our external and internal customers, serve with a smile, deliver on our promises and are responsive to customer requirements.

Integrity
We are professional, honest and transparent and keep our promises.

Creativity
We encourage new ideas, think outside the box, are open-minded and innovative.

Ownership for Performance
We are accountable and learn from our mistakes, take ownership and meet deadlines.

"Island Portfolio makes significant contribution - 58% of revenues and 55% of EBITDA now sourced from overseas."

Financial Highlights
2014

150.2

49.3

144.7

29.7

389.7

579.1

Net profit
(BD Million)

Cash and Bank Balance
(BD Million)

Net Assets
(BD Million)

EBITDA
(BD Million)

Earnings per share
(Fils)

Gross Revenue
(BD Million)

Chairman's Statement

"Our strategy and on-going efforts to achieve operational excellence and growth ensures the Group provides shareholders with excellent dividend yields, among the best in our industry region wide".

Hamad bin Abdulla Al Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC

> "2014 was marked by strong cash generation and growing customer numbers across the Group"

On behalf of the Board of Directors, it gives me great pleasure to present the 33rd Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2014.

We are pleased to have achieved a year-on-year increase in our gross revenues, up 5% since last year, to reach BD389.7M (US1,033.7M). Our overseas investments are delivering in line with our expectations and contributed to the strong set of results. EBITDA was also positively boosted by the Group's Island Portfolio with its results consolidated for a full year in 2014 compared with only 9 months in 2013.

For the full year 2014, Batelco Group reported Net Profits of BD49.3M (US$130.8M) from BD43.6M (US$115.6M) for 2013, an increase of 13% year over year. Profits for the year were boosted by the inclusion of consolidated full year reporting for Batelco's Islands' Portfolio, as well as increased subscriber numbers in the home market and a number of the Group's operations. Cost reduction programmes across the Group, with substantial savings realised in Bahrain, also contributed to the double digit increase.

EBITDA for the year was BD144.7M (US$383.8M), representing a healthy margin of 37%, versus EBITDA of BD120.7M (US$320.2M) and a margin of 33% for 2013. The increase in EBITDA was attributed to the positive impact of Batelco Group's overseas operations and improved performance in the home market due to cost containment initiatives.

Operating Profits increased by 24% YoY from BD62.8M (US$166.6M) in 2013 to BD77.7M (US$206.1M) in 2014

The Group ended the year with a strong balance sheet and financial position. As of 31 December 2014, net assets were BD579.1M (US$1,536.1M) with substantial cash and bank balances of BD150.2M (US$398.4M) and net debt of BD26.3M (US$69.8M).

Financial Highlights

- Gross Revenues of BD389.7M (US1,033.7M) for the year.
- Consolidated Net Profit of BD49.3M (US$130.8M) for the year.
- EBITDA of BD144.7M (US$383.8M) representing a 37% margin for the full year.
- Substantial cash and bank balances of BD150.2M (US$398.4M) at year end.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2014.

BD millions	**2014**	2013
Final cash dividends proposed	**24.95**	15.84
Interim cash dividends paid	**16.63**	15.84
Donations at 2.5%	**1.23**	1.1
Transfer to statutory reserve	**3.96**	1.5
Transfer to general reserve	**-**	-
Bonus shares in the ratio of one bonus share for every 20 shares held of the paid-up capital by capitalising reserves	**-**	7.92

Chairman's Statement
continued

Gross Revenues
(BD Million)

389.7

The Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD41.58M (US$110.29M), at a value of 25 fils per share, of which 10 fils per share was already paid during the third quarter of 2014 with the remaining 15 fils to be paid in cash following the AGM in March 2015.

We are very pleased to announce this sound set of financial results for 2014 ending the year on a strong note with revenues, EBITDA and net profit up on last year's figures. 2014 was marked by strong cash generation and growing customer numbers across the Group, particularly in the home market of Bahrain and also at Umniah, Jordan and SURE CIIM (Channel Islands, Isle of Man). Our overseas operations, which become increasingly more central to our strategy, continue to deliver in line with our expectations. We are also pleased to note that there has been an increase in net profit YoY in our home market of Bahrain where the Group continues to focus on strengthening its performance.

Our strategy and on-going efforts to achieve operational excellence and growth ensures the Group provides shareholders with excellent dividend yields, among the best in our industry region wide. We will continue during 2015 to deliver the best value for shareholders.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2015.

Commitment to Local Communities

Beyond our focus on business and financial performance, Batelco's commitment to Corporate Social Responsibility continued to make a difference throughout 2014. More than BD2M was committed to benefit sports, social, health and education related initiatives and charitable organisations we support.

Appreciation for Ongoing Support

As a leading organisation in the Kingdom of Bahrain, Batelco truly appreciates the value of the ongoing support offered by the Country's wise leadership. On behalf of Batelco's Board of Directors,

> Our overseas operations, which become increasingly more central to our strategy, continue to deliver in line with our expectations

management and staff, I extend appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, The Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Premier.

Satisfied customers create the basis for profitable growth, which in turn allows us to create value for our shareholders. We believe that with proud and motivated staff we can achieve excellent quality and great customer satisfaction. Our customers' loyalty is crucial and we extend our utmost appreciation to them for continuing to choose and trust Batelco's products, services and solutions. This appreciation is extended to all customers who support our international operations; all our customers can rest assured that their needs will remain a key priority across the Batelco Group.

Accordingly, my colleagues on the Board and I extend our great appreciation to each and every Batelco Group employee for their focus and dedication in playing their part in meeting the Group's goals and delivering a first class service for our 9.5 million customers.

Furthermore, I also offer much appreciation to Batelco's shareholders for their continued confidence and support for our strategies. We are firmly focused on our goal to drive shareholder value through strengthening our business going forward.

Looking Forward with Confidence

I am grateful to my colleagues on the Board of Directors and to Batelco Group's Executive Management teams for their collaboration and support throughout 2014. Jointly, we were very pleased with the progress made during 2014 and the solid foundations laid for moving forward and growing the Group's operations, subscriber base and presence in all markets.

Our combined achievements during 2014 have put us in a strong position and give us a stable platform to work from. The continuous focus on improving the way we serve our customers, coupled with financial discipline, will enable us to meet our long term objectives.

We are in a good position to leverage our strengths based on the solid reputation we have established at home and continuously grow in international markets. We will remain focussed on our customers at home and overseas to ensure our services exceed their expectations. Furthermore, we will remain focussed on strengthening our performance to better serve all Batelco Group stakeholders.

Hamad Bin Abdulla Al Khalifa

Chairman of the Board

Bahrain Telecommunications Company BSC

February 16th 2015

Group Chief Executive's Message

Batelco's customer centric approach is gaining recognition locally and regionally as was demonstrated by Batelco being named as the Customer Service Provider of the Year.

Alan Whelan
Group Chief Executive
Bahrain Telecommunications Company B.S.C.

> We will deliver the innovative offerings and high quality customer service which our customers will demand in an increasingly digital world.

Batelco Group, one family with a global presence, is pleased with its ongoing ability to make progress in some very tough competitive markets achieving good financial results and growth in customer numbers. The total subscriber base has grown to over 9.5 million across the 14 geographies of operation, representing 6% growth year-on-year.

We have been working closely across all our operations on pooling Group resources, technology and expertise in order to enhance competitiveness and performance, and we are very pleased with the progress made.

Operational Highlights

- Subscriber base of over 9.5 million, an increase of 6% YoY mainly impacted by increased mobile and broadband customer numbers across the Group.
- Markets outside of Bahrain contribute 58% of revenues and 55% of EBITDA.
- Batelco named Customer Service Provider of the Year for the region.

Overseas Operations Highlights

For the year, contributions from operations outside of Bahrain increased both as a percentage of revenues and EBITDA. At year-end 2014, 58% of revenues and 55% of EBITDA were sourced from overseas markets with overall performance particularly enhanced by good performances at the companies under the SURE umbrella and Dhiraagu in the Maldives.

Jordan: Umniah continues to demonstrate a significant presence in the Jordanian telecom market due to its strong strategy by offering high quality integrated services, with the best value, while keeping abreast with sector developments and customers' various needs and expectations. During 2014, Umniah's mobile subscribers increased to over 2.7 million. Its broadband subscribers witnessed an 18% growth year-on-year due to Umniah's upgraded infrastructure and expansion of its coverage across Jordan.

Kuwait: Qualitynet remains the leading Data Communications, Internet Services provider and total ICT solutions provider in Kuwait. In 2014, the company maintained market share and position delivering steady results and ending the period with more than 40,000 customers. Qualitynet successfully entered the regional ICT market in 2014.

Channel Islands and Isle of Man: Sure CIIM commenced preparations for the rollout of its new 2, 3 and 4G network across the three islands during Q4 of 2014, with a completion date for Guernsey and Jersey by the end of March 2015. The company successfully integrated its new acquisition of the Foreshore data center business with the Sure Jersey operations. Positive trading in retail boosted subscriber numbers to end 2014 3% up year-on-year in mobile and 15% up year-on-year in Broadband. In Enterprise services, Sure CIIM continued its good momentum closing and installing several large contracts.

South Atlantic & Diego Garcia: Sure S&D finished 2014 strongly and as planned across all of its operations. Investments in Wi-Fi and mobile coverage and international bandwidth made earlier in the year contributed as expected to the final quarter's performance as did the continued support, development and sale of a product in conjunction with Sure CIIM.

Maldives: Dhiraagu closed the year delivering improved trading performance in comparison to the third quarter, mainly attributed to higher seasonal roaming and strong enterprise and data revenues. The launch of 4G LTE services in Greater Male' and various inhabited islands, and the subsequent growth in mobile customer numbers driven by the superior speeds, provides the widest reach covering 44% of the population. Several marketing initiatives including new data add-ons, revamp of mobile packages and targeted promotional offers were launched to offer an enhanced service to its customers.

Other JVs: Sabafon (Yemen), in which the Group has a 26.942% shareholding, maintained steady results in 2014 despite increased political challenges in Yemen and ended the year with more than 4.8 million users, an increase of 11% since 2013. Atheeb (Saudi Arabia), in which Batelco holds a 15% stake, reported a decline of 28% year-over-year in subscriber numbers due to intense competition in broadband services.

Group Chief Executive's Message

We have been working closely across all our operations on pooling Group resources, technology and expertise in order to enhance competitiveness and performance, and we are very pleased with the progress made.

Batelco Bahrain – Investing to Deliver Superior Solutions

On the home front, we have sharpened our focus to ensure our customers' needs are met across both the consumer and business segments, and this has been fruitful as reflected in increased customer numbers and the retention of our position as Bahrain's leading integrated solutions provider.

Our significant investment in new and upgraded networks continues. Our major 4G Network enhancement project in collaboration with Ericsson, which began during 2014, will lead to the provision of faster mobile Broadband connections and superior voice quality, plus a set of new services and offers.

Similarly, our Fibre Network expansion programme has continued to make excellent progress and services are now available in a wide number of areas with new locations coming on line continuously. The service features the highest dedicated, stable superfast download in Bahrain with speeds up to 150Mb.

Our efforts have resulted in growing customer numbers in Bahrain with mobile subscribers up by 4% year-over-year, to reach over 900,000 and Broadband subscribers up by 15% YoY. Fixed line customer numbers remained steady with a marginal increase of 1% since 2013. This is in line with a growing shift toward wireless and mobile technologies. We will continue to invest in our networks and anticipate further growth in our overall subscriber numbers going forward as customers demand more sophisticated services.

The positive financial and operational results also reflect a focus on delivering top quality products and services throughout 2014 for both the business and consumer sectors, with best value, great offers and prize winning promotions. Bahrain's residents have shown a love for innovation and design and a passion for new and emerging technology. Therefore we are determined to increase the breadth and depth of the solutions we offer our customers and remain committed to delivering further efficiencies during 2015 to enhance our competitive advantage.

Number One for Customer Service

Batelco's customer centric approach is gaining recognition locally and regionally as was demonstrated by Batelco being named as the Customer Service Provider of the Year at the annual CommsMEA Awards in Dubai in December 2014. The Company also won the Best Contact Centre Award at the Customer Experience Management (CEM) in Telecoms: Middle East Summit Awards, in recognition of new mechanisms and systems developed by Batelco which have raised customer satisfaction levels significantly. During 2014, Batelco also took home the eEconomy Award at the Bahrain International eGovernment Forum and was presented with the ICT Company of the Year Award at MEET ICT 2014 due to Batelco's extensive ICT solutions portfolio which provides a one-stop-shop solution for all information, communication and technology needs in the Bahrain business market.

Additionally, Batelco was also recognised by a number of its key partners, including Cisco which awarded Batelco with Gold Certified Partner Status and Avaya which named Batelco as a Gold Avaya Connect Channel Partner in Bahrain.

Appreciating all Members in the Batelco Family

Batelco Group's employees form one big family across a very wide network, all striving daily to exceed the expectations of our 9.5 million customers; their efforts and enthusiasm are to be admired. I offer my sincere thanks to all our employees in Bahrain and throughout our network of operations for their collective contribution to the continued growth of our business, ongoing innovation and above all for ensuring that the needs of our customers take priority.

I extend grateful appreciation to our Chairman, Shaikh Hamad bin Abdulla Al Khalifa and all members of the Batelco Board for their support and wise direction during 2014. Appreciation is also extended to Batelco's shareholders for their confidence in our company and their dedicated support.

Furthermore, I thank all our executive teams across the Group for their insightful contributions which continue to shape Batelco into an organisation that is very much admired across the region and internationally.

Batelco Group's employees form one big family across a very wide network, all striving daily to exceed the expectations of our 9.5 million customers.

9.5 millon customers

The biggest vote of thanks must go to our customers who continue to support Batelco's products and services. We will continue to develop our offers and services with them foremost in mind.

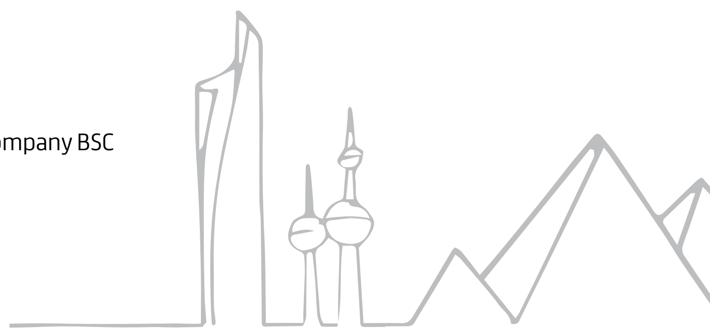
However, the biggest vote of thanks must go to our customers who continue to support Batelco's products and services. We will continue to develop our offers and services with them foremost in mind.

Vision for the Future

As we look ahead we see a world in which an increasing number of products and services will be delivered in digital form. This "digitisation" trend will impact how companies do business and how individuals lead their daily lives. Batelco will be at the heart of this change, as we aim to be the leading integrator of digital solutions and services across our chosen markets. We will deliver the innovative offerings and high quality customer service which our customers will demand in an increasingly digital world.

Alan Whelan

Group Chief Executive
Bahrain Telecommunications Company BSC



Board of Directors





From left to right

Shaikh Hamad bin Abdulla Al-Khalifa
Chairman

Mr. Abdul Razak Abdulla Al Qassim
Deputy Chairman

Mr. Abdulrahman Yusif Fakhro
Director

Brig. Khalid Mohammed Al Mannaei
Director

Mr. Raed Abdulla Fakhri
Director





From left to right

Dr. Ahmed Ebrahim Al Balooshi
Director

Mrs. Khulood Rashid Al Qattan
Director

Mr. Arif Haider Rahimi
Director

Mr. Ahmed Ateyatalla Al Hujairy
Director

Mr. Oliver McFall
Director

BATELCO GROUP EXECUTIVE TEAM

From left to right

Alan Whelan
Group Chief Executive Officer

Faisal Qamhiyah
Group Chief Financial Officer

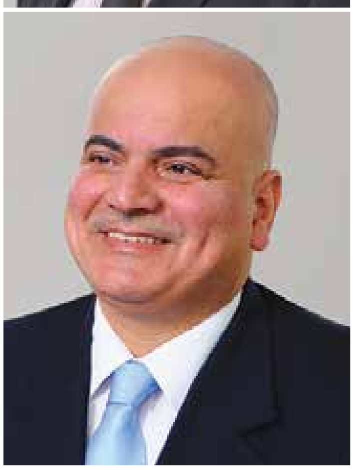
Shaikh Ahmed bin Khalifa Al Khalifa
Group General Manager Human Resources & Development

Ahmed Al Janahi
Group Board Secretary & General Manager Corporate Affairs

Bernadette Baynie
Group General Counsel







From left to right

Ali Sharif
Group Chief Internal Auditor

Dr. Ghassan Murad
Group General Manager, Mergers & Acquisitions

Ian Kelly
CEO Sure South Atlantic & Diego Garcia

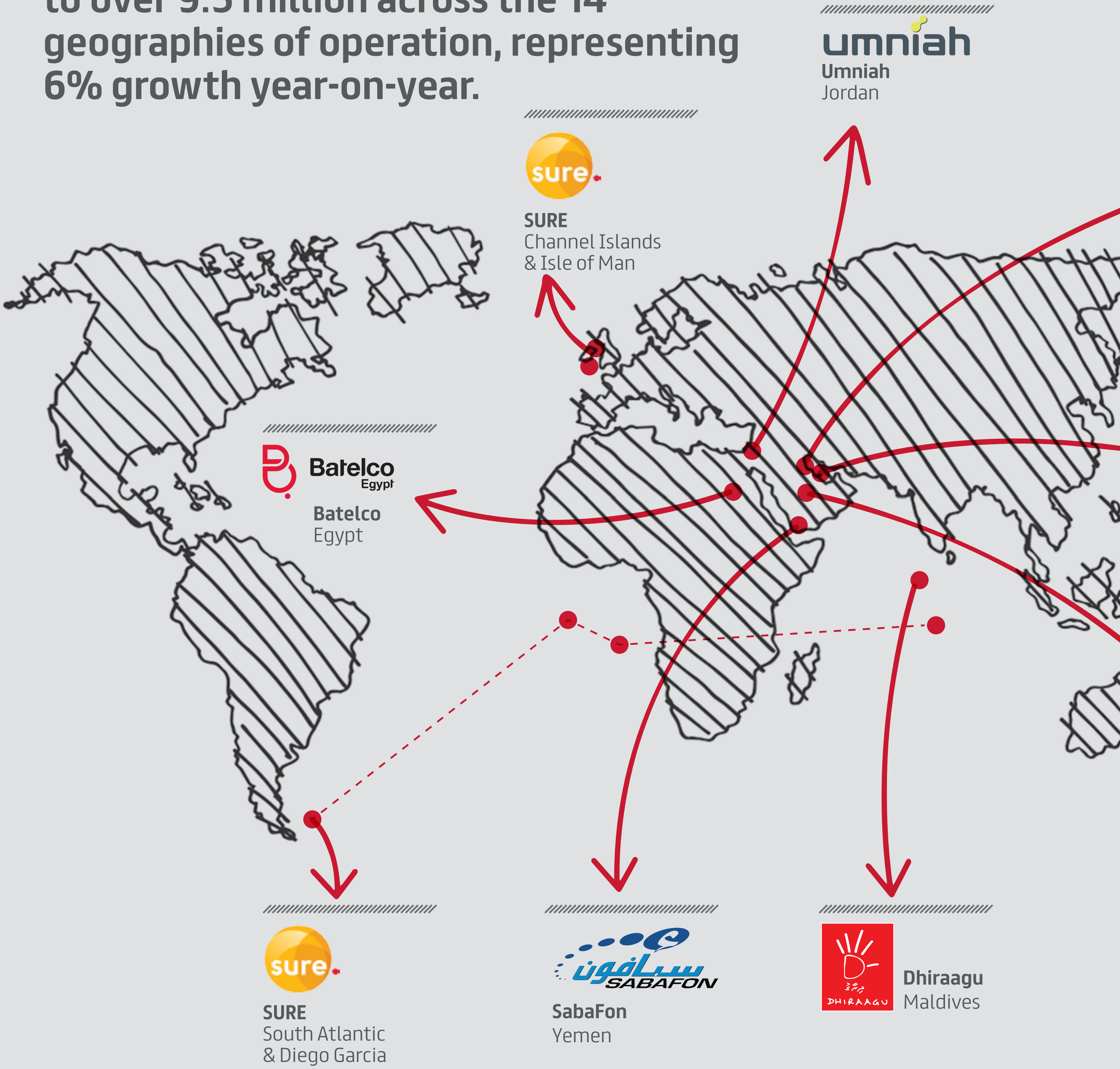
Ahmed Jaghoub
Acting Group Chief Information Officer

Haytham Fatayer
Group General Manager Strategic Projects

Batelco Group

Group operates across 14 regional and international Geographies.

