Cultivating Convergence

Annual Report 2015

CONTENTS

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Group Company Secretary

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His Royal Highness
Prince Khalifa bin Salman
Al Khalifa

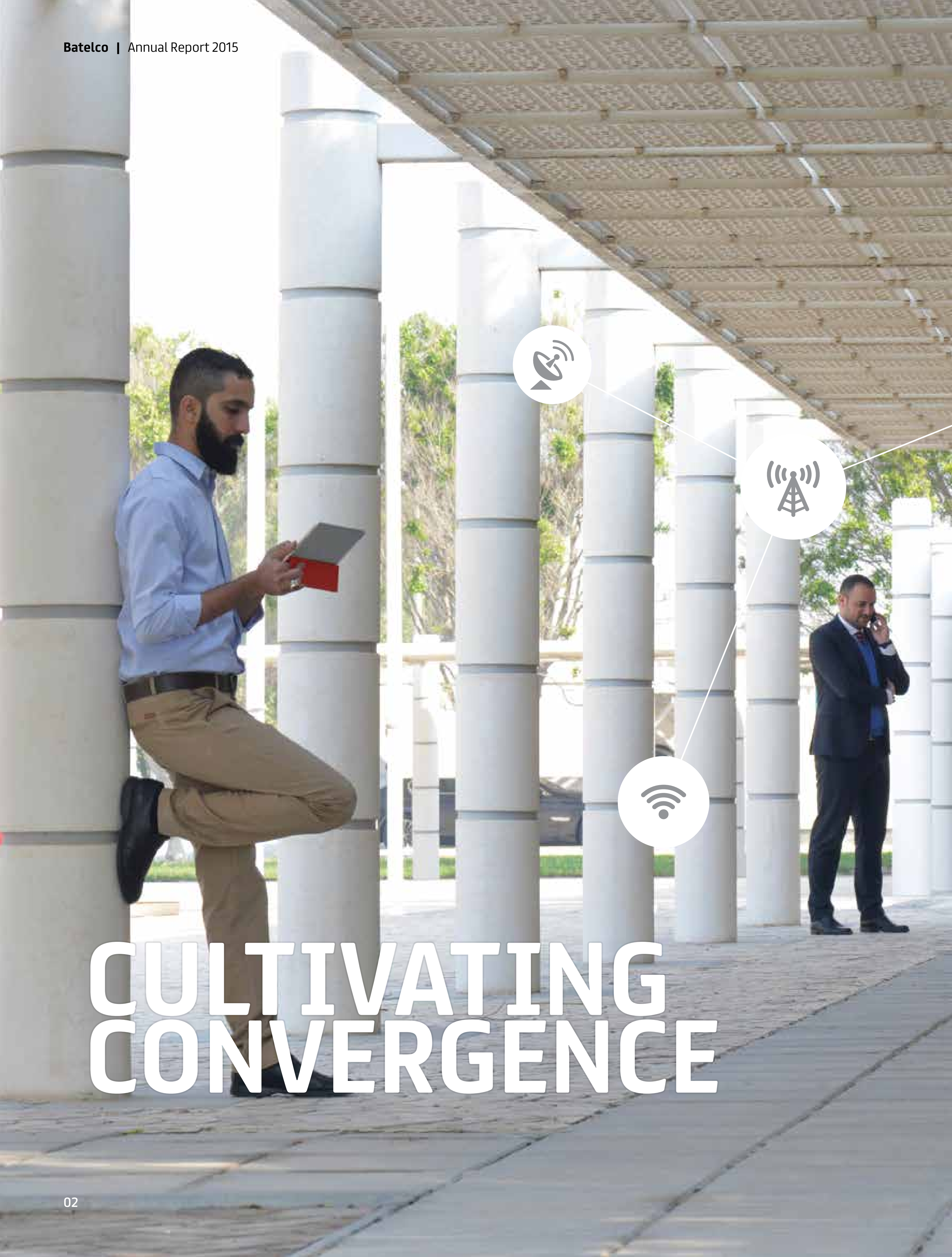
The Prime Minister of
the Kingdom of Bahrain