The total subscriber base has grown to over 9.5 million across the 14 geographies of operation, representing 6% growth year-on-year.



Group operates across 14 regional and international Geographies

14

Island Portfolio makes significant contribution – 58% of revenues and 55% of EBITDA now sourced from overseas

58%

Quality Net
Kuwait

The Batelco Group is headquartered in the Kingdom of Bahrain and listed on the Bahrain Bourse {Bahrain Telecommunications Company (BATELCO)}. The Group has direct and indirect investments across 14 geographies - Bahrain, Jordan, Kuwait, Saudi Arabia, Yemen, Egypt, Guernsey, Jersey, Isle of Man, Maldives, Diego Garcia, St. Helena, Ascension Islands and Falklands.

Batelco has played a pivotal role in Bahrain's development as a major communications hub and today is the leading integrated communications' provider, continuing to lead and shape the local consumer market and the enterprise ICT market. As well as serving the consumer, corporate and wholesale markets in Bahrain, Batelco Group also delivers cutting-edge fixed and wireless telecommunication services to its customers across its countries of operation.

Batelco's overseas operations continue to add value to the Group and in 2014 contributed 58% of revenues and 55% of EBITDA. The Group's ongoing operational success has resulted in over 9.5 million subscribers, equivalent to an 6% year-on-year increase over 2013.

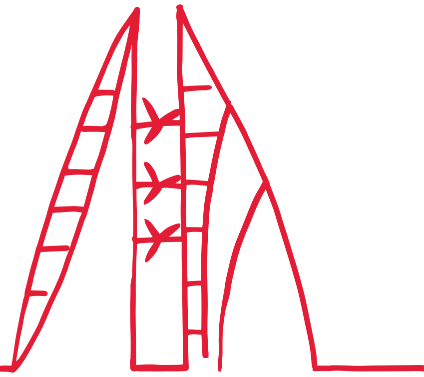
www.batelcogroup.com

Etihad Atheeb Telecom
Saudi Arabia

Subsidiaries and Affiliates

Our customer base is multicultural with differing communication needs; however, we strive to incorporate those varying needs into our strategy which places our 9.5 million customers in the forefront of everything we do.

Batelco



Bahrain
Batelco

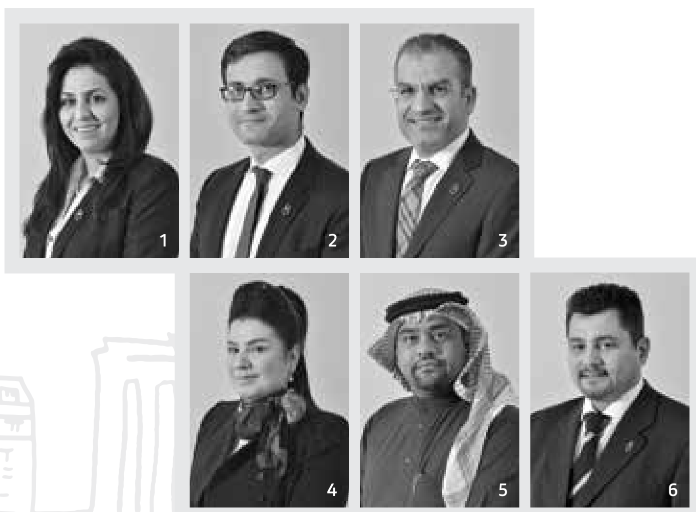
Batelco (Bahrain Telecommunications Company) is the leading integrated communications' provider in the Kingdom of Bahrain and a company of reference among the region's key telecommunication's players for innovation and customer experience.

Batelco serves both the corporate and consumer markets in the most liberalised and competitive environment in the MENA region through the delivery of cutting-edge fixed and wireless telecommunications solutions.

Batelco offers end-to-end customised solutions for its residential, business and government segments in Bahrain on Next Generation, all IP fixed and 4G LTE wireless Broadband networks and MPLS based regional data solutions.

Batelco features predominantly among the leading philanthropic companies in the Kingdom of Bahrain and in 2014 paid out over BD2 million to health, education, sports and cultural initiatives.

The Company aspires to have a positive impact on all segments of the community and reach all areas of Bahrain via its annual Corporate Social Responsibility (CSR) programme.



1. Muna Al Hashemi
A/Chief Executive Officer Bahrain

2. Sameer Altaf
Chief Financial Officer Bahrain

3. Adel Daylami
General Manager Enterprise Division

4. Suhaila Al Nowakhda
General Manager HR & Corporate Services

5. Ali Mustafa
General Manager Wholesale & Carrier Services

6. Abdul Hamid Chehab
General Manager Network Services

*Rashid Abdulla served as Bahrain CEO until 31 August 2014

Subsidiaries and Affiliates

Jordan

Umniah

Since its launch in June 2005, Umniah has achieved a strong presence in the Jordanian telecom market by offering high-quality mobile, internet, and business solutions while keeping abreast of the latest industry trends and ensuring customer satisfaction.

Umniah consistently contributes to the development of Jordan's telecommunications services by maintaining steady growth in the areas of mobile and internet subscriptions. The company boosted the Jordanian mobile market penetration from 26% in 2005 to more than 150% in 2014, proving itself as a driving force in the expansion of the ICT sector.

Umniah's broadband services witnessed a 100% growth in less than two years, enabling the company to extend wireless internet coverage to 80% of the Kingdom's population, a development in keeping with the goals of the National ICT Strategy. With the launch of its ultra-fast 3.75G network under the commercial brand 'evo' in 2012—powered exclusively by HSPA+ technology—the company now supplies record-speed broadband internet connections across the Kingdom.

Umniah continued to grow in 2014, a year that was distinguished by the establishment of partnerships with many internationally acclaimed companies and OTTs to offer exclusive services to its customers.

In November 2014, Umniah launched its Innovation Centre "The Tank" in Jordan in partnership with Plug and Play, a California-based start-up accelerator. This shared initiative has helped Umniah reach out to Jordan's young entrepreneurs by offering them the opportunity to obtain invaluable knowledge, experience, and insight through a program held in Jordan and in Silicon Valley, USA.

Umniah's 'Belong' initiatives allow the company to reach out to the community in a sustainable and high-impact way, through involvement in aspects of society including innovation, education, sports, healthcare, environment, youth, adventure, and arts and culture.

1. Ihab Hinnawi
Chief Executive Officer

2. Abdulla Tahboub
Chief Financial Officer

3. Lara El-Khateeb
Head of Legal Affairs

4. Ahmad Jaghoub
Director of Engineering & IT

5. Omar Al-Omoush
Director of Marketing

6. Mahmoud Abu Zannad
Director of Enterprise & High Value Segment

7. Sami Jarrar
Director of HR & Corporate Affairs

8. Raed Rasheed
Director of Distribution & Customer Care

9. Amjad Frouqa
Director of Quality, Business Continuity and Information Security

10. Ahmad Darwazeh
Head of Regulation & Strategy, Government Relations & Regulatory Affairs

11. Haytham Fatayer
Project Director, Executive Office

*Michel Lecavalier served as Chief Financial Officer until 30 April, 2014.

*Khaled Hudhud served as Director of Government Relations and Regulatory Affairs until 7 September, 2014.

Kuwait
Quality Net

Batelco Group holds a 90% shareholding in Qualitynet, which remains the market leader in the fixed Data Communications and Internet Services industry in Kuwait. In 2014, it maintained market share ending the year with more than 40,000 customers.

The company further solidified its presence in the international wholesale business by striking deals with major multinational operators and is emerging as a major regional player by partnering in consortiums focused on regional infrastructure expansion.

Qualitynet has been growing not only in its core business but also the ICT business that it entered into a few years ago.

While it continues to emerge as a leader in this industry within Kuwait, 2014 also marked a great year for the company's regional footprint. Qualitynet successfully capitalized upon opportunities in the Kingdom of Saudi Arabia and Egypt.

Today, partnered with industry leading organizations, Qualitynet provides diversified services such as structured cabling, cloud, Internet and network security, and data center. It continues to follow the philosophy that has been the hallmark of its success, providing services with unequalled quality.

1. Mohammad Al-Nusif
Chief Executive Officer

2. Essa Al-Kooheji
General Manager Consumer and Corporate Services

3. Ali Esmail
General Manager Customer Services & Information Services

4. Mustafa Al-Najjar
General Manager Network Services

* Eng. Waleed Al Qallaf served as Chief Executive Officer until 10 November, 2014.
* M.P. George Verghese served as General Manager Finance until 30 June, 2014.
* Nael Al-Awadi served as General Manager HR & Administration until 12 June, 2014.

Subsidiaries and Affiliates

Maldives
Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU)

Listed in the Maldives Stock Exchange, Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU) is the first and largest full service telecommunications provider in the Maldives. With over 380,000 customers, Dhiraagu maintains its position as the market leader and remains committed to enhance service quality, investing a total of 11% of annual revenue in 2014.

Dhiraagu is also the only operator in the Maldives to have linked the country from north to south through a 1,200km long fibre-optic submarine cable to enable high-speed data and next generation services across the country. Having presence in 9 strategic locations throughout the country, Dhiraagu is able to provide superior service to individual customers, small to medium businesses, corporate and government institutions.

Dhiraagu has the largest mobile network in the Maldives, and provides the widest coverage, to all inhabited islands, resorts and major industrial islands. During 2014, Dhiraagu revamped its 3G network, introduced ultrafast broadband packages, provided 3G broadband service to 31 additional islands and introduced 4G LTE services providing superior speeds to over 44% of the population.

Dhiraagu has a well-established relationship and a proven record in providing corporate customers with reliable network solutions and superior account support in the rapidly changing corporate market place. Dhiraagu caters to specific needs ranging from simple telephone services to complex integrated private networking solutions for corporate customers which include global businesses operating in the Maldives. The enterprise business continued to grow driven by demand for dedicated and customized business solutions.

Dhiraagu is a signatory to the United Nations Global Compact, the largest voluntary CSR initiative in the world. Some of the recent key CSR initiatives include the Dhiraagu Apprenticeship Programme which has been running successfully since 2009 to develop the work skills of Maldivian youth, Dhiraagu Maldives Road Race dedicated to raise awareness to help protect children, sponsorship of the National Football League, and Dhiraagu Special Sports Festival to encourage collaboration among institutions and to provide opportunities for children with different disabilities. Dhiraagu continues to support the community in the area of youth development, child protection and people's well-being.

1. Ismail Waheed
Chief Executive Officer & Managing Director

2. Ismail Rasheed
Chief Executive

3. Robin Wall
A/Chief Financial Officer

4. Ahmed Mohamed Didi
Director of Human Resources

5. Athifa Ali
Director of International, Legal and Regulatory

6. Mohamed Hazmath Abdulla
Director Property, Procurement & Administration

7. Ahmed Maumoon
Director Marketing

8. Musthag Ahmed Didi
Director Customer Solutions

9. Sharad Bradoo
Director Information Systems

10. Ali Riyaz
Director Customer Services and Sales

11. Mohamed Musad
Director Networks

* Avnish Jindal served as Chief Financial Officer until 31 July, 2014.

Channel Islands and Isle of Man

Sure (CIIM)

SURE (CIIM) offers telephony services to the Channel Islands and Isle of Man. It is the leading full service operator in Guernsey with market-leading positions in fixed voice, mobile and broadband services.

Throughout 2014 SURE consolidated its market leader position in Guernsey delivering robust results in both consumer and enterprise division; in Jersey and the Isle of Man the company continued to grow market share in both mobile and broadband, challenging the incumbents at every turn.

Excellent subscriber growth was underpinned by a strategy to embed SURE in local island life. This meant delivering the best communications expertise, coupled with a first-rate customer experience as well as championing local initiatives and charities. Through the company's Community Foundation, SURE helped numerous local causes and sponsorships delivered mass participation events across the islands that touched thousands of islands and generated significant goodwill.

In the corporate space the company closed and delivered more large contracts than ever before with customers across all verticals. The professional services team continue to add value by designing and installing networks across product portfolios and client base underpinning impeccable customer experience.

In July, the company acquired the data center business, Foreshore and has now successfully integrated it with the SURE Jersey operations.In the latter part of 2014 SURE began the build of a brand new mobile network (2, 3, 4G RAN and core) across all three islands. The initial mast switch will commence in January 2015 in the Isle of Man followed by the Channel Islands later in Q1 2015.

1. Eddie Saints
Sure Group Chief Executive

2. Gareth Fooks
Chief Financial Officer

3. Jo cox
Group Chief Commercial Officer

4. Cyrille Joffre
Chief Technical and Information Officer

5. Chris Durnell
Legal & Regulatory Director

6. Simon Little
Group Human Resources Director

7. Charlotte Dunsterville
Customer Experience Director

8. Justin Bellinger
Group Business Transformation and Development Director

9. Graham Hughes
Chief Executive Sure Jersey

10. Mike Phillips
Chief Operating Officer Isle of Man

Subsidiaries and Affiliates

South Atlantic & Diego Garcia
SURE (SADG)

SURE (SADG) is a fully featured telecommunications company serving customers in the British Overseas Territories of the Islands of Ascension, Falkland, St Helena and Diego Garcia.

Operating under an exclusive licence across each of these small remote locations Sure is a full feature fixed network operator delivering voice, broadband and data services. In addition, the company offers a full mobile service in Diego Garcia and Falklands (2.75G) with full mobile networks to be installed in Ascension and St Helena Islands during 2015. TV services are also provided on St Helena and Diego Garcia.

Reflecting the remote locations of these operations all 4 territories are satellite connected making such technology the fundamental access requirement and as a result investments to increase capacity were made in 2014 improving bandwidth for customers, particularly in Diego Garcia. Such investments will continue as demand increases.

SAUDI ARABIA
Etihad Atheeb Telecom

Etihad Atheeb Telecommunications Company (Atheeb) is a publically listed company in the Kingdom of Saudi Arabia, in which Batelco holds a 15% stake.

The company has a broad portfolio of products and services for both business and retail customers including but not limited to VOIP communication solutions, high speed data services, wireless broadband internet, fixed line telephony, hosting cloud solutions and enterprise connectivity services.

YEMEN
Sabafon

Sabafon is a GSM mobile operator in Yemen offering national coverage with over 1000 base stations across the country.

The Company started its operations in 2001 with the vision to establish a strong, dynamic and flexible organization to serve and benefit the people of Yemen with the latest GSM technology and services.

Sabafon, in which Batelco Group has a minority shareholding of 26.942% equity investment, continued to grow in 2014 despite a challenging political environment. The Company ended 2014 with a subscriber base of more than 4.8 million users, which represents 11% growth year on year.

EGYPT
Batelco Egypt Communications (S.A.E.)

Batelco Egypt is wholly owned by the Batelco Group. The company was established in 2003 with an initial focus on providing worldwide telecommunication services to corporate and multinational customers.

Today, Batelco Egypt is focused on providing end to end data solutions to multi-national companies through the Batelco Group's worldwide network.

The teams serving our customers are multicultural and we believe that the synergy of all our individual employees determines success thanks to a strong team spirit and focussed team work.

The communication evolution never stops. At the office, at home, on the move, it keeps changing every aspect of daily life. It is our aspiration to always be there to guide customers and bring them simpler solutions to make sure they enjoy the very best services the world has to offer in an increasingly digital world.

Awards Showcase

Batelco's customer centric approach is gaining recognition locally and regionally as was demonstrated by Batelco being named as the Customer Service Provider of the Year.

Best Contact Centre - CEM Awards

Batelco was presented with the Best Contact Centre award at the 3rd Customer Experience Management (CEM) in Telecoms: Middle East Summit awards ceremony. The prestigious Best Contact Centre Award recognises the operator that has designed and developed services that help to retain customers in the face of new competition and higher customer expectations.

Bahrain International eGovernment Forum - eEconomy Award

Batelco was presented with the eEconomy Award at Bahrain International eGovernment Forum, by Deputy Prime Minister and Chairman of the Supreme Committee for Information and Communications Technology, Shaikh Mohammed bin Mubarak Al Khalifa. The award was in recognition of Batelco's role in developing the ICT infrastructure in Bahrain and contributing to the growth of Bahrain's economy.

Municipality Awards - Prince Khalifa bin Salman Al Khalifa Award for Municipality Work

In recognition of its participation and support of initiatives carried out by the Ministry of Municipalities Affairs & Urban Planning, Batelco was presented with the Prince Khalifa bin Salman Al Khalifa Award for Municipality Works.

The award was presented to Batelco Group General Manager Human Resources and Development Shaikh Ahmed Al Khalifa by His Excellency the Minister of Municipalities Affairs & Urban Planning, Dr. Jumaa bin Ahmed Al Kaabi.

CommsMEA - Customer Service Provider of the Year Award

Batelco was named as Customer Service Provider of the Year at the annual CommsMEA Awards, held in Dubai.

The CommsMEA Awards set out to celebrate and pay tribute to the telecoms industry professionals and operators that have demonstrated outstanding performance and achievements during the year.

The prestigious Customer Service Provider of the Year award recognises the operator that has placed the customer at the front and centre of its business by delivering the best service possible.

MEET ICT 2014 - ICT Company of the Year Award

Batelco was presented with the ICT Company of the Year award for 2014 at the 5th MEET ICT event. The key award was presented to Batelco Bahrain A/ Chief Executive Muna Al Hashemi by the Minister of Transportation and Communication H.E. Eng. Kamal Bin Ahmed Mohammed. The award reflects Batelco's standing in the local communications industry. Batelco is no longer considered as just a telecommunications company but a key player in the development and provision of relevant ICT products and services

Global Banking and Finance Review - Best Company for Corporate Governance Bahrain Award

Batelco was awarded for its outstanding achievements in adhering to high standards in Corporate Governance and its commitment to Corporate Social Responsibility during 2014. Batelco was presented with the Best Company for Corporate Governance Bahrain 2014 award by Global Banking and Finance Review. Batelco was awarded for its outstanding achievements in adhering to high standards in Corporate Governance and its commitment to Corporate Social Responsibility during 2014.

Jordan App & Web Awards (JAWA) – Umniah Website, Fun Portal, World Cup App and Self Care App

Umniah proudly took home 4 Awards at JAWA (Jordan App & Web Awards) 2014. Batelco's sister company won 4 bronze awards for Umniah Website, Fun Portal, World Cup App and Self Care App. The awards, which emphasise Umniah's leading position in Jordan's ICT sector, were presented in recognition of Umniah's smartphone apps and website development.

Jordan King Hussein Cancer Centre – Umniah Receives Smoke Free Award

Umniah's focus on health as part of its sustainable approach to business was acknowledged with a Smoke-Free Certificate Award presented by the King Hussein Cancer Centre as part of a global initiative titled the Global Smoke-Free Worksite Challenge.

ACHIEVEMENTS

During 2014, Batelco Group Companies were recognised for their commitment and dedication to delivering the best solutions for its customers.

The lineup includes

- Batelco Recognised as Avaya Gold Channel Partner
- Batelco Achieves Cisco Gold Certified Partner Status
- Batelco Certified as a Silver Partner of Milestone
- Umniah Achieves Cisco Cloud & Managed Services Advanced Certification

Corporate Social Responsibility

Keeping our communities close as part of our Family

Beyond Batelco's focus on business and financial performance, the Company is unswerving in its role as a responsible corporate citizen. The Group's reputable Corporate Social Responsibility programme continued to make a difference throughout 2014 when over BD2 millions was paid or committed to benefit Health, Education, Sports and Arts/ Cultural related initiatives and charitable organisations.

Batelco's CSR activities cover a Wide Range of initiatives which in 2014 also included:

- Down Syndrome Society
- CPISP (Crown Prince International Scholarship Programme)
- Bahrain International Circuit Partnership
- Spring of Culture – Economic Development Board
- Visionaries - Exhibition
- 14th Global Symposium for Regulators
- Youth Tech Forum
- Batelco Bahrain Tennis Championship
- Bahrain Yacht Club – Fishing Competition
- Batelco Racing Team
- Batelco Bowling Team
- Ahlam Batelco Football Team
- IGN Convention – Technological Entertainment & Gaming Event
- INJAZ Bahrain
- Al Ayam Book Fair
- Start-up Weekend Bahrain
- Arab International Aluminium Conference
- UCO Parents Care Centre
- Muharram Temporary Clinic
- Cherry Tree Trot
- Bahrain Disabled Sports Federation – Melodic Meet
- Tree of Life Charity Society – Support Needy Families

BD2M was paid out to benefit sports, social, health and education related initiatives

BD 2 millon

1 King Equestrian & Horseracing Cup
2 Ramadan Basket
3 Bahrain International Airshow
4 Batelco Racing Team
5 Al Areen Wildlife – Wild Animals Complex
6 7th King Hamad Golf Trophy

Corporate Governance

Contents

Overview

Sound corporate governance principles are the foundation upon which the trust of stakeholders is built. At Batelco we believe in sound corporate governance. Our Corporate Governance Framework has been designed to comply with the Commercial Companies Law of the Kingdom of Bahrain (the 'Companies Law'), the Corporate Governance Code of the Kingdom of Bahrain (the Code), as well as with international best practices. Batelco's corporate governance practices have been structured around the following eight principles:

- The Company shall be headed by an effective, collegial and informed Board
- The directors and officers shall have full loyalty to the Company
- Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board
- The Company shall remunerate directors fairly and responsibly
- The board shall establish a clear and efficient management structure
- Company shall communicate with shareholders, encourage their participation, and respect their rights
- The Company shall disclose its corporate governance code and its compliance to it.
- While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

To ensure the above, the Board has delegated some of its responsibilities to specialized committees with a definite mandate to make certain that all facets of good governance are implemented and monitored on an ongoing basis.

The Board of Directors of the Company together with its management undertook measures and ensured that for the year ended 31 December 2014 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements.

The Board has resolved that it shall investigate any non-compliance or deviations from these Corporate Governance Guidelines.

The Executive Committee of the Board is responsible to review the Corporate Governance Guidelines document at least once every two years, or as and when required, in order to comply with the Code or any other relevant legislation in the Kingdom of Bahrain.

The Corporate Governance Guidelines approved by the Board are available on the Company's website. Shareholders of the Company can obtain a copy of the Corporate Governance Guidelines from the Corporate Secretary.

Communication with Investors and Shareholders

To encourage transparency and foster the culture of active communication, the Board strives to maintain an open communication channel with its investors and shareholders at all times.

The Board is committed to communicate its strategy and activities clearly to the stakeholders and, to that end, maintains an active dialogue with stakeholders through planned activities.

By policy, the Company is committed to publicly disclose to all its stakeholders fair, transparent, comprehensive and timely relevant information. To support this principle of transparency, Batelco's financial statements are maintained on its website at all times and ensuring all material facts are made available to shareholders prior to any vote.

The principal communication with investors and shareholders is through the annual report of the Company and the AGM, an occasion which is attended by all directors and at which all shareholders present are given the opportunity to question the Board.

Overall responsibility for ensuring that there is effective communication with investors and to understand the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose.

Management Statement

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Audit Committee as well as the Executive Committee who in turn report to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

Corporate Governance

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Please refer to note 4 of the Financial Statements for further details.

Ownership Structure

Batelco's principle shareholders include institutional investors, Sovereign Wealth Fund Institutes (SWF's) and general public.

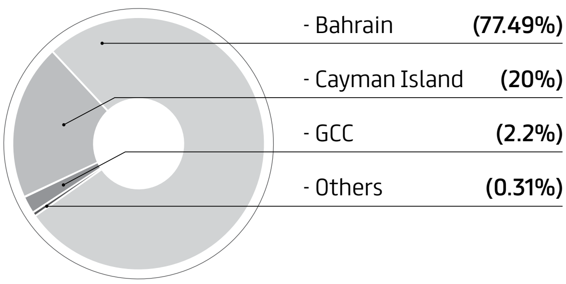
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders.

Ownership Structure by Nationality

The table and illustration shows the distribution of ownership of Batelco shares by nationality:

Nationality	Number of Shares	% of shares held
1 Bahrain	1,288,790,561	77.49%
2 Cayman Islands	332,736,711	20%
3 GCC	36,559,829	2.2%
4 Others	5,112,899	0.31%

Distribution of shares by Nationality

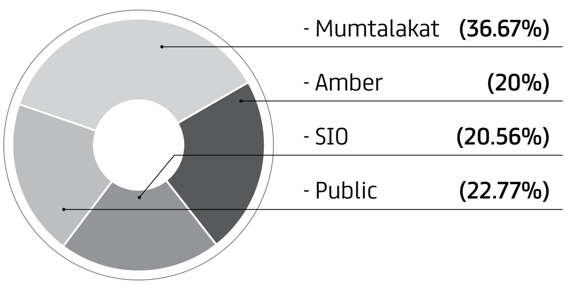


Ownership Structure by Size

The table and illustration shows the distribution of ownership of Batelco shares by size (5% and above):

Owner	Number of Shares	% of shares held
1 Mumtalakat Holding Company	609,493,500	36.67%
2 Amber Holding Company	332,640,000	20%
3 Social Insurance Organization	339,972,849	20.56%
4 Public	381,093,651	22.77%

Distribution of shares by Size



Ownership Structure by Category

The table below shows the distribution of ownership of Batelco shares by the government entity (ies), directors and executive management:

Government Entity(ies)	Number of Shares	% of shares held
Mumtalakat Holding Company	609,493,500	36.67%
Amber Holding Company	332,640,000	20%
Social Insurance Organization	339,972,849	20.56%

Directors	Number of Shares	% of shares held
Mr. Abdul Razak Abdulla Al Qassim	462,315	0.027%
Mr. Abdulrahman Yusif Fakhro	170,752	0.010%
Mr. Ahmed Ateyatalla Al Hujairy	31,470	0.0019%
Mr. Arif Haider Rahimi	31,170	0.0019%
Mrs. Khulood Rashid Al Qattan	30,010	0.0018%
Mr. Raed Abdulla Fakhri	3,710	0.0002%

Executive Management	Number of Shares	% of shares held
Dr. Ghassan Murad	103,950	0.0063%

Directors and Senior Management trading during the year 2014

The details of trading in shares during the year by Directors, senior management and their related parties are as follows:

Name	Type of shares	Purchase/Sale	No. of Shares	Date of Transaction
Mrs. Khulood Al Qattan	Ordinary	Purchase	29,800	31/03/2014
Mr. Ahmed Ateyatalla Al Hujairy	Ordinary	Purchase	30,000	31/03/2014
Mr. Arif Haider Rahimi	Ordinary	Purchase	30,120	03/04/2014
Mr. Abdulrahman Yusif Fakhro	Ordinary	Purchase	40,400	21/05/2014
	Ordinary	Purchase	9,600	22/05/2014

Corporate Governance

Board Structure

The Board has the final responsibility for the overall conduct of the Company's business, providing direction by exercising objective judgment on all matters independent from executive management.

The Board of Directors of the Company is accountable to shareholders for the proper conduct of the business and also for ensuring the effectiveness of and reporting on the corporate governance framework in place.

The Board of the Company comprises of 10 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there are 10 Non-Executive Directors, 7 of which are Independent.

The detailed information about the directors in the Board of Batelco is set out below:

	Shaikh Hamad bin Abdulla Al Khalifa (Non – Executive Independent) – Chairman	**Mr. Abdul Razak Abdulla Al Qassim** (Non- Executive Independent)
Brief History / Biography	Shaikh Hamad bin Abdulla Al Khalifa obtained a Bachelor degree in Aeronautic Science from the University of King Faisal in 1976 and an MBA in the same field from the US in 1985. He was a founder of the Bahraini Royal Air Force and became the commander of the Royal Air Force before he retired in 2003. He was a member of the TRA Board till his appointment to the current post. He enjoys a wealth of experience, knowledge and professionalism in the business sector	Mr. Abdul Razak Al Qassim holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology, USA). Mr. Al Qassim joined NBB in 1977 after seven years with Chase Manhattan Bank and Standard Chartered Bank. Mr. Al Qassim is Chairman of Benefit Company; Chairman of Bahrain Islamic Bank and Chairman of Bahrain Association of Banks. Additionally he is a member of the Board of Umniah, (Jordan) Mobile Company; Dhiraagu, (Maldives); SURE Guernsey Limited; SURE Jersey Limited SURE Isle of Man Limited and Quality Net. He became Chief Executive Officer of National Bank of Bahrain B.S.C. in 2008. Board Member of the Crown Prince International Scholarship Program, Board Member of deposit and Unrestricted Investment Account (URIA) Protection at Central Bank of Bahrain.
Term of Office	Shaikh Hamad was appointed by the shareholders in the AGM in 2014, as a Non-Executive Independent Director in the Board in 03/2014 for a period of 3 Years. Shaikh Hamad has been serving on the Board since 09/2006	Mr. Al Qassim was elected by the shareholders in the AGM in 2014, as a Non-Executive Independent Director in the Board in 03/20114 for a period of 3 Years. Mr. Al Qassim has been serving on the Board since 02/2008
Business Title & Professional experience in years	Chairman of Batelco Board of Directors 38 Years	Chief Executive Officer and Director of National Bank of Bahrain 37 Years
Committee Membership	Nomination and Remuneration Committee Donations Committee Advisory Committee	Executive Committee Nomination and Remuneration Committee Supervisory Committee Advisory Committee

Board Structure (continued)

	Mr. Abdulrahman Yusif Fakhro (Non – Executive Dependent) – Director	**Brigadier Khalid Mohammed Al Mannaei** (Non – Executive Dependent) - Director
Brief History / Biography	Mr. Abdulrahman Yusif Fakhro studied commerce at the University of Cairo. Mr. Fakhro has served on the board of various companies including Bahrain Kuwait Insurance Company (BSC), BMMI, National Motors, Bahrain Flour Mills and Seef Properties (BSC).He is also a member of the Board of Directors of the SIO, Innovest (BSC) and American Mission Hospital. He has more than 49 years' experience in the business, investment and insurance sector.	Brigadier Khalid Mohammed Al Mannaei holds a Master's degree in Business Administration from Sheffield Hallam University (UK) and joined the Military Pension Fund in February 2011 after working at Bahrain Defense Force. He is one of the founders of the GCC Expanded Military Pension Coverage Committee. Along with Batelco, Brigadier Al Mannaei currently serves on several boards. He is the Deputy Chairman of Bahrain Islamic Bank, Board member at Social Insurance Organization (SIO), Board member at Osool Asset Management and Board Member at Marina Club.
Term of Office	Mr. Fakhro was appointed by the Board of Directors representing Social Insurance Organization (SIO) as a Non-Executive Dependent Director in 04/2012 for the remaining term of his predecessor. Further Mr. Fakhro was re-appointed by the Shareholders in the AGM in 2014. Mr. Fakhro has been serving on the Board since 04/2012	Brigadier Al Mannaei was appointed by the Board of Directors representing Amber Holdings as a Non-Executive Dependent Director in 08/2012 for the remaining term of his predecessor. Further Brigadier Al Mannaei was re- appointed by the shareholders in the AGM in 2014. Brigadier Al Mannaei has been serving on the Board since 08/2012
Business Title & Professional experience in years	Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro 49 Years	General Manager of Military Pension Fund 35 Years
Committee Membership	Executive Committee Donation Committee	Nomination and Remuneration Committee Donations Committee

Corporate Governance

	Mr. Raed Abdulla Fakhri (Non- Executive – Dependent)	Dr. Ahmed Ebrahim Al Balooshi (Non- Executive – Independent)
Brief History / Biography	Mr. Raed Fakhri joined Mumtalakat as Vice President Investments in March 2013. Mr. Fakhri enjoys more than 20 years of experience in various sectors, mainly in business development and investment. Prior to his current role, Mr. Fakhri co-founded BDI Partners in 2010 and served as Managing Director. He spent 3 years in Capivest Investment Bank, heading the Investment Department. Prior to that, Mr. Fakhri was with Bahrain Telecommunication Company (Batelco) for 9 years, responsible for business development, start-ups, mergers and acquisitions. Earlier, he spent 3 years with Gulf Petrochemical Industries Company (GPIC) as Control Systems and Project Engineer. Mr. Fakhri holds an Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from University of Central Florida, Orlando, Florida,USA. Throughout his career, he served in a number of company boards, i.e. currently a Board Member in Batelco and Investrade.	Dr. Al Balooshi has an MBA and Bsc in Accounting from University of Bahrain. He attained the role of Assistant Professor at the College of Business Administration, UOB in early 2014, having held the post of Undersecretary, Regulatory and Performance Audit, National Audit Office, from 2005 to 2013. He holds a Ph.D in Accounting from the University of Surry, UK and is a Certified Public Accountant (CPA) - USA. With extensive experience in the field of finance, Dr. Al Balooshi's career includes the post of Senior Manager with Ernst and Young, Director of Audit at the Ministry of Finance and Head of Computer Audit, Ministry of Finance. Additionally, Dr. Al Balooshi is Chairman of UOB Alumni, is a Member of AICPA (USA) and Member of the GCC Accounting and Auditing Organization. He is also in the Alba Audit Committee since August 2014. Furthermore, he has extensive lecturing experience in the fields of Accountancy and Auditing.
Term of Office	Mr. Raed Fakhri was appointed by the shareholders representing Mumtalakat at the AGM in 2014, as a Non-executive Dependent Director. Mr. Raed A. Fakhri has been serving on the Board since 03/14.	Mr. Al Balooshi is an Amber Holding representative on the Board and was elected by the shareholders in the AGM in 2014, as a Non-Executive Independent Director. Dr. Ahmed Ebrahim Al Balooshi has been serving on the Board since 03/14.
Business Title & Professional experience in years	Vice President of Investment – Mumtalakat Holdings 20 Years	Assistant Professor at the College of Business Administration, UOB
Committee Membership	Executive Committee Nomination and Remuneration Committee	Audit Committee

Board Structure (continued)

	Mr. Arif Haider Rahimi (Non- Executive Independent)	Mr. Ahmed Ateyatalla Al Hujairy (Non- Executive Independent)
Brief History / Biography	Mr. Rahimi serves as a Director and Chairman of the Audit Committee for the Bahrain International Circuit and acts as Vice Chairman for BIW Labor Accommodation, Madaen Al Luzi and Luzi Housing Development Co. He is also the Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. Mr. Rahimi is a Certified Public Accountant, Board of Accountancy, Oregan, USA and has over 23 years of experience in financial services, working with regional and internationally acclaimed firms and banks such as BDO Jawad Habib, PriceWaterhouseCoopers, Gulf International Bank, Al Baraka Islamic Investment Bank, Arthur Andersen and Deloitte Haskins & Sells. Mr. Rahimi held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division before forming the Masar Group of Companies.	Mr. Al Hujairy is Founder and CEO of Gulf Future Business S.P.C. He holds an executive MBA (Distinguished Honours) from DePaul University, Chicago, USA and has extensive experience in a range of fields including Telecommunications, Banking, Government, Information Technology and Business Analysis. He began his career with Riyad Bank, Saudi Arabia and subsequently worked with Batelco and Asia Computers before joining the Health Information Directorate where he attained the post of Director. Prior to founding Gulf Future Business, Mr. Al Hujairy held the role as Acting CEO, Advisor to the Minister of Health on Health Economics at Salmaniya Medical Complex and the role of General Manager at Gateway Gulf B.S.C. Mr. Al Hujairy is Vice Chairman ICT Committee, Bahrain Chamber of Commerce and Industry, Advisor and Founder of Bahrain Internet Society and a member of the Bahrain Society for Training and Development. Furthermore, Mr. Al Hujairy has published a number of papers and written articles on health, ICT and the Internet.
Term of Office	Mr. Rahimi was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board. Mr. Arif Rahimi has been serving on the Board since 03/14.	He was elected by the shareholders at the AGM in 2014, as a Non-Executive Independent Director in the Board Mr. Ahmed A. Al Hujairy has been serving on the Board since 03/14.
Business Title & Professional experience in years	Managing Partner of Masar Professional Services Over 23 Years	Founder and CEO of Gulf Future Business Over 30 Years
Committee Membership	Audit Committee	Audit Committee