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



CULTIVATING CONVERGENCE

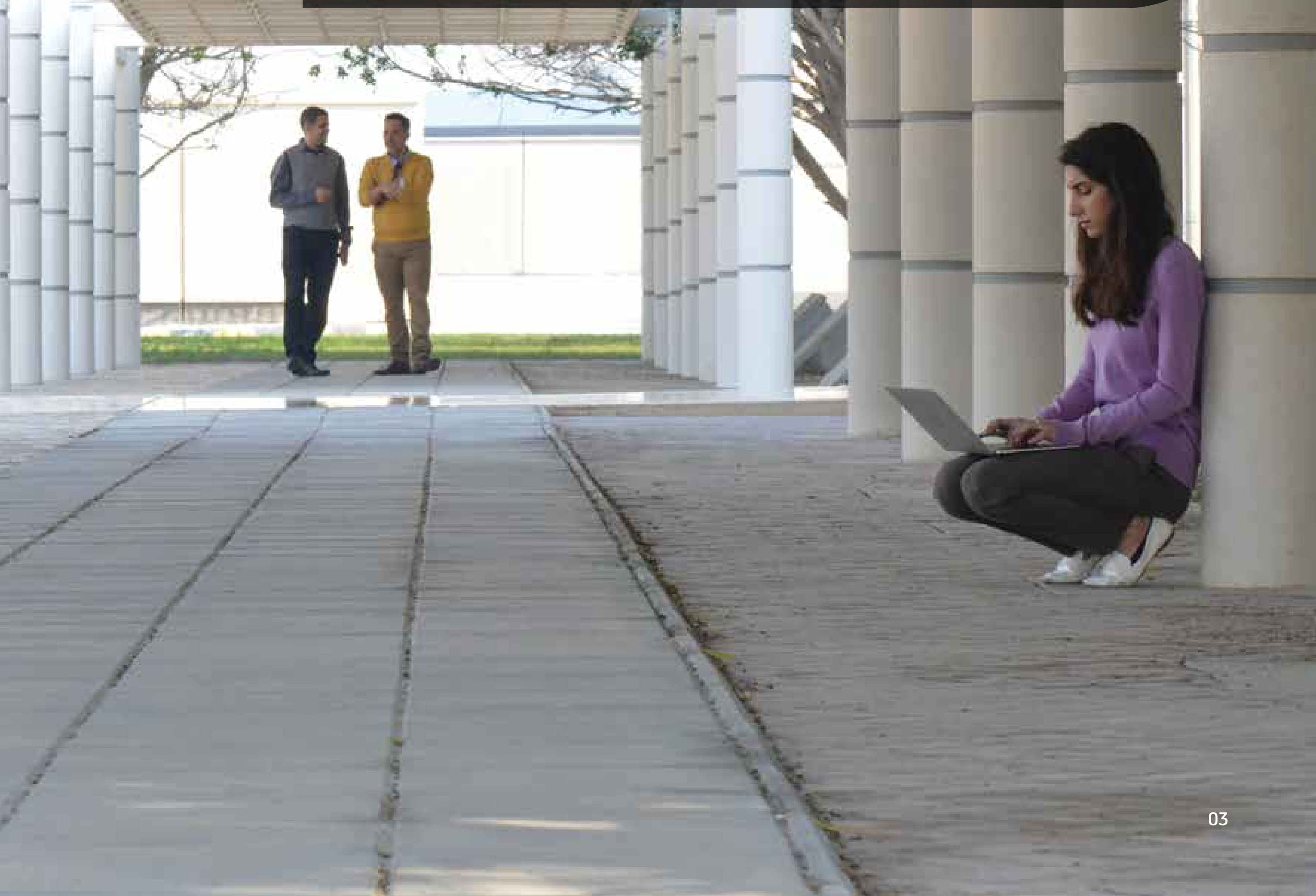
Batelco has always embedded innovation and forward thinking as central to its strategy. For over 100 years, the company has been connecting people and places via the most up to date telecommunications services available. Today, across our Group of companies, we continue to cater to the diverse needs of our widely differing markets by focussing on being a key player in the changing landscape of the communications environment and cross technology convergence.

Our desire to launch the next new thing is constant as we aim to present the latest equipment, most advanced networks and in-demand services to respond to our customers' demands. Around the world we are now witnessing first-hand the newest communications evolution as the world goes digital.

Batelco, keeping innovation at its heart, has already begun a new phase of transformation with a vision to become a leading integrator of digital solutions and services in order to remain viable in this new digital world.

The digital era is reinventing the way we live, learn, work and play and accordingly we are investing in building the right platforms to enable the future digital services and elevate communication standards. We are focussed on our direction to ensure we are active players in the new ecosystem.

At Batelco, our commitment and end goal is to play a pivotal role in the integration of technology to promote next generation education, healthcare, smart homes and smart cities for the purpose of improving lifestyles. We will continue to cultivate convergence to deliver relevant and in demand solutions to benefit our customers, wherever they are.



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

VISION MISSION

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

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

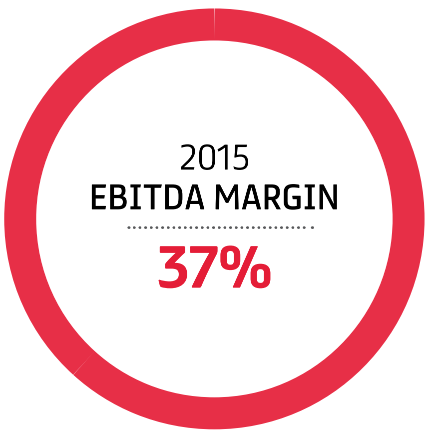
We encourage new ideas, think outside the box, are open-minded and innovative.

Ownership for Performance

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

FINANCIAL HIGHLIGHTS

MARKETS OUTSIDE BAHRAIN MAKE SIGNIFICANT CONTRIBUTION - 59% OF REVENUES AND 55% OF EBITDA NOW SOURCED FROM OVERSEAS.



NET PROFIT

49.5

MILLION

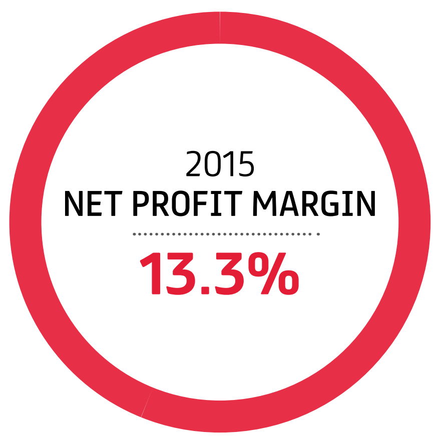
BAHRAIN DINAR

EBITDA

137.9

MILLION

BAHRAIN DINAR



GROSS REVENUE
372.4
MILLION
BAHRAIN DINAR

NET ASSETS
573.1
MILLION
BAHRAIN DINAR

EARNINGS PER SHARE
29.8
FILS

CASH AND BANK BALANCE
160.0
MILLION
BAHRAIN DINAR

CHAIRMAN'S STATEMENT

STRONG, STABLE, RELIABLE

On behalf of the Board of Directors, it gives me great pleasure to present the 34th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2015.

In 2015 the Group remained resilient and ended the year with Net Profits of BD49.5M (US$131.3M) in line with Net Profit reported in 2014 of BD49.3M (US$130.8M).

The Group's Gross Revenues stood at BD372.4M (US$987.8M) for the year versus BD389.7M (US$1,033.7M) in the previous year, a decrease of 4% year over year as a result of competitive pressure in a number of markets.