	Mrs. Khulood Rashid Al Qattan (Non – Executive Independent)	Mr. Oliver McFall (Non- Executive Independent)
Brief History / Biography	Mrs. Al Qattan is the General Manager of Prime Advisory WLL and Managing Director of Green FX WLL. She holds a Bachelor's Degree in Accounting from Ayn Shams University, Cairo 1984 and has 22 years of banking experience, mainly in the investment field. She started her career as a trader in the US & European equities and has experience in capital and money market instruments in the local, regional and international markets and also in portfolio management. Mrs. Al Qattan's career began with Bank of Bahrain & Kuwait where she worked her way to Head of Investment Department before widening her experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolvence Capital. Furthermore, Mrs. Al Qattan is a Board Member of Sico Financial Services Company (SFS) and Board Member of Gulf Aviation Academy. She is an active member on the Committee for the Young Women Entrepreneur award issued by HH Princess Sabeeka Bint Ibrahim Al Khalifa and also a speaker in regional and international conferences	Mr. Oliver McFall, has 30 years of experience in international management consulting. His career achievements include 15 years as Vice President in Hamburg and the Middle East with Roland Berger Strategy Consultants, 10 years as Senior Partner with AT Kearney and 5 years as Senior Project Manager with McKinsey & Company. During his career, Mr. McFall's client base has included large corporations in Europe, North America and the Middle east within telecommunications, electronics and renewable energy. Since 1998 Mr. McFall has worked for various public and private institutions in the GCC. Furthermore, Oliver McFall is a non-executive board member of Dantherm Power (Denmark) and Ringford Holding (Switzerland) .
Term of Office	Mrs. Al Qattan was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board Mrs. Khulood Rashid Al Qattan has been serving on the Board since 03/14.	Mr. McFall was appointed at the AGM in 2014 by the shareholders representing Mumtalakat and he will hold the role as a Non-Executive Independent Director Mr. Oliver McFall has been serving on the Board since 03/2014.
Business Title & Professional experience in years	General Manager of Prime Advisory WLL. Over 20 years	Vice President in Hamburg and the Middle East with Roland Berger Strategy Consultants 30 Years
Committee Membership	Audit Committee	Executive Committee

Mandate of the Board

The principle responsibilities of the Board, as set out in its Charter, are as follow:

- Represent the shareholder interests and optimizing long term financial returns.
- Establishing the Company's policies and strategy and regularly monitoring the performance of executive management against it.
- Oversight, performance evaluation and succession planning of directors and executive management
- Preparation and fair presentation of the financial statements in accordance with the applicable financial reporting standards.
- Risk recognition and assessment to ensure that the Company's operations, are measured, monitored and controlled by appropriate, effective and prudent risk management systems.
- Approve and monitor the progress of major capital expenditure, capital management, loans, and acquisitions, including the sale of movable and immovable property, granting permission for withdrawal of money and securities owned by Batelco
- Establishing policies to manage potential conflicts of interest including matters such as related party transactions.
- Establishing and disseminating to all employees and appointed representatives of the Company a corporate code of conduct

Board Meetings

As per the Charter of the Board, the directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Board of Directors met 10 times on the following dates and discussed the below mentioned significant items.

The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
28/01/2014	- Batelco Bahrain Financial Performance – Full year – 2013 - Special Accounts (Previously VIPs) Receivable process improvement - Other Segments receivables and collection process improvement - Batelco Group Financial performance – 2013 results and financial dividend recommendation - Proposed AGM draft - Excess Liquidity options - Project OSCAR- Share Purchase Agreement - Remuneration Committee – Bonus Approval for operating companies and group - Batelco Group Annual budget 2014	- Approved - Approved - Referred to Supervisory Committee - Approved - Referred to Supervisory Committee - Approved - Approved - Approved - Approved
06/02/2014	- Appointment of Group CEO	- Referred to Supervisory Committee
04/03/2014	- The appointment of the Board Chairman and Deputy Chairman - The appointment of Remuneration and nomination committee members	- Approved - Approved
30/03/2014	- The appointment of the Audit Committee - The appointment of the Executive Committee - The appointment of the Remuneration and Nomination Committee - The appointment of the Donations Committee - List of nominations to be appointed in the Group subsidiaries and JV's	- Approved - Approved - Approved - Approved - Approved
30/04/2014	- YTD March 2014 Results - 3+9 Forecast - Ratification of circulated resolutions - Group financial Performance – March 2014 YTD results - Excess liquidity options - Revised Dividend policy - New group Authority Matrix - New Authorized Bank Signatory list - Batelco Bank Authorized Signatories list - Batelco Middle east bank signatories list - Batelco international finance No.1 limited bank Authorized signatories list - Batelco middle east Jordan bank authorized signatory list - BMIC limited bank signatory list - Banque Saudi Fransi Bank Authorized signatories list - Saudi Hollandi Capital authorized signatories list - STEL Litigation Update - Resolution authorized signatories	- Approved - Approved - Approved - Approved - Approved - Approved - Referred to Executive Committee - Approved - Approved - Approved - Approved - Approved - Approved - Approved - Approved - Approved - Approved

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
09/06/2014	- Travelling Expenses - Agenda Creation - Mobile Broadband expansion - Fixed service Coverage 2014 - Group Strategy Formulation Timeline - Financial performance April and YTD results - New group Authority matrix	- Needs further discussion - Approved - Approved - Approved - Approved - Approved - Approved
24/07/2014	- BCEO Status - GIA Status - Financial Performance – June and YTD results and interim dividends - Group strategy formulation update - Petrarca project - BMIC SIVA case - 6+6 forecast	- Approved - Approved - Approved - Needs further discussion - Approved - Approved - Approved
29/10/2014	- Credit collection policy - Accounts receivable - Batelco Bahrain September 2014 YTD Results - Old and fully provisioned retail debts write off approval - Batelco Key person register Update - NBN Project update and way forward - Data roaming policy - Batelco Group Financial performance September YTD Results - Strategic Options for Atheeb - Stel case update - IBGI company Closure - Group Treasury Policy - Annual banking limits review - Petrarca Project	- Approved - Approved - Approved - Approved - Needs further discussion - Approved - Approved - Approved - Need further discussion - Need further discussion - Approved - Approved - Approved - Need further discussion
03/12/2014	- Appointment of BCEO - Appointment of Quality net CEO	- Approved - Approved
15/12/2014	- Batelco Group Strategy - Batelco Bahrain Strategy	- Approved - Needs further discussion

The members of the Board during the year 2014, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	28/1	06/2	AGM 04/3	30/3	30/4	09/6	24/7	29/10	03/12	15/12
Shaikh Hamad bin Abdulla Al Khalifa	Non- Executive (Independent)	■	■	■	■	■	■	■	■	■	■
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (Independent)	■	■	■	■	■	■	■	■	■	■
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependent)	■	■	■	■	■	■	■	■	■	■
Brigadier Khalid Mohammed Al Mannaei	Non-Executive (Dependent)	■	■	■	■	■	■	■	■	■	■
Mr. Raed Abdulla Fakhri (This member was elected in the AGM 2014)	Non- Executive (Dependent)	□	□	■	■	■	■	■	■	■	■
Dr. Ahmed Ebrahim AlBalooshi (This member was elected in the AGM2014)	Non- Executive (Independent)	□	□	■	■	■	■	■	■	■	■
Mr. Arif Haider Rahimi (This member was elected in the AGM2014)	Non- Executive (Independent)	□	□	■	■	■	■	■	■	■	■
Mr. Ahmed Ateyatalla Al Hujairy (This member was elected in the AGM2014)	Non- Executive (Independent)	□	□	■	■	■	■	■	■	■	□
Mrs. Khulood Rashid Al Qattan (This member was elected in the AGM2014)	Non- Executive (Independent)	□	□	■	■	■	■	■	■	■	□
Mr. Oliver McFall (This member was elected in the AGM2014)	Non- Executive (Independent)	□	□	□	■	■	■	■	■	■	■
*Mr. Murad Ali Murad	Non-Executive	■	■	□	□	□	□	□	□	□	□
*Mr. Adel Hussain al Maskati	Non-Executive	■	■	□	□	□	□	□	□	□	□
*Mr. Waleed Ahmed AlKhaja	Executive	■	□	□	□	□	□	□	□	□	□
*Mr. Ali Yusuf Engineer	Non-Executive	■	□	□	□	□	□	□	□	□	□
*Dr. Zakariya Ahmed Hejris	Non-Executive	■	□	□	□	□	□	□	□	□	□
*Mr. Nedhal Saleh Al Aujan	Non-Executive	■	□	□	□	□	□	□	□	□	□

Note (*): Directorship Term ended on 4th March 2014

■ Attended □ Did not attend

Corporate Governance

Elections of Directors

There are formal, rigorous and transparent procedures for the appointment of new directors to the Board.

Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

The current directors of the Company are appointed by the General Shareholders Meeting from among candidates proposed by the Board on the recommendation of the Nomination and Remuneration Committee (NRC).

Director Appointment Letter

As a member of the Board, each Director has signed a formal written appointment letter which covers among other things, the Director's duties and responsibilities in serving on the Board, the terms and conditions of their directorship, the annual remuneration, and entitlement to reimbursement of expenses and access to independent professional advice when needed.

Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programs are provided.

Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director.

On appointment, individual Directors undergo an induction program covering, amongst other things:

- The business of the Company;
- Their legal and regulatory responsibilities as Directors;
- Briefings and presentations from relevant executives; and
- Opportunities to visit business operations.
- Throughout their period in office the Directors are continually updated on the Company's businesses and the regulatory and industry specific environments in which it operates.

These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Termination of Directors

The membership of the Directors is terminated upon the expiry of the term upon which he/she needs to be subject to re-election.

The termination of directorship can also take effect if any Director is in breach of the applicable governing laws and requirements of the Articles of Association.

Performance Evaluation

Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's performance as a whole.

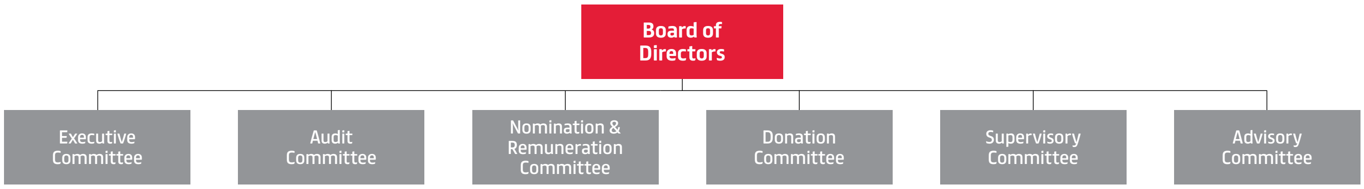
The evaluation is designed to determine whether the Board, its Committees, individual Directors and executive management continues to be capable of providing the high level judgment required and are informed and up to date with the business and its goals and understand the context within which it operates.

The next performance evaluation of the Board, its Committees, individual Directors and executive management is scheduled for 2015.

Board Committees Structure

In order to assist the Board in discharging its duties effectively and efficiently, the Board has established the following sub-committees:

The Board ensured that the Board Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. Each Board Committee has access to such information and advice, both from within the Company and externally, at the Company's cost as it deems necessary.



Executive Committee

The Executive Committee's primary duties and responsibilities are to:

- Review of Batelco's operational performance, at least once every financial quarter and direct management to develop and implement various initiatives to achieve the Annual Operating Plan
- Obtain reports at least once every financial quarter about the operating performance of joint ventures and associated companies and review the achievement of key financial targets and objectives
- Review of Batelco's 'Available For Sale' investment portfolio at least once every financial quarter
- Approve or recommend to the Board, all requests for the 'write-off' of an investment
- Approve or recommend to the Board any budgeted and unbudgeted capital expenditure
- Monitor the implementation of an effective corporate governance framework, with particular reference to the Corporate Governance Code of Bahrain (the "Code") and the requirements of the Central Bank of Bahrain ("CBB") Rulebook Volume 6
- Assist the Board in the effective discharge of its responsibilities for business, financial, operational, and reputational risk management and for the management of Batelco's compliance obligations

Executive Committee Meetings

As per the Charter of the Executive Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Executive Committee met on 6 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
23/01/2014	- Batelco Bahrain Financial performance YTD December 2013 - Batelco Group Financial performance YTD December 2013 - Excess Liquidity options	- Recommended to the Board - Recommend to the Board - Recommend to the Board
04/05/2014	- Mobile Broadband Expansion - Fixed Service Coverage Expansion	- Recommended to the Board - Recommend to the Board
08/06/2014	- Mobile Broadband Expansion - Decommissioned asset disposal - Group strategy formulation Timeline - Financial Performance April 2014 and YTD Results.	- Recommend to the Board - Needs further discussion - Recommend to the Board - Recommend to the Board
20/07/2014	- Batelco Bahrain Financial and Business Performance (year to date) June 2014 - Batelco Group financial performance June 2014 and YTD results - Petrarca Project - Approval for additional group HR budget	- Approved and will recommend to the Board - Approved and will recommend to the Board - Recommend to the Board - Recommend to the Remuneration and nomination committee

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
27/10/2014	- Unified BSS Transformation Capex - Batelco Bahrain September 2014 YTD results - Royal Guard Network Capex – way forward - Old and Fully Provisioned Retail Debts Write off Approval - NBN Project Update and way forward - 9+3 Forecast 2014 - Batelco Group September 2014 YTD Results - Strategic Options for Atheeb - Stel case update - Petrarca Project - Group Treasury policy - Annual banking limits review - Group 9 +3 Forecast	- Needs further discussion - Approved and will recommend to the Board - Recommend to the Board - Approval - Recommend to the Board - Approved - Approved and will recommend to the Board - Recommend to the Board - Recommend to the Board - Need further discussion - Recommend to the Board - Recommend to the Board - Approved
27/11/2014	- Batelco Bahrain Oct 2014 YTD results - NBN options for Bahrain - Credit limit policy framework - Batelco Group Oct 2014 YTD results - BMIC vs Siva litigation update - Provision for STel Receivable	- Approved - Approved - Approved - Approved - Approved - Approved

The members of the Executive Committee during the year 2014, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	23/1	04/5	08/6	20/7	27/10	27/11
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (Independent)	■	■	■	■	■	■
Mr. Abdulrahman Yusif Fakhro (This member was appointed in March 2014)	Non-Executive (Dependent)	□	■	■	■	■	■
Mr. Raed Abdulla Fakhri (This member was appointed in March 2014)	Non- Executive (Dependent)	□	■	■	■	■	■
Mr. Oliver McFall (This member was appointed in March 2014)	Non- Executive (Independent)	□	■	■	□	■	■
***Dr. Zakaria Ahmed Hejres**	Non- Executive	□	□	□	□	□	□
***Mr. Nedhal Saleh Al-Aujan**	Non- Executive	■	□	□	□	□	□
***Mr. Waleed Ahmed Al Khajah**	Executive	■	□	□	□	□	□

Note (*): Directorship Term ended on 4th March 2014

■ Attended □ Did not attend

Audit Committee

The Company's internal audit function reports to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditors' qualifications, remuneration, independence and performance;
- The appointment of Head of Internal Audit and the regular review of the activities and performance of internal audit function; and
- Compliance by the Company with legal and regulatory requirements, including the Company's disclosure of controls and procedures.

Audit Committee Meetings

As per the Charter of the Audit Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. During the year, the Audit Committee met on 7 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
27/01/2014	- Internal Audit plan 2014-2016 - Internal Audit Activity report – Q4- 2013 - Audit issues follow up Report –Q4 – 2013 - KPMG 2012 management letter update - Compliance report	- Approved - Approved - Approved - Approved - Approved
03/03/2014	- Post-Acquisition of weber	- Needs further Discussion
29/04/2014	- Group Financials – Q1 2014 - Group Internal Audit activity report - Follow up on open issues – Q1 2014 - Bahrain Internal Audit activity report - Bahrain Audit issues follow up – Q1 2014 - KPMG 2013 management letter update	- Recommend to the Board - Needs further Discussion - Needs further Discussion - Needs further Discussion - Needs further Discussion - Approved
26/05/2014	- Post-Acquisition of weber - Compliance report	- Approved - Needs further Discussion
23/07/2014	- Bahrain Internal Audit activity report - Bahrain Audit issues follow up – Q2 2014 - KPMG 2013 management letter update - Batelco key person register update - Group financials - Q2 2014 - Group internal Audit activity report – Q2-2014 - Follow up on open issues	- Needs further Discussion - Approved - Approved - Recommend to the Board - Approved and will recommend to the Board - Approved - Approved
27/10/2014	- Batelco Bahrain Financials – Q3 2014 - Internal Audit Plan 2015-2017 - Internal Audit Activity report – Q3 2014 - Batelco Key person register update - Compliance report - Group Financials – Q3 2014 - Group internal Audit plan 2015-2017 - Group internal Audit Activity report –Q3 2014 - Follow up on open issues	- Recommend to the Board - Approved - Approved - Raise to the Board - Approved - Recommend to the Board - Approved - Approved - Approved
20/11/2014	- Overall review of Audit and Executive committee Charters	- Needs further Discussions

Corporate Governance

The members of the Audit Committee during the year 2014, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	27/1	03/3	29/4	26/5	23/7	27/10	20/11
Dr. Ahmed Ebrahim Al Balooshi (This member was appointed in 4th March 2014)	Non- Executive (Independent)			■	■	■	■	■
Mr. Arif Haider Rahimi (This member was appointed in 4th March 2014)	Non- Executive (Independent)			■	■	■	■	■
Mr. Ahmed Ateyatalla Al Hujairy (This member was appointed in 4th March 2014)	Non- Executive (Independent)			■	■	■	■	■
Mrs. Khulood Rashid Al Qattan (This member was appointed in 4th March 2014)	Non- Executive (Independent)			■	■	■	■	
Mr. Abdulrahman Yusif Fakhro (He was a member from August 2013 till March 2014)	Non-Executive (Dependent)	■	■					
Brig. Khalid Mohammed Al Mannaei (He was a member from June 2013 till March 2014)	Non-Executive (Dependent)	■	■					
***Mr. Adel Hussain Al Maskati**	Non- Executive	■	■					
***Mr. Ali Yousif Engineer**	Non- Executive	■	■					

Note (*): Directorship Term ended on 4th March 2014

■ Attended □ Did not attend

Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee (NRC) primary duties and responsibilities are to:

- Identify persons qualified to become members of the Board and executive management of the Company;
- Make recommendations to the Board regarding candidates for Board membership to be included by the Board of Directors on the agenda for the next AGM;
- Review the Company's remuneration policies for the Board and executive management, and submit for approval to shareholders;
- Remunerate Board members based on their attendance and performance.
- Administer the performance evaluation process for the Board and Board Committees and executive management.

Nomination and Remuneration Committee Meetings

As per the Charter of the NRC, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the NRC met on 9 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
28/01/2014	- Proposed incentive for Bahrain operation staff	- Approved
	- Umniah Reward and Market position	- Approved
	- Dhiraagu Bonus payment scheme	- Approved
	- Sure CIIM bonus scheme	- Approved
	- Group Bonus	- Approved and recommended to the Board
	- Supervisory committee bonus	- Approved
	- CEB Bonus	- Approved
	- Umniah CEO Bonus	- Approved
	- Dhiraagu and CIIM CEO bonus	- Approved
	- Board remuneration	- Approved
	- Self - assessment	- Approved
01/03/2014	- Group CEO employment	- Needs further discussion
	- New Board members independent candidates	- Approved
05/03/2014	- Dhiraagu Board representatives	- Needs Further discussion
12/03/2014	- Director's Status (independent and non- independent).	- Approved
	- Nomination of Audit Committee	- Approved
	- Nomination of Executive Committee	- Approved
	- Nomination of Remuneration Committee	- Approved
	- Nomination of Donation Committee	- Approved
	- Nomination of Batelco Group Companies	- Needs further discussion/ Raise it to the Board
30/03/2014	- Nomination of Audit Committee chairman	- Approved
	- Nomination of Executive Committee chairman	- Approved
	- Nomination of Remuneration Committee chairman	- Approved
	- Nomination of Donation Committee chairman	- Approved
	- Nomination of Batelco Group Companies	- Approved
01/07/2014	- GCA status	- Approved
13/07/2014	- Letter from Mumtalakat	- Needs further discussion
	- BCEO resignation	- Needs further discussion
	- Developing succession planning framework	- Needs Further Discussion
21/07/2014	- BCEO Status	- Approved
05/11/2014	- Appointment of BCEO	- Approved
	- Appointment of Quality net CEO	- Approved
	- Atheeb board director nomination	- Approved
	- South Atlantic and Diego Garcia combined	- Referred to the Board

Corporate Governance

The members of the NRC during the year 2014, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	28/1	01/3	05/3	12/3	30/3	01/7	13/7	21/7	05/11
Shaikh Hamad bin Abdulla Al-Khalifa	Non- Executive	■	■	■	■	■	■	■	■	■
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive	■	■	■	■	■	■	■	■	■
Brigadier Khalid Mohammed Al Mannaei (This member was appointed 12th March 2014)	Non-Executive (Dependent)	□	□	□	■	■	■	■	■	■
Mr. Raed Abdulla Fakhri (This member was appointed 12th March 2014)	Non- Executive (Dependent)	□	□	□	□	□	■	■	■	■
Mr. Abdulrahman Yusif Fakhro (He was a member from April 2012-March 2014)	Non-Executive (Dependent)	■	■	■	■	■	□	□	□	□
***Mr. Murad Ali Murad**	Non- Executive	■	□	□	□	□	□	□	□	□
***Mr. Ali Yousif Engineer**	Non- Executive	■	■	□	□	□	□	□	□	□

Note (*): Directorship Term ended on 4th March 2014

■ Attended □ Did not attend

Donations Committee

The Donations Committee's primary duties and responsibilities covers, examining donation requests made to Batelco from time to time; determining whether to approve the donation requests; assess the quantum of the approved donation requests and overseeing the administration of the funding allocated by the Board for such donations;

Donations Committee Meetings

As per the Charter of the Donations Committee, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the Donations Committee met on 2 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
09/12/2014	- Review of donation requests	- Approved by circulation and minuted
15/12/2014	- Ratification of circulated resolutions - Review of donation requests	- Approved - Approved as per the donation policy

Donations Committee Meetings (continued)

The members of the Donations Committee during the year 2014, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	09/12	15/12
Shaikh Hamad bin Abdulla Al Khalifa	Non- Executive		
Mr. Abdulrahman Yusif Fakhro	Non- Executive		
Brig. Khalid Al Mannaei	Non- Executive		

Supervisory Committee

The primary role of the committee is to Direct and supervise the overall management of Batelco's Group functions. It primary duty is to closely coordinate with the incumbent Group Chief Executive Officer (GCEO) or in his absence directly with his direct reports (as specified in the approved Group organization structure) all strategic directional and tactical matters as well as managerial affairs of the Group functions in order to ensure efficient and uninterrupted operation for the Group and all its subsidiaries and affiliates and in companies where Batelco has ownership with board representative

Supervisory Committee Meetings

As per the Terms of Reference of the committee, the members are required to meet twice a week to carry out discussions and daily decisions that affect the daily operations of the company.

During the year the Supervisory committee met 14 times.

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
From 05/01/2014 to 26/02/2014	- A Committee consisting of three members of the Board of Directors assumed the role of the Group Chief Executive Officer on a temporary basis until a new GCEO is appointed.	- Daily operations discussion and decisions

The members of the Supervisory Committee met 14 times during the year 2014. A record of their attendance at meetings which they were eligible to attend, is set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Abdul Razak Abdulla Al Qassim	Executive *(From 12/05/2013 to 26/02/2014)*	14	12/14
***Mr. Murad Ali Murad**	Executive *(From 12/05/2013 to 26/02/2014)*	14	13/14
***Mr. Waleed Ahmed Al Khajah**	Executive *(From 12/05/2013 to 26/02/2014)*	14	12/14

Note (*): Directorship Term ended on 4th March 2014

Advisory Committee

Its primary duty is to advice the newly appointed Group Chief Executive Officer (GCEO) or in his absence directly with his direct reports (as specified in the approved Group organization structure) all strategic directional and tactical matters as well as managerial affairs of the Group functions in order to ensure efficient and uninterrupted operation for the Group and all its subsidiaries and affiliates and in companies where Batelco has ownership with board representative

Corporate Governance

Advisory Committee Meetings

As per the Terms of Reference of the committee, the members are required to meet twice a week to carry out discussions or when its crucial and provide advice in able to assist the new GCEO with his role is accomplishing daily decisions that affect the daily operations of the company.

During the year the Supervisory committee met 16 times.

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
From 04/03/2014 to 13/07/2014	- A Committee consisting of two members of the Board of Directors undertook the role of advising the new GCEO and assisting him to achieve daily operations on a temporary basis.	- Daily operations discussion and decisions

The members of the Advisory Committee met 16 times during the year 2014. A record of their attendance at meetings which they were eligible to attend is set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Shaikh Hamad bin Abdulla Al Khalifa	Non- Executive	16	13/16
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive	16	16/16

Code of Conduct and Whistle Blowing Policy

The Board has adopted a formal code of conduct and whistle blowing policies that apply to the Directors and all employees of the Company to guide them in their conduct and promote ethical behavior, honesty and integrity in their normal daily activities in order to safeguard and uphold the reputation of the Company at all times. The code of conduct and whistle blowing policies developed and implemented are in accordance with the applicable regulations and leading industry practice.

Conflict of Interest

At all times, the Directors have a duty to avoid circumstances which may result in interests that conflict with those of the Company, unless that conflict is duly approved by the Board.

It is the obligation of the Board to assess, determine and authorize any such potential conflicts, taking into account all the circumstances.

This includes potential conflicts that may arise when a Director takes up a position with another company or when the Company enters into transactions or agreements in respect of which a Director or executive officer has a material interest.

Where the existing Director wishes to take up an external appointment, they are under an obligation to inform and obtain prior approval from the Board before doing so.

Each external appointment of the Director is considered by the Board individually, taking into account the expected time commitment and any relationships.

During the year, no issues of conflict of interest were experienced or authorized by the Board and no Director of the Board abstained from voting due to this reason.

Related Party Transactions and Directors Trading of Company Shares

It is the policy and practice of the Company that all related party and intra-group transactions are done on an arm's length basis in the ordinary course of business and are approved by the Executive Management of the Company.

By reason of being a listed Company, the Directors, executive management and the employees are eligible to trade in the shares of the Company and are monitored by relevant authority in the Company to ensure that no trade is made with the material information still not made public.

Please refer the note 29 (Transactions with Related Parties) of the financial statements for the details of related party transactions Directors trading of the Company shares during the year.

Internal Controls

The Board has overall responsibility for ensuring that management maintains an effective system of internal control and for reviewing its effectiveness. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action.

Management is required to apply judgment in evaluating the risks in achieving the objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks materializing, in identifying the ability to reduce the incidence and impact on the business of risks that do materialize and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Throughout the year ended 31 December 2014, and to date, the Company has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

The Board regularly reviews these processes through its principal Board Committees. The effectiveness of controls is periodically reviewed within the business areas and regular reports are made to the Audit Committee by the Internal Audit Department.

Remuneration Policy for Directors

The Company follows a transparent process with regards to the remuneration policy pertaining to the Directors in the Board.

The remuneration for the services rendered in the capacity of Director of the Company is based on the amount approved in last AGM recommended by the Board.

Any subsequent revisions to the remuneration will be based on the approval obtained from the shareholders in the next AGM.

The remuneration for Directors is principally based on the attendance in Board meetings, and are reduced on a pro-rata basis depending on actual attendance of Board meetings in the previous calendar year.

In addition to the above, the Company reimburses the Directors for all direct and indirect expenses, accommodation and travelling expenses, reasonably incurred during the term of their appointment.

Please refer the note 29 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.

Remuneration Policy for Management

The remuneration principles of the Company are based on the following principles:

- Attract and retain human resources with ability, talent, skill and knowledge to deliver quality
- Aligning the reward of employees with the returns of the shareholders
- Implement incentive framework which challenges employees to deliver sustained, high quality consistent performance at all times

The NRC is responsible for devising the remuneration policy for the executive management of the Company with an objective to achieve a balance between offering market competitive remuneration to retain talent, and optimizing current and future shareholder returns.

The NRC utilizes the analytical tools, qualitative and quantitative measures and comparative studies by experts to formulate remuneration and compensation packages for the management of the Company.

In addition to this, the Company has also a framework in place to monitor and evaluate the performance of the executive management and employees of the Company.

An equitable and transparent system of limits and performance metrics is in place which is used to reward the employees of the Company for their accomplishments during the year.

The executive management under the guidance of the Supervisory Committee is responsible for administering the employee performance process.

Please refer the note 29 (Key Management Personnel Compensation) of the financial statements for the details of Executives Remunerations.

Corporate Governance

Stock Options and Performance linked incentives for executives

(Not Applicable to Batelco)

Auditors

The Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Company, including monitoring the Company's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

Details with regards to the audit and non-audit fees for the Parent Company Bahrain Telecommunications Company BSC as a legal entity are stated here below:

Audit Fees for 2014	BHD 69,594
Non-Audit Services Fees for 2014	BHD 5,950

KPMG Fakhro have been the Company's auditors since 1993. Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has not considered it necessary to change the external auditors.

There are no contractual obligations restricting the Company's choice of external auditor. The Audit Committee has recommended to the Board that the existing auditors, KPMG Fakhro, be reappointed.

KPMG Fakhro have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorizing the Directors to set their remuneration will be proposed in next AGM.

Key Management Personnel

Alan Francis Whelan Group Chief Executive Officer	**2014**
Joined Batelco	2014
Previous roles/Experience	President – Reliance Globacom Executive Director - The DX Group Managing Director – C&W Vice President – AT&T BT Plc – Business Manager
Qualifications/Achievements	Master Degree – Management – McGill University, Canada BA Honors, Psychology – University Manchester

Faisal Qamhiyah Group Chief Financial Officer	**2013**
Joined Batelco	2012
Previous roles/Experience	Chief Financial Officer Umniah and Batelco Bahrain Chief Operating Officer – Zain Jordan Investments Director – Ern Capital Finance Director / CFO – Zain Jordan Group Internal Auditor – EDGO Group
Qualifications/Achievements	BA in Economics, CPA , EDP from Kellogg School of Management, USA.

Key Management Personnel (continued)

Rashid Abdulla Chief Executive Batelco Bahrain	**2011 - August 2014**
Joined Batelco	1974 (Cable & Wireless)
Previous roles/Experience	Qualitynet, Managing Director 2000 – 2010 General Manager Major Accounts General Manager New Business Development
Qualifications/Achievements	Thames Polytechnic, UK – BSc (hons) Electrical & Electronics Engineering

Muna Alhashemi A/Chief Executive Bahrain	**Dec 2014**
Joined Batelco	1990
Previous roles/Experience	A/Chief Executive Bahrain – Batelco Board Member Umniah General Manager Consumer Division- Batelco Senior Manager, Mobile Product Marketing and Development- Batelco Senior Manager, Marketing & Branding and Segmentation- Batelco Manager Product Marketing- Batelco Account Manager- Batelco Senior Officer – Customer Care- Batelco Senior Officer – Mobile Maintenance- Batelco Technician in Mobile Workshop- Batelco
Qualifications/Achievements	Msc. (Eng.) in Electronics & Communication BSc. (Honours) in Electrical & Electronic Engineering Associated Diploma in Electrical & Electronic Engineering

Sameer Altaf Chief Financial Officer Bahrain	**2013**
Joined Batelco	2008
Previous roles/Experience	Group Financial Controller, Batelco Group Interim Chief Financial Officer – Batelco Bahrain Head of Budgeting, Planning & Reporting- Mobilink Group Internal Auditor- Kinnevik AB
Qualifications/Achievements	FCA, FCCA

Corporate Governance

Ihab Hinnawi Umniah Chief Executive Officer	**2009**
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Enterprise Division General Manager Batelco Jordan CEO Umniah Operations Director (2004-2007)
Qualifications/Achievements	BA Business Administration

Abdullah Kh. Tahboub Umniah Chief Financial Officer	**2014**
Joined Batelco	2009
Previous roles/Experience	Financial Controller at Umniah Mobile Company, Jordan (2009 – 2014) Finance Manager at Syriatel Mobile Telecom, Syria (2004 – 2009) Senior Auditor at Deloitte, Jordan (2001 – 2004)
Qualifications/Achievements	Graduate from Business Faculty / Accounting - University of Jordan – 2001 Certified Public Accountant (CPA) from USA – 2005

Ahmed Al Janahi GM Corporate Affairs & Batelco Group Board Secretary	**2004**
Joined Batelco	2003
Previous roles/Experience	Gulf Air Public Relations Manager World Travel Service – Asst. General Manager Arab Exchange – General Manager
Qualifications/Achievements	American College, Atlanta, US – BA Business Administration

Shaikh Ahmed bin Khalifa Al Khalifa Group GM HR & Development	**2008**
Joined Batelco	1997
Previous roles/Experience	Batelco Bahrain General Manager HR Bahrain Batelco Bahrain Senior Manager Employee Retention
Qualifications/Achievements	University of Virginia, US, Darden School of Business – Executive Development Program University of Glamorgan, Wales, UK – Masters of Business Administration information and Business Systems Technology – Diploma KLM Aviation College, Netherlands – Aviation Engineering Certificate

Key Management Personnel (continued)

Bernadette Baynie Batelco Group General Counsel	**2008**
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Senior Commercial Legal Counsel National Australia Bank Limited – Head of Legal and Compliance National Australia Bank Limited – Principal Counsel
Qualifications/Achievements	Bachelor of Laws – Sydney University

Ali Sharif Group Chief Internal Auditor	**2010**
Joined Batelco	1989
Previous roles/Experience	Chief Internal Auditor Internal Audit Manager
Qualifications/Achievements	CIA (USA) CISA (USA) St. Edwards University, Austin, Texas, US- BA Finance (Hons)

Consolidated Financial Statements 2014

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Independent Auditors' Report to the Shareholders

Independent auditors' report to the shareholders
Bahrain Telecommunications Company BSC

Manama, Kingdom of Bahrain

16 February 2015

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors 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 the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro

Partner Registration No. 137
12th Floor,
Fakhro Tower,
P.O. Box 710, Manama,
Kingdom of Bahrain.

Consolidated Statement of Financial Position
as at 31 December 2014

BD'000

	Note	2014	2013
ASSETS			
Non-current assets			
Property and equipment	5	255,159	267,150
Goodwill	6	173,881	175,323
Intangible assets	7	141,812	162,162
Investment in associate	8	75,793	76,043
Deferred tax assets	14	3,733	3,172
Employee benefit assets	24	189	-
Other investments	9	35,466	35,439
Total non-current assets		**686,033**	719,289
Current assets			
Inventories		4,296	4,592
Trade and other receivables	10	118,263	119,697
Cash and bank balances	11	150,185	198,586
Total current assets		**272,744**	322,875
Total assets		**958,777**	1,042,164
EQUITY AND LIABILITIES			
Equity			
Share capital	16	166,320	158,400
Statutory reserve	17	83,160	77,684
General reserve	17	46,464	46,412
Foreign currency translation reserve		3,056	11,185
Investment fair value reserve		(589)	1,396
Actuarial reserve		(2,293)	(1,423)
Retained earnings		235,950	245,759
Total equity attributable to equity holders of the Company		**532,068**	539,413
Non-controlling interest		46,990	53,732
Total equity (Page 64)		**579,058**	593,145
Non-current liabilities			
Trade and other payables	12	4,698	7,251
Loans and borrowings	15	176,523	239,574
Deferred tax liabilities	14	22,577	25,875
Total non-current liabilities		**203,798**	272,700
Current liabilities			
Trade and other payables	12	175,921	173,352
Loans and borrowings	15	-	2,967
Total current liabilities		**175,921**	176,319
Total liabilities		**379,719**	449,019
Total equity and liabilities		**958,777**	1,042,164

The consolidated financial statements, which consist of pages 62 to 95 were approved by the Board of Directors on 16 February 2015 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Mr. Abdul Razak Abdulla Al Qassim
Deputy Chairman

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated Statement of profit or loss and other comprehensive income

for the year ended 31 December 2014

BD'000

	Note	2014	2013
REVENUE	19	**389,656**	370,561
EXPENSES			
Network operating expenses	20	(139,119)	(139,498)
Staff costs		(55,738)	(55,390)
Depreciation and amortisation		(67,029)	(57,892)
Other operating expenses	21	(50,056)	(55,021)
Total expenses		**(311,942)**	(307,801)
Results from operating activities		**77,714**	62,760
Finance and other income	22	9,126	4,462
Finance and other expenses	23	(10,308)	(16,781)
Impairment on available-for-sale investments		(16,791)	-
Share of profit of associate (net)	8	3,818	5,957
Profit before taxation		**63,559**	56,398
Income tax expense	14	(6,171)	(4,944)
Profit for the year		**57,388**	51,454
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		(7,156)	10,829
Investment fair value changes – available-for-sale financial assets		(18,776)	3,799
Net fair value changes transferred to profit or loss on impairment		16,791	-
		(9,141)	14,628
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset including related tax	24	(870)	(1,423)
		(870)	(1,423)
Other comprehensive income, net of tax		**(10,011)**	13,205
Total comprehensive income for the year		**47,377**	64,659
Profit for the year attributable to:			
Equity holders of the Company		49,347	43,605
Non-controlling interest		8,041	7,849
		57,388	51,454
Total comprehensive income for the year attributable to:			
Equity holders of the Company		39,348	56,805
Non-controlling interest		8,029	7,854
		47,377	64,659
Basic and diluted earnings per share (Fils)	25	**29.7**	26.2

The consolidated financial statements, which consist of pages 62 to 95 were approved by the Board of Directors on 16 February 2015 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Mr. Abdul Razak Abdulla Al Qassim
Deputy Chairman