EBITDA for the year was BD137.9M (US$365.8M) versus EBITDA of BD144.7M (US$383.8M) for 2014, a 5% decrease year over year. Although EBITDA was negatively impacted by reduced operating results, the Group was able to continue its cost containment discipline with a 6% favourable variance in operating expenditure in 2015 versus the previous year.

The Group ended the year with a strong balance sheet and financial position. As of 31 December 2015, net assets were BD573.1M (US$1,520.2M) with substantial cash and bank balances of BD160.0M (US$424.4M). Earnings per share for the full year in 2015 stood at 29.8 fils, compared with 29.7 fils reported in 2014.

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

- **Consolidated Net Profit of BD49.5M (US$131.3M) for the year**
- **Gross Revenues of BD372.4M (US$987.8M) for the year**
- **EBITDA of BD137.9M (US$365.8M) representing a 37% margin for the full year**

GOING FORWARD INTO 2016, OUR COMMITMENT AND END GOAL IS TO PLAY A PIVOTAL ROLE IN ENABLING THE INTEGRATION OF THE LATEST TECHNOLOGIES IN ALL BATELCO GROUP'S OPERATIONS

Financial Highlights:

- Gross Revenues of BD372.4M (US$987.8M) for the year;
- Consolidated Net Profit of BD49.5M (US$131.3M) for the year;
- EBITDA of BD137.9M (US$365.8M) representing a 37% margin for the full year;
- Markets outside of Bahrain contribute 59% of revenues and 55% of EBITDA;
- Subscriber base of over 9 million;
- Substantial cash and bank balances of BD160.0M (US$424.4M); and
- EPS of 29.8 fils and recommended dividends of BD41.58M (US$110.29M) for the full year, equivalent to 25 fils per share, marking the Group's ongoing ability to deliver strong value and returns to shareholders.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2015.

BD millions	2015	2014
Final cash dividends proposed	24.95	24.95
Interim cash dividends paid	16.63	16.63
Donations at 2.5%	1.24	1.23
Transfer to statutory reserve	0.96	3.96

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 2015 with the remaining 15 fils to be paid in cash following the AGM in March 2016.

We continue to face demanding market conditions across a number of our Group's operations with the impact reflected in reduced subscriber numbers and negative revenue trends. While some of our operations ended the year on a positive note, the overall picture remains challenging. Nonetheless, we are optimistic that our cost transformation activities, investment in new networks including fibre and efforts to develop and strengthen our digital solutions portfolio, will ultimately boost subscriber numbers and the bottom line.

Our strategy and on-going efforts to achieve operational excellence continues and our goal is to deliver sustainable, profitable revenue growth to deliver value for our stakeholders.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2016.

Community Matters

Batelco is proud of the meaningful role it plays in supporting health, education, sports and social/cultural endeavours. During 2015 approximately BD2M was committed as part of Batelco's CSR programme with the aim of making a major positive difference in the lives of all citizens.

As part of the wide ranging support, 30,000 Ramadan Baskets were distributed to needy families during the holy month of Ramadan, BD200,000 was paid toward the Crown Prince International Scholarship Fund as

SUBSCRIBER BASE OF OVER 9 MILLION

part of a BD1M five year commitment and the BDF Cardiac Centre received BD100,000 as part of Batelco's ongoing annual commitment to support their efforts. Across the Kingdom several organisations benefitted from financial support including UCO Parents Care, Bahrain Diabetic Society and Bahrain Disabled Sports Federation.

Appreciation those who support us

We place great value on the ongoing support offered to Batelco by Bahrain's wise leadership. On behalf of my colleagues on the Board of Directors, management and staff, I extend grateful 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. Appreciation is also extended to Batelco's shareholders for their support and confidence in our strategy.

Our management and staff play indispensable roles in driving the Group's success in Bahrain and overseas and their efforts in facing operational challenges during 2015 must be commended. Businesses today have objectives of increasing revenue, facing competition and improving efficiency, while at the same time having the challenge of decreasing cost. Having the right teams in place gives us confidence that we can strengthen our performance and meet our strategic objectives.

We gratefully acknowledge the loyalty of our customers at home and abroad for choosing our products and services. We operate in many international crowded marketplaces that offer vast ranges of choices, so their faith in Batelco and its subsidiaries and affiliates remains vital to our continued success.

Focussed on a Bright Future

Going forward into 2016, our commitment and end goal is to play a pivotal role in enabling the integration of the latest technologies in all Batelco Group's operations to deliver the products, services and solutions relevant for each geography we operate in and in doing so enhance next generation education and healthcare, support the establishment of smart homes and smart cities, with the ultimate goal of improving our lifestyles.

With our strategy we are fit to respond to new trends and technologies with emphasis on the field of digitisation. Our strength lies in our technical expertise and experience gained over many years combined with the added value of being part of the strong network that forms the Batelco Group of Companies.

Hamad Bin Abdulla Al Khalifa

Chairman of the Board
Bahrain Telecommunications Company BSC

February 15th 2016

GROUP CHIEF EXECUTIVE'S MESSAGE

CUSTOMER CENTRIC APPROACH

Batelco Group is witnessing significant changes in the usage behaviour of its customers as they become more active members of the emerging digital society. Customers' needs continue to evolve with the demand for mobility and data growing in line with global trends towards a digital world with smart homes and smart cities.

Accordingly, we are in a phase of transformation with our sights set on an era of digitalisation; we understand that the future for communications lies in the digital society and across our operations we are making strides to implement and introduce relevant digital solutions for our business customers and consumers.

Competitive pressure and the conversion of growing demands into enhanced revenues combine to create formidable challenges which are faced by the communications industry as a whole. Despite the changing communications landscape and competitive challenges, Batelco Group was able to grow its mobile subscriber base in a number of operations,

BATELCO'S CUSTOMER CENTRIC STRATEGY IS GAINING RECOGNITION NOT JUST LOCALLY BUT WITHIN THE REGION AS WAS DEMONSTRATED IN BATELCO BEING PRESENTED WITH THE BEST CUSTOMER EXPERIENCE MANAGEMENT BRAND AWARD AT THE 4TH CEM IN TELECOMS: MIDDLE EAST SUMMIT AWARDS IN 2015.