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2014

BD'000

	Note	2014	2013
OPERATING ACTIVITIES			
Cash receipts from customers		351,318	338,901
Net cash paid to suppliers		(157,665)	(144,753)
Cash paid to and on behalf of employees		(58,127)	(69,966)
Payments to charities		(1,121)	(1,246)
Net cash from operating activities		**134,405**	122,936
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(35,596)	(43,646)
Acquisition of businesses, net of cash acquired	27	(1,096)	(166,249)
Receipts from associate	8	4,068	7,332
Purchase of available-for-sale bonds	9	(18,845)	-
(Purchase)/sale of other investments		(51,361)	3,237
Interest and investment income received		3,179	5,148
Net cash used in investing activities		**(99,651)**	(194,178)
FINANCING ACTIVITIES			
Dividend paid		(42,071)	(39,605)
Interest paid		(10,185)	(9,227)
Acquisition of non-controlling interest	27	(14,958)	-
Borrowings (net)		(66,878)	222,977
Net cash (used in)/from financing activities		**(134,092)**	174,145
(Decrease) / Increase in cash and cash equivalents		**(99,338)**	102,903
Cash and cash equivalents at 1 January		195,070	92,167
Cash and cash equivalents at 31 December	11	**95,732**	195,070

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

BD'000

		Equity attributable to equity holders of the Company									
2014	Note	**Share capital**	**Statutory reserve**	**General reserve**	**Foreign currency translation reserve**	**Investment fair value reserve**	**Actuarial reserve**	**Retained earnings**	**Total**	**Non - controlling interest**	**Total equity**
At 1 January 2014		158,400	77,684	46,412	11,185	1,396	(1,423)	245,759	539,413	53,732	593,145
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**49,347**	**49,347**	**8,041**	**57,388**
Other comprehensive income											
Foreign currency translation differences		-	-	-	(7,144)	-	-	-	(7,144)	(12)	(7,156)
Investment fair value changes		-	-	-	-	(18,776)	-	-	(18,776)	-	(18,776)
Net fair value change transferred to profit or loss on impairment		-	-	-	-	16,791	-	-	16,791	-	16,791
Remeasurement of defined benefit liability including related tax		-	-	-	-	-	(870)	-	(870)	-	(870)
Total other comprehensive income		**-**	**-**	**-**	**(7,144)**	**(1,985)**	**(870)**	**-**	**(9,999)**	**(12)**	**(10,011)**
Total comprehensive income for the year		**-**	**-**	**-**	**(7,144)**	**(1,985)**	**(870)**	**49,347**	**39,348**	**8,029**	**47,377**
Contributions and distributions											
Bonus shares issued		7,920	-	-	-	-	-	(7,920)	-	-	-
Final dividends declared for 2013	18	-	-	-	-	-	-	(15,840)	(15,840)	(9,913)	(25,753)
Donations declared for 2013		-	-	-	-	-	-	(1,090)	(1,090)	-	(1,090)
Transfer to statutory reserve (net)		-	5,476	-	-	-	-	(5,476)	-	-	-
Transfer to general reserve	17(b)	-	-	52	-	-	-	(54)	(2)	2	-
Interim dividends declared for 2014	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Total contributions and distributions		**7,920**	**5,476**	**52**	**-**	**-**	**-**	**(47,012)**	**(33,564)**	**(9,911)**	**(43,475)**
Changes in ownership interests											
Acquisition of non-controlling interest without a change in control		-	-	-	(985)	-	-	(12,144)	(13,129)	(4,860)	(17,989)
Total changes in ownership interests	27	**-**	**-**	**-**	**(985)**	**-**	**-**	**(12,144)**	**(13,129)**	**(4,860)**	**(17,989)**
At 31 December 2014		**166,320**	**83,160**	**46,464**	**3,056**	**(589)**	**(2,293)**	**235,950**	**532,068**	**46,990**	**579,058**

	Equity attributable to equity holders of the Company									
2013	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
At 1 January 2013	144,000	76,847	39,444	361	(2,403)	-	256,099	514,348	5,833	520,181
Profit for the year	-	-	-	-	-	-	43,605	43,605	7,849	51,454
Other comprehensive income										
Foreign currency translation differences	-	-	-	10,824	-	-	-	10,824	5	10,829
Investment fair value changes	-	-	-	-	3,799	-	-	3,799	-	3,799
Remeasurement of defined benefit liability including related tax	-	-	-	-	-	(1,423)	-	(1,423)	-	(1,423)
Total other comprehensive income	-	-	-	10,824	3,799	(1,423)	-	13,200	5	13,205
Total comprehensive income for the year	-	-	-	10,824	3,799	(1,423)	43,605	56,805	7,854	64,659
Contributions and Distributions										
Bonus shares issued	14,400	-	-	-	-	-	(14,400)	-	-	-
Final dividends declared for 2012	-	-	-	-	-	-	(14,400)	(14,400)	-	(14,400)
Donations declared for 2012	-	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Transfer to statutory reserve (net)	-	837	-	-	-	-	(837)	-	-	-
Transfer to general reserve	-	-	6,968	-	-	-	(6,968)	-	-	-
Interim dividends declared for 2013	-	-	-	-	-	-	(15,840)	(15,840)	-	(15,840)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(6,124)	(6,124)
Total contributions and distributions	14,400	837	6,968	-	-	-	(53,945)	(31,740)	(6,124)	(37,864)
Changes in ownership interests										
Non-controlling interest recognised on acquisition	-	-	-	-	-	-	-	-	46,169	46,169
Total changes in ownership interests	-	-	-	-	-	-	-	-	46,169	46,169
At 31 December 2013	158,400	77,684	46,412	11,185	1,396	(1,423)	245,759	539,413	53,732	593,145

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

BD'000

1. Reporting Entity

Bahrain Telecommunications Company BSC ("the Company", "the Parent") is a public shareholding company registered under commercial registration number 11700 in the Kingdom of Bahrain in the year 1981 and is engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements for the year ended 31 December 2014 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal place of business. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows.

Company	Country of incorporation	Principal activity	Share holding (%)
Subsidiaries			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
BMIC Limited	Mauritius	Holding Company	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	Telecommunication services	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	Holding Company	100
Batelco International Company BSC (c)	Kingdom of Bahrain	Holding Company	100
Batelco International Group Holding Limited	Bailiwick of Jersey	Holding Company	100
Umniah Mobile Company PSC	Kingdom of Jordan	Telecommunication services	96
Batelco Jordan PSC	Kingdom of Jordan	Telecommunication services	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	Telecommunication services	96
Qualitynet General Trading and Contracting Company WLL*	State of Kuwait	Telecommunication services	90
Batelco International Finance No1 Limited	Cayman Islands	Holding Company	100
IBGI Limited	Mauritius	Holding Company	100
BTC Islands Limited	United Kingdom	Holding Company	100
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	Maldives	Telecommunication services	52
Sure (Guernsey) Limited	Guernsey	Telecommunication services	100
Sure (Jersey) Limited	Bailiwick of Jersey	Telecommunication services	100
Foreshore Limited**	Bailiwick of Jersey	Telecommunication services	100
Sure (Isle of Man) Limited	Isle of Man	Telecommunication services	100
BTC South Atlantic Limited	South Atlantic	Holding Company	100
Sure (Diego Garcia) Limited	Diego Garcia	Telecommunication services	100
Sure South Atlantic Limited	South Atlantic	Telecommunication services	100
Associate			
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	Telecommunication services	26.94

*During the year, the Group increased its stake in Quality Net from 44% to 90% (see note 27).
**During the year, the Group acquired 100% share capital of Foreshore Limited, a company registered in Jersey (see note 27).

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the Bahrain Commercial Company Law and Central Bank of Bahrain's Disclosure Standards.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments and investment at fair value through profit or loss and contingent consideration in a business combination that are stated at their fair values.

c) Functional and presentation currency

These consolidated financial statements are presented in Bahraini Dinars ("BD"), which is the Company's functional currency. All financial information presented in Bahraini Dinars has been rounded to the nearest thousand (BD' 000) except when otherwise indicated.

BD'000

2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgments

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

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

Information about significant areas of assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and critical judgements in applying accounting policies on the amounts recognised in the financial statements are described in the following notes:

Note 3 h) & 9	- Valuation of financial instruments including determination of fair values: based on valuation techniques
Note 3 j) & 13	- Recognition and measurement of provision: key assumptions about the likelihood and magnitude of an outflow of resources
Note 3 k)	- Impairment test for financial and non-financial assets: key assumptions underlying recoverable amounts
Note 3 n)	- Recognition of deferred tax assets: availability of future taxable profits against which carryforward tax losses can be used
Note 6	- Goodwill impairment: measurement of the recoverable amounts of cash- generating units
Note 27	- Acquisition of subsidiaries: fair value measured on a provisional basis
Note 24	- Measurement of defined benefit obligations: key actuarial assumptions

e) Amendments and interpretations effective from 1 January 2014

The following amendments which became effective as of 1 January 2014 are relevant to the Group. The adoption of these amendments had no significant impact on the consolidated financial statements:

(i) IAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.

(ii) IAS 19R - Employee Benefits

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

(iii) IAS 36 - Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements.*

(iv) IFRIC 21 - Levies

IFRIC 21 on Levies (amendments to IAS 32) provide guidance on the accounting for levies in the financial statements of the entity that is paying the levy.

f) New Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

(i) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

2. BASIS OF PREPARATION (continued)

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application.

(ii) IFRS 9 - Financial Instruments

IFRS 9 published in July 2014, replaces the existing IAS 39 '*Financial Instruments: Recognition and Measurement'.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

(iii) IFRS 15 - Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and IFRIC 13 - *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the Group's entities.

a) Basis of consolidation

The Group accounts for its business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in acquisition is measured at its fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except where these relate to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the date of acquisition. If contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control effectively ceases.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist when the Group holds between 20% to 50% of the voting power of another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of the associates from the date that significant influence commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(v) Transactions eliminated on consolidation

All material intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency of the Group's entities at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Exchange differences arising on the settlement of monetary items and on retranslation are recognised in profit or loss.

(ii) Financial statements of foreign operations

The assets and liabilities including goodwill and fair value adjustments arising on acquisition of the Group's subsidiaries and associates based outside the Kingdom of Bahrain ("foreign operations") are translated into Bahraini Dinars at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at average exchange rates prevailing during the year. Exchange differences arising on translation of foreign operations are recognised in the other comprehensive income and presented in equity as a foreign currency translation reserve.

c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes expenditures that are directly attributable to the acquisition cost of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour
- any other costs directly attributable to bringing an asset to its working condition for their intended use
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they were located
- capitalised borrowing costs

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repair and maintenance are expensed as incurred.

(iii) Impairment

Where there has been an indication of impairment in value such that the recoverable amount of an asset falls below its net book value, provision is made for such impairment. Wherever possible, individual assets are tested for impairment. However, impairment can often be tested only for groups of assets because the cash flows upon which the calculation is based do not arise from the use of a single asset. In these cases, impairment is measured for the smallest group of assets (the cash generating unit) that produces a largely independent income stream, subject to constraints of practicality and materiality.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of a property and equipment. Assets are depreciated from the date they are available for use or, in respect of self-constructed assets, from the time an asset is completed and ready for service. Freehold land, projects in progress and inventories held for capital projects are not depreciated. The estimated useful lives for the current and comparative period are as follows:

Asset class	Estimated useful life (Years)
Buildings	5 - 40
Network assets & telecom equipment	2 - 25
Motor vehicles, furniture, fittings & office equipment	2 - 10

Depreciation methods, useful lives and residual values, are reassessed and adjusted, if appropriate, at the year end.

d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both and that is not occupied by the Group for use in rendering of its services or for administrative purposes. Investment property is measured at cost (using the cost model), including related transaction costs and borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property, less accumulated depreciation and impairment losses, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

e) Leased assets

(i) Finance leases

Leases for which substantially all the risks and rewards of ownership are assumed by the Group are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Depreciation on capitalised leased assets is charged to the income statement in line with the depreciation policy for similar assets. The corresponding leasing commitments are shown as finance lease obligations within liabilities. Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liability. The finance charge is calculated using the effective interest method.

(ii) Operating leases

All other leases are considered as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the lease term.

f) Goodwill

Goodwill arising on acquisition of subsidiaries is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually at the balance sheet date.

g) Intangible assets

Intangible assets comprise license fees, trade name, customer relationships & associated assets, non-network software and Indefeasible Rights of Use (IRUs).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Recognition and measurement

License fees, trade name, customer relationships & associated assets and non-network software acquired or incurred by the Group have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in the profit or loss as incurred.

(ii) Amortisation

Amortisation is recognised in the profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Asset class	Estimated useful life (Years)
License fees	7 – 20
Trade name, customer relationships & associated assets, non-network software and IRUs	3 – 20

Amortisation methods, useful lives and residual values, are reassessed and adjusted, if appropriate, at the year end.

h) Financial instruments

Financial instruments comprise available-for-sale investments, investment at fair value through profit or loss, trade receivables, other receivables, unbilled revenue, cash and bank balances, amounts due to telecommunications operators, trade payable, other payables and loans and borrowings. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The Group initially recognises financial assets and financial liabilities on the date at which they are originated. Financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

(i) Other investments, including derivatives

The Group's investments in equity securities and certain debt securities are classified as available-for-sale ("AFS") investments. Purchase and sale of AFS investments are accounted for on the trade date and are initially recorded at cost, being the fair value of the consideration given including transaction charges associated with the investment.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3 k)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. The fair value of AFS investments is their quoted bid price at the reporting date. AFS investments where there is no quoted market price or other appropriate methods from which to derive reliable fair values, are carried at cost less impairment.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Investment carried at fair value through profit or loss is measured at fair value and changes therein, including any dividend income, are recognised in profit or loss.

(ii) Trade and other receivables

Trade receivables do not carry any interest and are stated at their fair value of services rendered as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management deems them not to be collectible.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balance with banks and time deposits which are readily convertible to a known amount of cash.

(iv) Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value. Fair value, which is determined for disclosure purposes, approximates the nominal value at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Loans and borrowings

Group initially recognises loans and borrowings on the date they are originated. Group derecognises loans and borrowings when its contractual obligations are discharged, cancelled or expire.

These are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial measurement these are measured at amortised cost using the effective interest method.

(vi) Share capital

The Company has one class of equity shares. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

j) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the year end and are discounted to present value where the effect is material.

k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. . Impairment losses on trade and other receivables are recognised within other operating expenses. Any cumulative loss in respect of an available-for-sale financial asset are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Employee benefits

(i) Local employees

Pension rights and other social benefits for the Group's employees are covered by the applicable social insurance scheme of the countries in which they are employed are considered as a defined contribution scheme. The employees and employers contribute monthly to the scheme on a fixed-percentage-of-salaries basis.

(ii) Expatriate employees

Expatriate employees on limited-term contracts are entitled to leaving indemnities payable under the respective labour laws of the countries in which they are employed, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

(iii) Employee savings scheme

The Company has a voluntary employees saving scheme. The employees and employers contribute monthly on a fixed-percentage-of-salaries-basis to the scheme.

(iv) Defined benefit scheme

The Group's net obligation of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income (OCI). The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or less on curtailment is recognised immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when settlement occurs.

m) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the construction of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

n) Tax

Tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

o) Revenue

Revenue represents the value of fixed or determinable consideration received or receivable for telecommunication products and services provided. Revenue is recognised, net of discounts and sales taxes, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost 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, installation and activation fees, equipment sales and other related services.

Revenue for access charges, airtime usage and messaging by contract customers is recognised 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 from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in the profit or loss.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Fees for installation and activation are recognised as revenue upon activation. All installation and activation costs are expensed as incurred.

Revenue from handset and other equipment sales is recognised when the product is delivered to the customer.

In revenue arrangements including more than one deliverable that have value to a customer on stand-alone basis, the arrangement consideration is allocated to each deliverable based on IAS 18.

p) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share is the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 31).

r) Fair value measurement for financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

s) Asset held-for-sale

(i) Classification

The Group classifies non-current assets as held-for-sale if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable in accordance with IFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations".

(ii) Measurement

Non-current assets classified as held-for-sale are measured at the lower of its carrying amount and fair value less costs to sell.

If the criteria for classification as held-for-sale are no longer met, the entity shall cease to classify the asset as held-for-sale and shall measure the asset at the lower of its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors of the Group, through its various committees, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has established an Audit Committee which is assisted by Group's Internal Audit Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has also established a centralised Group treasury function which works under the overall supervision of the Board of Directors of the Group and provides support to the Group for funding, foreign exchange, interest rate management and counterparty risk management. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Group's Board of Directors. The Group's accounting function provides regular reports of the treasury activity to the Board of Directors. The Group's internal auditors review the internal control environment regularly. There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally and materially from the Group's trade receivables, other receivables, unbilled revenue, debt investment securities and cash at bank.

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4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(i) Trade receivables

The Group's trade receivables are spread among customer's segmentation and geographical areas. The Group has an established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer, which represents the maximum open amount without requiring approval. Strict credit control is maintained for both credit period and credit limits, both of which are monitored continuously by management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. The majority of the Group's trade receivables are due for payment within 90 days and largely comprise amounts receivable from consumers and business customers. The Group obtain collaterals for providing services to some residential customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables (refer to note 10 and 21).

(ii) Other receivables

Other receivables primarily include receivables on sale of certain investments and financial assets representing contractual rights and claims by the Group. The Group evaluates the recoverable amount of each receivable and recognizes a provision where the expected present value of the financial asset is below the carrying value of the financial asset. The Group has gross maximum exposure to other receivables of BD 48.73 million (2013: BD 50.03 million) and has recognized cumulative impairment allowances amounting to BD 19.54 million (2013: BD 6.00 million). Based on the current status of discussions with the debtors and expected realization, the management believes that the current level of provisions are adequate.

(iii) Investments and cash and bank balances

The Group manages credit risk on its investments and cash and bank balances by ensuring that these are made only after credit evaluation of the issuer. Term deposits are placed with commercial banks after credit evaluation of those banks. The Group limits its exposure to credit risk by only investing in liquid securities which offers risk free returns and only with counterparties that have a sound credit rating.

(iv) Exposure to credit risk

The carrying amount of financial assets (excluding equity investments) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014	2013
Trade receivables	67,938	59,387
Unbilled revenue	7,397	7,416
Other receivables	29,194	44,025
Other investments	18,648	567
Cash at bank	149,790	198,170
	272,967	309,565

(v) Customers' accounts

The maximum exposure to credit risk classified by operating segment sharing common economic characteristics with respect to credit risk is as follows:

	2014	2013 (restated)*
Operating segment		
Bahrain	40,185	35,045
Jordan	3,575	2,145
Maldives	976	761
Channel Islands and Isle of Man (CIIM)	1,446	1,343
Other countries	2,752	1,921
	48,934	41,215

*2013 figures are restated primarily for the inclusion of Channel Islands and Isle of Man (CIIM) as a reportable segment.