DURING 2016 WE WILL CONTINUE TO FOCUS ON DELIVERING TOP QUALITY PRODUCTS AND SERVICES THROUGHOUT THE YEAR FOR BOTH THE BUSINESS AND CONSUMER SECTORS, WITH ALL OUR PRODUCTS AND SERVICES INTENDED TO IMPROVE PEOPLE'S LIVES IN WELCOME, RELEVANT AND AFFORDABLE WAYS.

including Bahrain, Umniah in Jordan and Dhiraagu in the Maldives. Overall, the Group's total subscriber numbers, standing at over 9 million, are 5% down year on year with the decrease mainly attributable to declining customer numbers for Sabafon due to the ongoing unrest in Yemen and a resultant difficult operating environment.

Our operational strategy continues to focus on pooling of group resources, technology and expertise in order to enhance competitiveness and performance. While each market has its own unique needs, there are many areas where we can consolidate our efforts and we are optimistic that these group-wide exercises will generate substantial synergies and pay dividends going forward.

JV Highlights

For the year, contributions from operations outside of Bahrain increased both as a percentage of revenues and EBITDA. At year-end 2015, 59% of revenues and 55% of EBITDA were sourced from overseas markets compared to 58% of revenues and 53% of EBITDA in 2014. Overall performance across the Group was particularly enhanced by favourable results in Dhiraagu in the Maldives.

Jordan – Umniah: Umniah continues to demonstrate a significant presence in the Jordanian telecom market due to its strategy of offering high quality services, with the best value, while keeping abreast with sector developments and customers' various needs and expectations. During the fourth quarter of 2015, Umniah's mobile subscribers totalled 3.2 million, a 15% YoY increase.

Kuwait - Qualitynet: Batelco Group holds a 90% shareholding in Qualitynet, which remains the clear market leader in the fixed Data Communications and Internet Services industry in Kuwait. In 2015, the company maintained its broadband market share despite tough competition from fixed and wireless service providers. In the fourth quarter, Qualitynet upgraded its state of the art datacentre, offering customers' world class services such as a pay as you go model, managed services, end to end connectivity and disaster recovery.

Maldives - Dhiraagu: Dhiraagu delivered strong results for the year based on growth from mobile and enterprise segments. Notable developments during 2015 include the successful completion of the nationwide mobile broadband project to all inhabited islands in the Maldives, the launch of 4G services and the introduction of fibre broadband services (FTTH) providing the fastest speeds in the country. Both mobile and broadband subscribers witnessed a 4% and 16% increase year over year respectively.

Channel Islands & Isle of Man – SURE: During the year Sure CIIM launched full LTE and wholesale line rental services to consumers and businesses across all markets. Strong consumer performance resulted in YOY subscriber numbers up 1% in mobile and 9% in broadband.

South Atlantic & Diego Garcia – SURE: The year's positive operating performance continued through the fourth quarter in both South Atlantic and Diego Garcia. The mobile base is now growing following the launch of services in Saint Helena and Ascension Island and the Falklands and Diego Garcia continue to report strong overall growth.

Yemen – Sabafon: Sabafon, in which the Group has a 26.94% shareholding, experienced a reduction in subscriber numbers during the fourth quarter of 2015 which resulted in a 21% YoY decline. Despite the drop in subscriber numbers and the difficulties operating in an environment with increased political challenges, the company continued to provide telecommunication services to its customers.

Saudi Arabia - Atheeb: Atheeb, in which Batelco holds a 15% stake, reported a decline of 13% year-over-year in subscriber numbers and 1% since the last quarter due to intense competition in broadband services.

Batelco Bahrain – Investing to Deliver Superior Solutions

Batelco Bahrain is committed to the local economy and its emerging needs as the country develops into a digitally enabled and diversified economy. Batelco's transformation to be the leading integrated digital services provider in the Kingdom of Bahrain is already in progress as we invest in new technologies in order to remain viable in this new digital world and contribute to this new digital economy. In line with this, Batelco was the first in the Kingdom to launch a series of Cloud-based services to empower businesses to digitise their processes and improve their operational efficiencies.

Batelco has invested millions in infrastructure and will continue to invest in building the right platform to enable the future digital services and elevate communication standards. We understand that the availability of full digital services will enable a superior customer experience and offer a new set of customised and innovative services and solutions which will especially support the business sector.

Our investment in new networks continued during 2015 to deliver the most reliable cutting edge technology including 300Mbps Broadband, to ensure superior customer experience. The service over our new fibre networks, which we continue to take into new locations, features the

BATELCO HAS INVESTED MILLIONS IN INFRASTRUCTURE AND WILL CONTINUE TO INVEST IN BUILDING THE RIGHT PLATFORM TO ENABLE THE FUTURE DIGITAL SERVICES AND ELEVATE COMMUNICATION STANDARDS.

highest dedicated, superfast download speed in Bahrain.

During 2016 we will continue to focus on delivering top quality products and services throughout the year for both the business and consumer sectors, with all our products and services intended to improve people's lives in welcome, relevant and affordable ways.

A Year of Achievement

Batelco's customer centric strategy is gaining recognition not just locally but within the region as was demonstrated in Batelco being presented with the Best Customer Experience Management Brand award at the 4th CEM in Telecoms: Middle East Summit awards in 2015.

The importance that Batelco places in its Business Continuity programme was also recognised by the world's leading institute for Business Continuity, the BCI (Business continuity Institute). The BCI presented Batelco with the Award for Best Continuity and Resilience Team 2015, for their achievements in Business Continuity leadership, team operation across all disciplines, major challenges faced by the team and their handling of such challenges.

During 2015 Batelco became Palo Alto Networks first partner in Bahrain to achieve Gold Status in the organisation's NextWave Partner Programme.

Additionally Batelco gained four Advanced Specialisation certificates from Cisco for Enterprise Networks Architecture, Security Architecture, Data Centre Architecture and Collaboration Architecture.

Batelco's subsidiary Umniah also gained certification from Cisco during the year. As part of the Channel Partner Programme, Umniah added the Cloud and Managed Services Programme (CMSP) Advanced certification to its lineup of achievements.

Outside of the Middle East region, Batelco's operations have also been successful in winning honours including SURE, Batelco's subsidiary in the Channel Islands which became the first communications company in the Channel Islands to be accredited with the International standard for Information Security Management.

Furthermore, Batelco's commitment in upholding sound corporate governance principles was recognised by World Finance who announced Batelco as the winner of the Best Corporate Governance award for Bahrain for 2015.

Team Batelco – One Family Working Together

Batelco's Chairman Shaikh Hamad and the members of the Board of Directors offer continuous support and wise leadership to me and my colleagues on the executive management teams and on behalf of us all, I extend appreciation to each of them for their commitment and advice which is invaluable. Appreciation is also extended to Batelco's shareholders for their confidence in our strategy and their dedicated support. We will remain focussed on creating sustainable value for our all stakeholders throughout the year ahead.

Across all of our operations we have ensured we have the right teams in place as we understand this is key to the success of all our businesses. During 2015 our employees played their part by putting forward their best work and I wish to thank all staff and management throughout Batelco Group for their efforts. While we are transforming in parallel with the new digital age, we are also investing in human capital – the next generation of employees to ensure they have the relevant skills and knowledge to meet the future demands.

Most importantly, on behalf of everyone within the Batelco Group, I extend a huge vote of thanks to our customers across all of our locations for their loyalty and support for our products and services. During 2015 our customers continued to be our number one priority; everything we do is with their requirements in mind and we will continue to develop our portfolio with them foremost in mind throughout 2016.

Vision for the Year Ahead

We have already laid the foundations for digital solutions and will continue to build on our strong base by developing our portfolio in-house and if required by forging partnerships with other organisations or by the acquisition of an ICT unit. Cloud capabilities, OTT TV services, fibre to the home and the delivery of superfast broadband are also areas we will tighten our focus on during the year ahead.

On the M&A front, it is an optimal time to buy; we therefore continue to seek suitable opportunities as part of our ongoing growth strategy.

Where there is challenge, there is opportunity and our challenge is to continue to push forward with our efforts towards a data-driven digital world and how to leverage our telecom assets to create successful digital services that are relevant for our customers. Customer expectations are rising but we continuously raise the bar to meet and exceed their expectations.

To support our efforts we will continue to invest to remain innovative and deliver on our promises. We look forward to a promising year ahead.