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4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(vi) Amounts due from telecommunications operators

The maximum exposure to credit risk for amounts due from telecommunications operators at by type of customer was:

	2014	2013
Customer segment		
International operators	8,908	8,253
Local operators	10,096	9,919
	19,004	18,172

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity 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. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. A major portion of the Group's funds are invested in cash and cash equivalents which are readily available to meet expected operational expenses, including the servicing of financial obligations.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

Non-derivative financial liabilities at 31 December 2014	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 Years**	**More than two years**
Trade payables	33,495	33,495	33,495	-	-
Other payables	9,570	9,570	9,570	-	-
Amount due to telecommunications operators	17,535	17,535	17,535	-	-
Loans and borrowings	176,523	219,978	7,578	7,578	204,822
	237,123	**280,578**	**68,178**	**7,578**	**204,822**

Non-derivative financial liabilities at 31 December 2013	Carrying amount	Contractual cash flows	Within one year	1-2 Years	More than two years
Trade payables	30,229	30,229	29,548	681	-
Other payables	6,793	6,793	4,957	1,380	456
Amount due to telecommunications operators	15,861	15,861	15,861	-	-
Loans and borrowings	242,541	305,349	13,130	12,309	279,910
	295,424	358,232	63,496	14,370	280,366

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group Treasury Function.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Bahraini Dinar, Jordanian Dinar, Maldivian Rufiyaa (which are pegged to the US Dollar), Kuwaiti Dinar and British Pounds. The Group's exposures to currency risk is limited as the majority of its investments, due to and from international operators are denominated in US Dollar or denominated in currencies which are pegged to US Dollar. Consequently, the currency risk of the Group is limited.

The Group seeks to manage currency risk by continually monitoring exchange rates and by maintaining an adequate level of foreign currencies to cover its expected commitment to international telecommunication operators. These amounts are placed significantly in short-term fixed deposit accounts. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

The Group's investment in its subsidiaries is not hedged as those currency positions are considered to be long-term in nature. In respect of other monetary assets and liabilities denominated in foreign currencies, considering the nature of its financial instruments, the Group currently is not engaged in hedging of foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in Bahraini Dinars, Jordanian Dinars, and Kuwaiti Dinars are maintained on a floating rate basis. The average interest rate yield from bank deposits and available-for-sale investments during 2014 was 1.37% (2013: 1.07%).

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2014	2013
Fixed rate instruments		
Financial assets	**29,778**	9,687
Financial liabilities	**176,523**	227,400

	2014	2013
Variable rate instruments		
Financial assets	**110,098**	159,763
Financial liabilities	**-**	15,141

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through the profit or loss. Therefore a change in interest rates at the reporting date would not affect the profit or loss. Increase or decrease in equity resulting from variation in interest rates will be insignificant.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by BD 1,054 (2013: BD 1,302).This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other market price risk

The primary goal of the Group's investment strategy is to ensure risk free returns and invest surplus fund available with the Group in risk free securities. Market price risk arises from available-for-sale investment held by the Group. The Group Treasury Function monitors its investment portfolio based on market expectations and credit worthiness of the underlying investees. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group's Board of Directors.

The Group's investment in Etihad Atheeb Telecommunications Company ('the Investee') (Note 9) is sensitive to movement in quoted share price of the Investee. A 10% change in the share price of the Investee at the reporting date can result in a BD 1,600 (2013: BD 3,419) increase/(decrease) in value of the investment .

(iv) Other price risk

Other investments include AFS investments. These investments carried at cost are exposed to risk of changes in market values. Refer to note 3 h) for accounting policies on valuation of AFS investments and note 3 k) for significant estimates and judgements in relation to impairment assessment of AFS investments. The Group manages exposure to other price risks by actively monitoring the performance of the investments. The performance assessment is performed on an annual basis and is reported to the Board of Directors.

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board of Directors monitors the returns on capital, which the Group defines as total equity and the level of dividends to shareholders. The Group's objectives for managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. There were no significant changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

e) Accounting classification of financial instruments

Classification of financial assets and financial liabilities, together with the carrying amounts as disclosed in the statement of financial position.

31 December 2014	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**
Financial assets				
Other investments at fair value	-	34,651	-	34,651
Other investments at cost	-	-	815	815
Trade receivables	67,938	-	-	67,938
Other receivables	29,194	-	-	29,194
Unbilled revenue	7,397	-	-	7,397
Cash and bank balances	150,185	-	-	150,185
	254,714	**34,651**	**815**	**290,180**
Financial liabilities				
Trade payables	-	-	33,495	33,495
Other payables	-	-	9,570	9,570
Amounts due to telecommunications operators	-	-	17,535	17,535
Loans and borrowings	-	-	176,523	176,523
	-	**-**	**237,123**	**237,123**

31 December 2013	Loans and receivables	Available-for-sale	Others at amortised cost	Total carrying amount
Financial assets				
Other investments at fair value	-	34,757	-	34,757
Other investments at cost	-	-	682	682
Trade receivables	59,387	-	-	59,387
Other receivables	44,025	-	-	44,025
Unbilled revenue	7,416	-	-	7,416
Cash and bank balances	198,586	-	-	198,586
	309,414	34,757	682	344,853
Financial liabilities				
Trade payables	-	-	30,229	30,229
Other payables	-	-	6,793	6,793
Amounts due to telecommunications operators	-	-	15,861	15,861
Loans and borrowings	-	-	242,541	242,541
	-	-	295,424	295,424

f) Measurement of fair values

The Group's financial assets and financial liabilities are measured at amortised cost except for certain available-for-sale investments and investments at fair value through profit or loss, which are carried at fair value. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

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4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Fair value hierarchy
The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Fair value			
31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets measured at fair value				
Other investments	34,084	-	567	34,651
Financial assets not measured at fair value				
Other investments	-	-	815	815
Financial liabilities not measured at fair value				
Contingent consideration (Other Payables)	-	-	3,031	3,031
Loans and borrowings – Bonds	175,626	-	-	175,626

	Fair value			
31 December 2013	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at fair value				
Other investments	34,190	-	567	34,757
Financial assets not measured at fair value				
Other investments	-	-	682	682
Financial liabilities not measured at fair value				
Contingent consideration (Other Payables)	214,115	-	-	214,115
Loans and borrowings – Bonds	-	15,141	-	15,141

There were no transfers between the level 1 and level 2 during the year. The Group has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values.

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5. PROPERTY AND EQUIPMENT

31 December 2014	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2014
Cost					
At 1 January	80,997	477,198	43,270	30,830	632,295
Additions	80	5,716	28	31,991	37,815
Projects completed	1,059	20,460	7,453	(28,972)	-
Acquisition through business combination (Note 27)	-	536	-	-	536
Disposals	(200)	(9,058)	(2,589)	(224)	(12,071)
Effect of movements in exchange rates	(232)	(1,943)	1,826	(353)	(702)
At 31 December	**81,704**	**492,909**	**49,988**	**33,272**	**657,873**
Depreciation					
At 1 January	48,769	282,990	33,386	-	365,145
Charge for the year	1,568	41,595	4,480	-	47,643
Disposals	(197)	(8,773)	(2,523)	-	(11,493)
Effect of movements in exchange rates	167	(1,003)	2,255	-	1,419
At 31 December	**50,307**	**314,809**	**37,598**	**-**	**402,714**
Net book value					
At 31 December 2014	**31,397**	**178,100**	**12,390**	**33,272**	**255,159**

Land and buildings include certain property at Hamala, Kingdom of Bahrain with a carrying value of BD 56 (2013: BD 56) held as investment property for earning rentals or capital appreciation. The fair value of the property as at 31 December 2014 was BD 10,060 (2013: BD 10,060). The fair value of the property was determined in 2012 by a registered independent appraiser based on level 2 inputs having regard to recent market transactions for similar properties as the Company's property. There was no indication of impairment in value during 2014.

For a list of properties owned and rented by the Company, please refer to note 32.

31 December 2013	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2013
Cost					
At 1 January	69,616	401,118	36,315	16,700	523,749
Additions	193	6,474	681	23,275	30,623
Projects completed	218	17,055	207	(16,627)	853
Acquisition through business combination	10,888	65,022	6,198	7,150	89,258
Disposals	(81)	(14,571)	(917)	(72)	(15,641)
Effect of movements in exchange rates	163	2,100	786	404	3,453
At 31 December	80,997	477,198	43,270	30,830	632,295
Depreciation					
At 1 January	47,487	259,909	30,488	-	337,884
Charge for the year	1,359	36,475	3,888	-	41,722
Disposals	(81)	(13,827)	(896)	-	(14,804)
Effect of movements in exchange rates	4	433	(94)	-	343
At 31 December	48,769	282,990	33,386	-	365,145
Net book value					
At 31 December 2013	32,228	194,208	9,884	30,830	267,150

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6. GOODWILL

	2014	2013
At 1 January	175,323	124,377
Exchange rate adjustments	(1,765)	3,215
Acquisition through business combination (Note 27)	323	47,731
At 31 December	**173,881**	175,323

a) Analysis of Goodwill

Goodwill has been allocated to the following operating segments/ cash generating units (CGUs):

	2014	2013
Jordan	125,036	125,223
Maldives	21,870	21,871
CIIM	18,649	19,818
Others	8,326	8,411
At 31 December	**173,881**	175,323

b) Impairment of Goodwill

(i) The Group tests for impairment of goodwill annually or more frequently if there are any indications that impairment may have arisen. The recoverable amount of a Cash Generating Unit is determined based on the higher of fair values less costs to sell and value-in-use calculations. Fair values less costs to sell are estimated by using the capitalised earnings approach and comparing the same with those of other telecom companies within the region.

(ii) The key assumptions for the fair values less costs to sell calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations ranges between 10% to 14%. No impairment losses were recognised in 2014 (2013: BD Nil).

(iii) The above estimates were tested by the Group for sensitivity in the following areas:

- An increase / decrease in the discount rate and the long term growth rates used
- A change in market share
- A decrease in future planned revenues and EBITDA margins
- An increase in capex to sales ratio forecasts

The results of the sensitivity testing revealed that the fair values less costs to sell calculations is sensitive to the above changes, and could result in a materially significant change in the carrying value of the goodwill and related assets.

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7. INTANGIBLE ASSETS

31 December 2014	**Licenses**	**Other Intangibles**	**2014**
Cost			
At 1 January	135,162	92,276	227,438
Additions during the year	-	2,196	2,196
Acquisition through business combination (Note 27)	-	330	330
Disposals during the year	-	(1,803)	(1,803)
Effect of movements in exchange rates	(2,720)	(1,708)	(4,428)
At 31 December	**132,442**	**91,291**	**223,733**
Amortisation			
At 1 January	29,871	35,405	65,276
Charge for the year	9,183	10,203	19,386
Disposals during the year	-	(1,765)	(1,765)
Effect of movements in exchange rates	(531)	(445)	(976)
At 31 December	**38,523**	**43,398**	**81,921**
Net book value			
At 31 December 2014	**93,919**	**47,893**	**141,812**

31 December 2013	Licenses	Other Intangibles	2013
Cost			
At 1 January	64,728	35,359	100,087
Additions during the year	-	10,742	10,742
Acquisition through business combination (Note 27)	66,450	44,913	111,363
Disposals during the year	(6)	(1,030)	(1,036)
Effect of movements in exchange rates	3,990	2,292	6,282
At 31 December	135,162	92,276	227,438
Amortisation			
At 1 January	21,938	27,270	49,208
Charge for the year	7,864	8,306	16,170
Disposals during the year	(6)	(310)	(316)
Effect of movements in exchange rates	75	139	214
At 31 December	29,871	35,405	65,276
Net book value			
At 31 December 2013	105,291	56,871	162,162

8. INVESTMENT IN ASSOCIATE

The Group has a 26.942% interest in Yemen Company for Mobile Telephony Y.S.C ("Sabafon") .The principal activities of the Company are to develop, install and operate GSM cellular telephone network and to sell cellular telephone services and accessories in Yemen. The Group's interest in Sabafon is accounted for using the equity method in the consolidated financial statements and the Group has determined that it has significant influence because it has representation on the board of investee. The following table analyses the carrying amount and share of profit during the year:

	2014	2013
At 1 January	76,043	77,417
Receipts from associate & other adjustment	(4,068)	(7,331)
Share of profit of associate (net)	3,818	5,957
At 31 December	**75,793**	76,043

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8. INVESTMENT IN ASSOCIATE (continued)

The summarised aggregate financial information of the associate (unaudited and as of 30 November 2014; 2013: as of 30 November 2013) is as follows:

	2014	2013
Non-current assets	90,148	88,946
Current assets	71,194	87,846
Non-current liabilities	(77,682)	(89,249)
Current liabilities	(51,307)	(44,595)
Revenues	85,174	92,701
Net profit and total comprehensive income for the period	10,731	14,292
Dividends received by the Group	3,047	1,896

9. OTHER INVESTMENTS

	2014	2013
Available-for-sale investments:		
- Quoted equity securities (at fair value)	16,003	34,190
- Unquoted equity securities (at cost)	815	682
- Debt securities (at fair value)	18,648	567
	35,466	35,439

Quoted equity securities represent market value of an equity investment in Etihad Atheeb Telecommunications Company ("the investee"). In 2014, the Group recognised impairment loss of BD16.79 million as a result of decline in the fair value of the investment with the statement of profit or loss.

During the year, Umniah Mobile Company PSC ("Umniah") invested BD 133 in unquoted equity securities of a new company to provide the mobile payment solutions in Jordan.

In June 2014, the Group invested BD 18.8 million (including commission costs) in Bahrain Sovereign Wealth Bonds. These bonds have varying maturities ranging from 2020 to 2023 and carry a fixed semi-annual coupon interest ranging from 5.5% per annum to 6.125% per annum on the face value.

10. TRADE AND OTHER RECEIVABLES

	2014	2013
Trade receivables	92,269	83,660
Less impairment allowance	(24,331)	(24,273)
	67,938	59,387
Unbilled revenue	7,397	7,416
Prepaid expenses and other receivables	42,928	52,894
	118,263	119,697

The maximum exposure to credit risk for trade receivables at the reporting date by type of counterparty was as follows:

	2014	2013
Customers' accounts	48,934	41,215
Telecommunications operators	19,004	18,172
	67,938	59,387

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10. TRADE AND OTHER RECEIVABLES (continued)

The aging of trade receivables at the reporting date was as follows:

	2014	2013
Neither past due nor impaired	19,484	16,361
Overdue:		
- Up to 90 days	16,621	15,889
- 91-180 days	7,981	9,618
- More than 180 days	48,183	41,792
Gross trade receivables	92,269	83,660
Impairment provision	(24,331)	(24,273)
Net trade receivables	**67,938**	59,387

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment was as follows:

	2014	2013
At 1 January	24,273	15,724
Acquisition through business combination	20	2,476
Impairment loss recognised during the year (Note 21)	4,448	6,195
Effect of movements in exchange rates	(210)	-
Written off during the year	(4,200)	(122)
At 31 December	**24,331**	24,273

11. CASH AND BANK BALANCES

	2014	2013
Cash in hand	395	416
Cash at bank	149,790	198,170
Cash and bank balances	**150,185**	198,586

Cash and bank balances include BD 54,453 (2013: BD 3,516) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded for the purposes of statement of cash flows.

12. TRADE AND OTHER PAYABLES

	2014	2013
Trade payable	33,495	30,229
Amounts due to telecommunications operators	17,535	15,861
Provisions, accrued expenses and other payables	100,120	106,807
Customer deposits and billings in advance	23,984	21,460
Current tax liability	5,485	6,246
	180,619	180,603

Trade and other payables are classified as follows:

	2014	2013
Current liabilities	175,921	173,352
Non-current liabilities	4,698	7,251
	180,619	180,603

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13. PROVISIONS

Included within provisions and accrued expenses are amounts provided for employee redundancy and restructuring program, donations and asset retirement obligation. The movement in provisions is as follows:

	Employee redundancy/ restructuring program		Donations		Asset retirement obligation	
	2014	2013	**2014**	2013	**2014**	2013
At 1 January	701	8,326	3,096	2,738	2,999	-
Acquisition through business combination	-	-	-	-	-	2,924
Amounts provided during the year	-	488	1,090	1,503	129	104
Amounts written back during the year	-	(617)	-	-	-	-
Amounts paid during the year	(701)	(7,496)	(1,065)	(1,145)	-	(29)
At 31 December	**-**	701	**3,121**	3,096	**3,128**	2,999

14. INCOME TAXES

Amounts recognised in profit or loss for the year

	2014	2013
Current tax expense	8,936	7,285
Deferred tax expense	(2,765)	(2,341)
Tax expense for the year	**6,171**	4,944

Corporate income tax is not levied in the Kingdom of Bahrain for telecommunication companies and accordingly the effective tax rate for the Corporation is 0% (2013: 0%). The table below reconciles the difference between the expected tax expense of nil (2013: nil) (based on the Kingdom of Bahrain effective tax rate) and the Group's tax charge for the year. Subsidiaries are taxed at the combination of various tax rates ranging from 15% to 27%.

Reconciliation of actual to expected tax charge

	2014	2013
Profit before tax	**63,559**	56,398
Corporation tax rate of 0% in Bahrain (2013: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,171	4,944
Tax expense for the year	**6,171**	4,944
Profit after tax for the year	**57,388**	51,454

The following represent the deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period:

	2014	2013
At 1 January	25,875	3,634
Credit to the consolidated income statement	(2,328)	(1,497)
Acquisition through business combination	-	22,916
Credit to the equity (Note 24)	(186)	(158)
Exchange differences	(784)	980
At 31 December	**22,577**	25,875

The recognised deferred tax asset of BD 3,733 (2013: BD 3,172) is attributable to the temporary differences related to Group's operations in Jordan, Maldives and Guernsey jurisdictions.

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15. LOANS AND BORROWINGS

		2014	2013
a) Current			
Banque Saudi Franci	(i)	-	2,213
Arab Banking Corporation (B.S.C.)	(ii)	-	754
		-	2,967
b) Non-current			
Bonds	(iii)	176,523	227,400
Banque Saudi Franci	(i)	-	12,174
		176,523	239,574
		176,523	242,541

(i) In order to finance the Company's subscription of rights share issue of the investee company, the Company obtained a long term loan of BD 17.7 million during 2012. The loan bore an interest at a rate of SAIBOR + 1.75% margin per annum. The tenor of loan was 8 years. The loan amount was fully settled during 2014.

(ii) During 2012, Umniah Mobile Company PSC ("Umniah") obtained a revolving short-term loan in the amount of BD 9.8 million from Arab Banking Corporation (B.S.C.). The purpose of this loan was to finance the general business purposes of Umniah. The loan bore an interest at rate of LIBOR + 1.6% margin per annum. The termination date was twelve months after the effective date of the signed loan agreement; however, an amendment to the loan agreement was signed during 2013, whereby the loan term was extended for twelve months with an interest rate of LIBOR + 1.75% with the option of extending the termination date for further twelve months with an interest rate of LIBOR + 2% under the request of the Company. Umniah has fully settled the loan amount as of 31 December 2014.

(iii) In May 2013 the Group issued bonds of BD 245.1 million (USD 650 million) which are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years, are unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually.