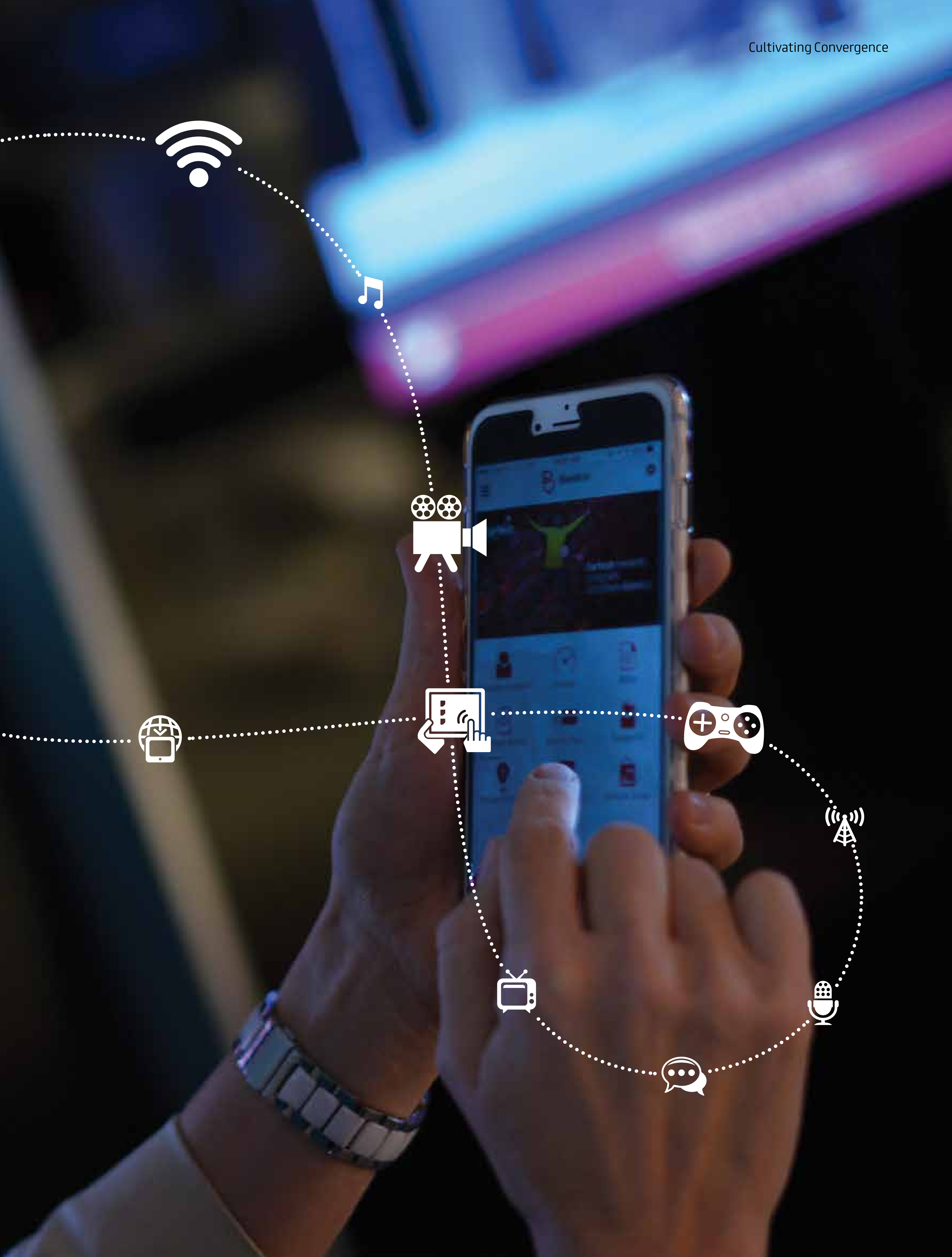
Ihab Hinnawi

Group Chief Executive

Bahrain Telecommunications Company BSC

We live in a world where unlimited everything is becoming the trend and unlimited Data has become a necessity not a luxury. Our customers communicate ..... with each other via messaging services; with organisations to bank and make travel plans; with social media channels to share their life events. Our aim is to ensure they have the capabilities to enjoy unlimited interactions.

UNLIMITED DATA



BOARD OF DIRECTORS









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1. **Shaikh Hamad bin Abdulla Al-Khalifa**
   Chairman
2. **Mr. Abdul Razak Abdulla Al Qassim**
   Deputy Chairman
3. **Mr. Abdulrahman Yusuf Fakhro**
   Director
4. **Brigadier Khalid Mohammed Al Mannaei**
   Director
5. **Mr. Raed Abdulla Fakhri**
   Director
6. **Dr. Ahmed Ebrahim Al Balooshi**
   Director
7. **Mrs. Khulood Rashid Al Qattan**
   Director
8. **Mr. Arif Haider Rahimi**
   Director
9. **Mr. Ahmed Ateyatalla Al Hujairy**
   Director
10. **Mr. Oliver McFall**
    Director

BATELCO GROUP EXECUTIVE TEAM

1. **Ihab Hinnawi**
   Group Chief Executive Officer
2. **Faisal Qamhiyah**
   Group Chief Financial Officer
3. **Shaikh Ahmed bin Khalifa Al Khalifa**
   Group General Manager Human Resources & Development
4. **Ahmed Al Janahi**
   Group Board Secretary & General Manager Corporate Affairs
5. **Bernadette Baynie**
   Group General Counsel
6. **Ali Sharif**
   Group Chief Internal Auditor
7. **Haytham Fatayer**
   Group General Manager Strategic Projects
8. **Ian Kelly**
   CEO Sure South Atlantic & Diego Garcia
9. **Dr. Ghassan Murad**
   Group General Manager, Mergers & Acquisitions

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* Alan Whelan served as Group CEO until 22 February, 2015.





BATELCO GROUP

BATELCO'S OVERSEAS OPERATIONS CONTINUE TO ADD VALUE TO THE GROUP AND IN 2015 CONTRIBUTED 59% OF REVENUES AND 55% OF EBITDA.

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 Island and the Falkland Islands.

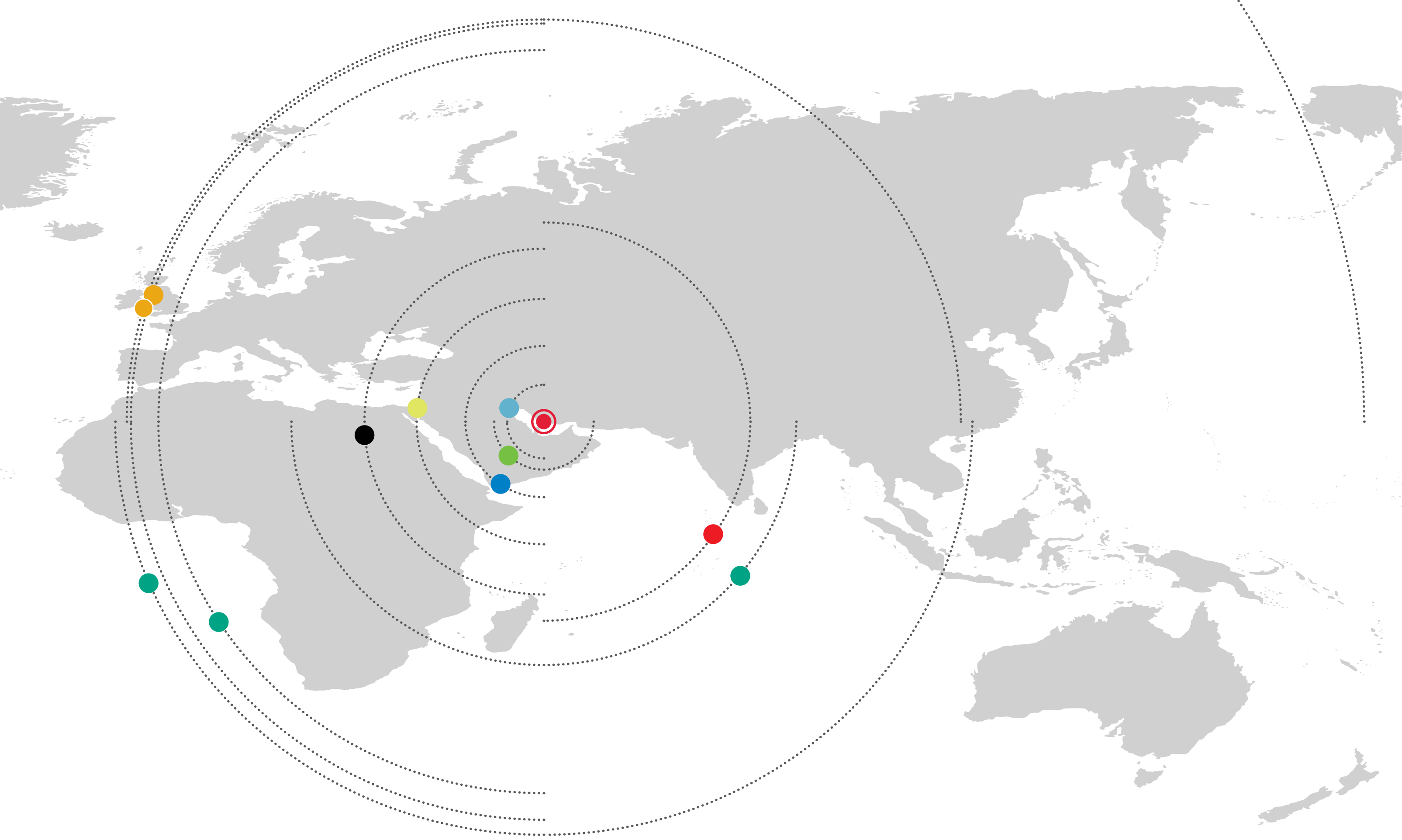
Batelco has played a pivotal role in Bahrain's development as a major communications hub and today is the leading digital communications' provider, continuing to lead and shape the local consumer and enterprise markets. As well as serving the consumer, corporate and wholesale markets in Bahrain, Batelco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

Batelco's overseas operations continue to add value to the Group and in 2015 contributed 59% of revenues and 55% of EBITDA.

www.batelcogroup.com

Batelco

Headquarters in the Kingdom of Bahrain



Umniah
Jordan

Quality Net
Kuwait

SURE
Channel Islands & Isle of Man

SURE
South Atlantic & Diego Garcia

Dhiraagu
Maldives

Etihad Atheeb Telecom
Saudi Arabia

SabaFon
Yemen

Batelco
Egypt

ACROSS OUR GROUP OF COMPANIES, WE CONTINUE TO CATER TO THE DIVERSE NEEDS OF OUR WIDELY DIFFERING MARKETS BY FOCUSSING ON BEING A KEY PLAYER IN THE CHANGING LANDSCAPE OF THE COMMUNICATIONS ENVIRONMENT AND CROSS TECHNOLOGY CONVERGENCE.

SUBSIDIARIES AND AFFILIATES

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1. **Muna Al Hashemi**
   Chief Executive Officer Bahrain
2. **Sameer Altaf**
   Chief Financial Officer Bahrain
3. **Adel Al-Daylami**
   Chief Global Business Officer
4. **Mike Stanford**
   Chief Marketing Officer
5. **Suhaila Alnowakhda**
   General Manager HR & Corporate Services

* Ali Ahmed Mustafa served as General Manager Wholesale & Carrier Services until 30 April 2015.
* Abdul Hamid Chehab served as General Manager Network Services until 5 April 2015.

Bahrain / Batelco

Batelco (Bahrain Telecommunications Company) the leading integrated communications' provider in the Kingdom of Bahrain continued with its commitment to enhance customer experience during 2015 by forging ahead with its strategy to offer full digital solutions for the local market.

Batelco serves the corporate, consumer and global markets in one of the most competitive environments in the MENA region through the delivery of cutting-edge fixed and wireless telecommunications solutions. Batelco's end-to-end customised solutions for the residential, business and government segments in Bahrain include all IP fixed and 4G LTE wireless Broadband networks, ICT Solutions and MPLS based regional data solutions.

Batelco is fully committed to the advancement of the Bahrain economy and through the Company's crucial role in implementing Smart Home and Smart City digital solutions contributes significantly to the Kingdom's prosperity and development.

Batelco is proud of the meaningful role it plays in supporting its local communities and in 2015 contributed approximately 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 Corporate Social Responsibility (CSR) programme.

SUBSIDIARIES AND AFFILIATES

1. **Ziad Shatara**
   Chief Executive Officer
2. **Abdulla Tahboub**
   Chief Financial Officer
3. **Lara El-Khateeb**
   Head of Legal Affairs
4. **Mahmoud Abu Zannad**
   Director of Enterprise & High Value Segment
5. **Sami Idbies**
   Director of Engineering
6. **Sami Jarrar**
   Director of HR & Corporate Affairs
7. **Raed Rasheed**
   Director of Distribution & Customer Care
8. **Amjad Frouqa**
   Director of Quality, Business Continuity and Information Security
9. **Ziad Al-Masri**
   The Tank Director
10. **Mahmoud Zaghalil**
    Director of Government Relations and Regulatory Affairs
11. **Waseem Al Rousan**
    IT Director
12. **Zaid Ibrahim**
    Consumer Marketing Director

* Ihab Hinnawi served as Chief Executive Officer until 30 November, 2015.
* Ahmad Jaghoub served as Director of Engineering & IT until 31 May, 2015.
* Omar Al-Omoush served as Director of Marketing until 12 November, 2015.
* Ahmad Darwazeh served as Head of Regulation & Strategy, Government Relations & Regulatory Affairs until 1 April, 2015.

Jordan / Umniah

umniah

Since its launch in June 2005, Umniah, which is 96% owned by Batelco Group, 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.

The company acquired Batelco Jordan, a fully owned subsidiary of Batelco Group in 2008, which introduced new infrastructure and resources. The acquisition made possible the launch of Umniah's business solutions, diversifying and enriching the company's offerings to satisfy the Jordanian telecommunication needs.

In 2015 Umniah invested heavily to enhance its network capabilities by introducing a 4G wireless network to complement its existing 3.75G network. The rollout, planned for the first quarter of 2016, will strengthen the company's unmatched service quality and meet evolving customer expectations. As part of Umniah's emphasis to support the latest global trends towards the Internet of Things (IoT) and machine-to-machine communication, the company introduced cutting-edge solutions such as smart home automation and tracking systems.