During 2013, the Group purchased and retired BD 14.9 million (USD 39.5 million) of the bonds issue. In January 2014, the Group further purchased and retired BD 2.2 million (USD 6.2 million) of the bonds issue. On 24 March 2014, the Group launched an invitation to holders of the bonds to submit offers to sell their bonds to the Group for cash. On 2 April 2014, the Group accepted for purchase an aggregate principal amount of BD 49.5 million (USD 131.4 million) of the bonds at a purchase price of USD 1,000 per USD 1,000 principal amount, which was settled on 4 April 2014 along with the accrued interest thereon.

16. SHARE CAPITAL

	2014	2013
a) Authorised 2,000 (2013: 2,000) million shares of 100 fils each	**200,000**	200,000
b) Issued and fully paid: 1,663 (2013: 1,584) million shares of 100 fils each	**166,320**	158,400

- In March 2014, the Annual General Meeting of shareholders approved to distribute one bonus share for every 20 shares (i.e. issued 79.2 million shares) held by the shareholders. The Company has only one class of equity shares and the holders of these shares have equal voting rights.
- Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares are as follows:

Name	Nationality	Number of shares (thousands)	% of share holding
Bahrain Mumtalakat Holding Company BSC (c)	Bahrain	609,494	37
Amber Holdings Limited	Cayman Islands	332,640	20
Social Insurance Organisation	Bahrain	339,973	20

16. SHARE CAPITAL (continued)

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1%	270,713	10,930	16
1% up to less than 5%	110,380	3	7
5% up to less than 10%	-	-	-
10% up to less than 20%	-	-	-
20% up to less than 50%	1,282,107	3	77
	1,663,200	**10,936**	**100**

17. STATUTORY AND GENERAL RESERVE

a) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires all companies incorporated in Bahrain to transfer 10% of net profit for the year to a statutory reserve, until such reserve reaches a minimum of 50% of the paid-up capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001.Transfer to statutory reserve, effected by the subsidiaries in accordance with the applicable law of the country of incorporation, is retained in the subsidiary concerned, and is not available for distribution except in circumstances stipulated by the law in the respective country of incorporation.

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. No transfer was made during the year 2014 by the shareholders of the Company. The shareholders of Umniah in their meeting held on 23 November 2014 approved transfer to general reserve of BD 54 of which Group's share was BD 52.

18. DIVIDENDS

The dividends paid in 2014 and 2013 were BD 32.4 million (20 Fils per share) and 39.6 million (25 Fils per share) respectively. The dividends paid in 2014 include an amount of BD 15.8 million relating to the final dividend for the year ended 31 December 2013 and interim dividend of BD 16.6 million for the year 2014. The total dividend in respect of the year ended 31 December 2014 of 25 Fils per share, amounting to BD 41.58 million (including final dividend of BD 24.95 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 18 March 2015. These financial statements do not reflect the final dividend payable.

19. REVENUE

	2014	2013
Mobile telecommunications services	176,346	165,573
Data communication circuits	60,706	59,751
Internet	44,108	41,847
Wholesale	37,863	39,186
Fixed line telecommunication services	28,913	26,936
Others	41,720	37,268
	389,656	370,561

BD'000

20. NETWORK OPERATING EXPENSES

	2014	2013
Outpayments to telecommunications operators	57,069	61,194
Cost of sales of equipment and services	39,890	34,718
Repair, maintenance & other direct cost	22,415	23,386
Licence fee	10,274	9,458
Operating lease rentals	9,471	10,742
	139,119	139,498

21. OTHER OPERATING EXPENSES

	2014	2013
Marketing, advertising and publicity	11,848	13,963
Impairment allowances for trade receivables	4,448	6,195
Professional fees	2,694	9,225
Office rental and utilities	4,536	3,642
Other expenses	26,530	21,996
	50,056	55,021

22. FINANCE AND OTHER INCOME

	2014	2013
Rental income	232	222
Interest income	1,485	1,179
Others	7,409	3,061
	9,126	4,462

23. FINANCE AND OTHER EXPENSES

These include interest charges of BD 8,642 (2013: BD 10,921) during the year in relation to the Group's loan and borrowings.

24. EMPLOYEE BENEFIT ASSETS

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.1 million (2013: BD 4.2 million). The provision for leaving indemnity in respect of expatriate employees amounted to BD 3.3 million (2013: BD 3.2 million) and is included under provisions and accrued expenses.

a) Defined benefit scheme

At 31 December 2014, the Group operates a defined benefit pension plan (the Scheme) in Sure (Guernsey) Ltd for the employees of that company. Under the Scheme, the retirement benefits are based on the employee's pensionable pay and length of service. The assets of the Scheme are held in a separate trustee administered fund. The Scheme was closed to new entrants from 1 April 2005 and was closed to future accrual by current members on 31 July 2014. This gave rise to the recognition of a past service credit of BD 1,881 during the year and an additional cost of BD 206 included in staff costs.

BD'000

24. EMPLOYEE BENEFIT ASSETS (continued)

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components.

	2014			2013		
	Defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/ (asset)**	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability/ (asset)
At 1 January 2014/ (1 April 2013)	44,405	(43,949)	456	42,347	(42,781)	(434)
Included in profit or loss						
Current service cost	653	-	653	784	-	784
Interest costs/ (income)	1,968	(1,966)	2	1,351	(1,379)	(28)
Expense Costs	-	273	273	-	86	86
Past service credit	(1,881)	-	(1,881)	-	-	-
Settlement cost	79	-	79	-	-	-
	819	**(1,693)**	**(874)**	2,135	(1,293)	842
Included in OCI Remeasurement loss/(gain)						
Actuarial changes arising from						
- demographic assumptions	996	-	996	-	-	-
- financial assumptions	3,698	-	3,698	882	-	882
- experience adjustments	(515)	-	(515)	(631)	-	(631)
Return on plan assets excluding interest income	-	(3,123)	(3,123)	-	1,330	1,330
Effect of movements in exchange rates	(2,733)	2,746	13	111	(67)	44
	1,446	**(377)**	**1,069**	362	1,263	1,625
Other						
Contributions paid by the employer	-	(840)	(840)	-	(1,577)	(1,577)
Benefits paid	(1,534)	1,534	-	(589)	589	-
Employee contributions	115	(115)	-	150	(150)	-
At 31 December	**45,251**	**(45,440)**	**(189)**	44,405	(43,949)	456

The deferred tax on amounts included in OCI was BD 186.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

	2014	2013
Employer's part of current service cost	653	784
Interest costs on benefit obligation	2	(28)
Expense cost	273	86
Past service credit	(1,881)	-
Settlement cost	79	-
	(874)	842

BD'000

24. EMPLOYEE BENEFIT ASSETS (continued)

The major categories of plan assets of the fair value of the total plan assets are, as follows:

	2014	2013
Equities	6,248	12,657
Bonds	11,549	16,880
Diversified growth fund	6,431	11,318
Others	21,212	3,094
	45,440	43,949

The following table sets out the principle actuarial assumptions used for the Scheme:

Assumptions	**2014**	2013
Price inflation	**3.5%**	3.8%
Discount rate	**3.8%**	4.5%
Pension increases	**3.5%**	3.8%
Life expectancy of male aged 60 in 2014	**27.8**	27.8
Life expectancy of male aged 60 in 2034	**30.3**	30.3

25. EARNINGS PER SHARE ("EPS")

	2014	2013
Profit for the year attributable to equity holders of the Company	**49,347**	43,605
Weighted average number of shares outstanding during the year (in million)	**1,663**	1,663
Basic earnings per share (Fils)	**29.7**	26.2

Diluted earnings per share has not been presented separately as the Group has no commitments that would dilute earnings per share.

26. COMMITMENTS AND CONTINGENCIES

a) Guarantees

(i) As at 31 December 2014, the Group's banks have issued guarantees, amounting to BD 7.3 (2013: BD 6.8) million and letters of credit amounting to BD 8.1 million (2013: Nil).

(ii) The Company has furnished a guarantee for BD 5.1 (2013: BD 5.8) million to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(iii) The Company has furnished a comfort letter for BD 1.9 (2013: BD 1.9) million to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

b) Operating leases

The Group enters in to cancellable and non-cancellable operating lease agreements in the normal course of business, which are principally in respect of property and equipment. Non-cancellable operating lease commitments are as follows:

	2014	2013
Future minimum lease payments		
Within one year	3,741	4,209
After one year but not more than five years	14,555	10,587
	18,296	14,796

26. COMMITMENTS AND CONTINGENCIES (continued)

c) Staff housing loans

The Company provides loans to its Bahraini employees for the acquisition of residential properties. The loans are funded through a local commercial bank and secured by a guarantee issued by the Company. The policy of providing staff housing loan guarantees was discontinued in 2007.The Company bears 75% (2013: 75%) of the loan interest. At 31 December 2014, the Company has an outstanding guarantee of BD 1.3 million (2013: BD 1.5 million) towards housing loans to staff.

d) Commitments

The Group has capital commitments at 31 December 2014 amounting to BD 15.8 million (2013: BD 4.6 million).

e) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 5.9 million (2013: BD 5.7 million). The Group is of the view that there are no legitimate legal grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

27. ACQUISITION OF BUSINESSES

a) Acquisition of Foreshore Limited

In July 2014, Sure (Jersey) Limited (Group's wholly owned subsidiary in Jersey), acquired 100% of the share capital of Foreshore Limited, a company registered in Jersey and involved in provision of data center services. The total consideration for the transaction is BD 1.11 million. The acquisition is part of the Group's strategy of expanding the scale and scope of the Group's operations whilst maintaining its financial position.

The Group, as on date of issue of these consolidated financial statements, has not concluded on the determination of fair value of tangible and intangible assets acquired, liabilities assumed and residual goodwill arising from the acquisition. The valuation exercise to determine fair value of certain tangible and intangible assets is currently underway and pending completion as at the reporting date. Therefore, balances of the acquired company included in Group's consolidated financial statements from the date of acquisition have been reported on a provisional basis as permitted by IFRS 3 *Business Combinations.*

The below reported amounts represent the provisional fair values as at 31 July 2014 (and are reflective of carrying values at acquisition date, 18 July 2014) with the differential consideration accounted for as provisional goodwill amounting to BD 0.32 million.

As at 18 July 2014	**BD'000**
Plant and equipment	536
Intangible assets	330
Accounts and other receivables	967
Deferred tax asset	137
Bank and cash balances	14
Accounts and other payable	(1,197)
Total identifiable net assets	**787**
Goodwill arising on acquisition	323
Purchase consideration – All in cash	**1,110**

The amounts have been reported on a provisional basis as permitted by IFRS 3 *Business Combinations*. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting are required to be done on a retrospective basis.

27. ACQUISITION OF BUSINESSES (continued)

The following table summarizes the acquisition-date fair value of each major class of consideration transferred:

	BD'000
Carrying values of assets acquired and liabilities assumed at the acquisition date	1,333
Fair value adjustment on:	
Plant and equipment	(1,013)
Identifiable intangible assets	330
Deferred tax asset	137
Total identifiable net assets	**787**

The Group incurred acquisition-related costs amounting of BD 68 on legal fees and due diligence costs. These costs are excluded from the consideration transferred and have been recognised as an expense in profit or loss in current year, within the '*other operating expenses*' line item.

An analysis of cash flows on acquisition (included in cash flows from investing activities) is as follows:

	BD'000
Net cash consideration paid	1,110
Net cash acquired with the subsidiary	(14)
Net cash flows from acquisition of businesses	**1,096**

During the period from the date of acquisition to 31 December 2014, the acquired entity contributed revenue of BD 1.24 million and profit of BD 0.03 million to the Group's results after profit allocated to NCI. Management estimates that if the acquisition had occurred on 1 January 2014, then consolidated revenue of the Group would have been BD 390.54 million and consolidated profit for the year would have been BD 49.40 million. In determining these amounts, management has assumed that provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

b) Acquisition of additional stake in Quality Net

On 8 April 2014, the Group acquired an additional 46% interest in Quality Net increasing its controlling stake from 44% to 90%. The total consideration for the additional interest amounted to BD 17.99 million, (including a contingent consideration of BD 3.03 million). Consequently, the Group recognised:

- a decrease in non-controlling interest of BD 4.86 million;
- a decrease in retained earnings by BD 12.14 million due to amount paid over the carrying value of NCI; and
- a decrease in the translation reserve of BD 0.99 million.

The carrying value of Quality Net's asset in Group financial statements on the date of acquisition was BD 10.57 million. The following summarises the changes in Group's ownership interest in Quality Net:

	BD'000
Group's ownership interest at 1 January 2014	4,160
Acquisition of NCI	4,860
Share of total comprehensive income	(1,284)
Group's ownership interest at 31 December 2014	**7,736**

c) Acquisition of M&I portfolio

During the previous year, the Group acquired certain businesses from Cables and Wireless Communications Plc (CWC) and performed preliminary valuation of the acquired identifiable assets and liabilities (please refer note 27 of the consolidated financial statements of the Group for the year ended 31 December 2013). As permitted by IFRS 3 Business Combinations, these valuations were finalized during 2014 and did not result in any further changes to the reported values as at 31 December 2013.

BD'000

28. NON-CONTROLLING INTEREST (NCI)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests before any intra-group eliminations:

	2014		2013	
Entity	**Qualitynet**	**Dhiraagu**	Qualitynet	Dhiraagu
NCI Share	**10%**	**48%**	56%	48%
Non-current assets (excluding goodwill)	9,985	85,843	11,318	113,473
Current assets	22,995	28,832	25,425	25,060
Non-current liabilities	-	(8,568)	-	(8,851)
Current liabilities	(24,385)	(14,432)	(27,290)	(12,052)
Net assets	**8,595**	**91,675**	9,453	117,630
Carrying amount of NCI	**859**	**44,004**	5,293	46,316
Revenue	26,107	51,790	31,333	38,177
Profit & total comprehensive income	**5,449**	**14,082**	5,484	11,818
Profit allocated to NCI	**1,044**	**6,759**	3,071	4,553
Cash flows from operating activities	2,988	26,240	10,723	17,827
Cash flows from investing activities	(1,440)	(4,942)	(2,051)	(3,617)
Cash flows from financing activities, before dividends to NCI	-	(1,354)	-	(1,473)
Cash flows from financing activities - cash dividends to NCI	(595)	(9,117)	(4,467)	(4,406)
Net increase in cash and cash equivalents	**953**	**10,827**	4,205	8,331

29. TRANSACTIONS WITH RELATED PARTIES

(i) The Company qualifies as a government related entity under the definitions provided in the Revised IAS 24. The Company provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Company also avails various services from Government and semi government organisation and companies in the Kingdom of Bahrain. Such transactions are in the normal course of business and are not considered to be material.

(ii) Transactions with key management personnel: Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	2014	2013
Short-term employee benefits	1,923	1,853
Post-employment benefits	72	101
Total key management personnel compensation	**1,995**	1,954

	2014	2013
Post-employment benefits outstanding	**192**	176
Directors remuneration (including sitting fees)	**664**	579

(i) Transactions with associates are disclosed under note 8.

(ii) Directors' interests in the shares of the Company at the end of the year were as follows:

	2014	**2013**
Total number of shares held by Directors	**729,367**	4,235,110
As a percentage of the total number of shares issued	**0.04%**	0.27%

Notes to the Consolidated Financial Statements
for the year ended 31 December 2014

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30. COMPARATIVES

The comparative figures for the previous year has been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping does not affect the previously reported profit, comprehensive income or equity.

31. SEGMENT INFORMATION

Operating segments
The Group's operations are segregated between Bahrain, Jordan, Maldives, CIIM and Others. Others include South Atlantic, Diego Garcia, Kuwait, Yemen, and Egypt. Segment information disclosed for the year ended 31 December 2014 is as follows:

	Year ended 31 December 2014							Year ended 31 December 2013 – Restated*						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter-segment elimination	Total
Revenue (external customers)	163,904	87,534	51,785	51,664	34,769	-	**389,656**	168,899	91,443	38,177	35,040	37,002	-	370,561
Inter segment revenues	4,093	2,291	5	-	2,235	(8,624)	**-**	4,321	848	-	-	1,947	(7,116)	-
Finance and other income	4,200	319	425	64	5,750	(1,632)	**9,126**	4,894	110	(510)	5	1,340	(1,377)	4,462
Depreciation and amortisation	22,198	17,191	12,091	10,415	5,134	-	**67,029**	20,252	16,394	9,140	7,840	4,266	-	57,892
Finance and other expenses	8,509	1,567	1,235	-	59	(1,062)	**10,308**	16,308	1,729	121	2	(3)	(1,377)	16,780
Share of profit of associate	-	-	-	-	3,818	-	**3,818**	-	-	-	-	5,957	-	5,957
Profit for the year	**37,832**	**8,094**	**14,082**	**1,958**	**(4,380)**	**(198)**	**57,388**	35,554	5,721	9,551	(940)	1,568	-	51,454

	As at 31 December 2014							As at 31 December 2013 – Restated*						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter-segment elimination	Total
Non-current assets	151,266	220,905	107,713	96,489	124,013	(14,353)	**686,033**	154,187	230,463	113,473	103,413	125,580	(7,827)	719,289
Current assets	174,978	16,878	28,832	14,971	107,638	(70,553)	**272,744**	228,172	17,470	25,060	14,331	112,851	(75,009)	322,875
Total assets	**326,244**	**237,783**	**136,545**	**111,460**	**231,651**	**(84,906)**	**958,777**	382,359	247,933	138,533	117,744	238,431	(82,836)	1,042,164
Current liabilities	101,831	56,885	14,432	7,911	31,309	(36,447)	**175,921**	95,472	57,110	12,052	9,954	31,758	(30,027)	176,319
Non-current liabilities	176,524	2,498	8,568	9,154	44,754	(37,700)	**203,798**	242,690	3,738	8,851	11,190	43,475	(37,244)	272,700
Total liabilities	**278,355**	**59,383**	**23,000**	**17,065**	**76,063**	**(74,147)**	**379,719**	338,162	60,848	20,903	21,144	75,233	(67,271)	449,019

*2013 figures are restated primarily for the inclusion of Channel Islands and Isle of Man (CIIM) as a reportable segment

32. LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY IN BAHRAIN

Description	**Usage**	**Owned/Rented**
Hamala Headquarter	Offices	Owned
Diplomat Building	Offices & Telecoms	Owned
Telephone House	Offices & Telecoms	Owned
Telegraph House	Offices & Telecoms	Owned
Batelco Commercial Centre	Offices & Exchanges	Owned
Earth Station	Satellite Station	Owned
Hamala Transmitters	Transmission Station	Owned
Abul Land Car Park	Car Park	Owned
Sales Site (in BCC)	Customer Service Centre & Offices	Owned
19 Sales Site	Customer Service Centre	Rented
67 different sites used for GSM base stations and exchanges	GSM & fixed telephone network	Owned
254 different sites used for locating Remote Line Units (RLUs) Plus MNE Sites.	GSM & fixed telephone network	Rented

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