Umniah's focus on youth, the largest segment of Jordanian society, was established by the launch of its new platform "Shababi" which offers an entertainment experience and demonstrates the company's continuous emphasis on improving and promoting value-for-money services.

Umniah's key priority going forward will be to continue building on its core values of innovation and customer centricity. Its comprehensive selection of consumer services and business solutions means that everyone can "belong" to the Umniah community.


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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
5. **Khalifa Al-Ammar**
   General Manager Admin & HR
6. **Sudha Devadas**
   Acting General Manager Finance

Kuwait / Quality Net

Qualitynet is the market leader in the fixed data communications and internet services industry in Kuwait. The company was established in 1998 and Batelco Group acquired 44% of the company in 1999, subsequently increasing its shareholding to 90% in 2014.

In 2015, Quality Net continued successfully expanding its ICT business by securing lucrative local and regional contracts and undertaking one of the largest ICT opportunities it has ever ventured into. This opportunity and others like it further cemented the company's footprint into adjacent markets. Today the company has successfully completed projects in Iraq, Saudi Arabia and Egypt.

Qualitynet recently upgraded its state of the art data centre which remains a one-of-a-kind in Kuwait, offering customers' world class services such as a pay-as-you-go model, managed services, end to end connectivity and disaster recovery.

The company continues to evolve into a total solutions provider and has charted out aggressive plans for the coming year to fortify its market leadership position and enhanced customer experience.

SUBSIDIARIES AND AFFILIATES

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

Channel Islands & Isle of Man / SURE

SURE (CIIM) is a wholly owned subsidiary of Batelco Group, acquired in 2013. The company offers telephony services to the Channel Islands and Isle of Man and is the leading full service operator in Guernsey with market-leading positions in fixed voice, mobile and broadband services and the prime competitor in both Jersey and Isle of Man.

The launch of wholesale line rental across all three markets has seen Sure robustly defend its market leadership in Guernsey whilst successfully gaining market share ahead of expectations in Isle of Man and Jersey. This outperformance is testament to the company's focus on first-rate customer experience and service. Sure can now offer a one-stop-shop service to all its consumer and enterprise customers.

The company launched full LTE services across all businesses in H1 2015. Sure was the first provider to fully deploy LTE services across the Channel Islands. The launch was enabled by a full network refresh across all mast sites and provides the population in all markets the latest technology with a geographic coverage of over 96%.

In the corporate space the company benefitted from its focus on the professional services team in providing complex solutions as well as maximizing the services available through the 2014 acquisition of Foreshore.

1. **Ismail Rasheed**
   Chief Executive Officer & Managing Director
2. **Robin Wall**
   Chief Financial Officer
3. **Ahmed Mohamed Didi**
   Director Human Resources
4. **Athifa Ali**
   Director International, Legal and Regulatory
5. **Mohamed Hazmath Abdulla**
   Director Property, Procurement and Administration
6. **Ahmed Maumoon**
   Director Marketing
7. **Musthag Ahmed Didi**
   Director Customer Solutions
8. **Ali Riyaz**
   Director Customer Services and Sales
9. **Pavan Kumar Malladi**
   Director Information Systems
10. **Mohamed Musad**
    Director Networks

* Ismail Waheed served as Chief Executive Officer and Managing Director until 15 October 2015.
* Sharad Bradoo served as Director Information Systems until 7 June, 2015.

Maldives / Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU)

Dhiraagu, in which Batelco Group has a 52% shareholding, is the leading telecommunications operator offering total solutions and a comprehensive range of mobile, internet, data and fixed line services throughout the Maldives.

The company's business is based on a commitment to providing innovative products and services and a philosophy that places high value on customer experience, and this remained as a top priority throughout 2015. In addition to the strong presence in the capital Male', Dhiraagu has nine strategically located operation centres throughout the country which are supported by the largest retail and distribution network.

The company provides the widest coverage in the Maldives. In 2015, Dhiraagu announced the successful completion of its nationwide mobile broadband project which made it the first and only operator to provide 3G mobile broadband services to all inhabited islands across the country. The company is the only operator to link the Maldives from North to South through its 1200km long fibre-optic submarine cable which supports the nation's largest 3G and 4G LTE network.

Other major developments during 2015 include the launch of 4G services, the introduction of fibre broadband services (FTTH) providing the fastest speeds in the nation, the revamp of mobile data and fixed broadband services to provide superior value to customers, the introduction of new broadband packages for business segments and the launch of handsets in the market together with the Global launch. In 2015, Dhiraagu also become the first mobile operator in South Asia to commercially launch the LTE-Advanced (LTE-A) technology.

South Atlantic & Diego Garcia
SURE

SURE South Atlantic & Diego Garcia (S&D) are wholly owned subsidiaries of Batelco Group, acquired in 2013. The companies are telecommunications providers serving customers in the British Overseas Territories of the islands of Ascension, Falklands, Saint Helena and Diego Garcia. In each of these locations, operating under an exclusive license Sure is a full feature network operator delivering voice, broadband and data services.

2015 saw significant milestones being reached by Sure S&D. Mobile services, including LTE, were launched on Saint Helena and Ascension Island and as a result the communities in these remote locations in the South Atlantic now have mobile service capabilities that are equal to the rest of the world. Late in the year agreement in principle was reached with the Falkland Islands Government for a new license and as result of this investments will be made in the coming years to continue to enhance all services across the Falklands.

Saudi Arabia
Etihad Atheeb Telecom

Etihad Atheeb Telecommunications Company (Atheeb) was established in 2008 and is a publically listed company in the Kingdom of Saudi Arabia, in which Batelco holds a 15% stake.

The company operates under the "GO" brand and 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.

In 2015 Atheeb continued its strategic focus on selling FTTH and LTE services, strengthening its B2B solutions and adapting its products and services to meet evolving customer needs.

Yemen
Sabafon

Sabafon, in which Batelco Group has a minority shareholding of 26.94%, is a GSM operator in Yemen offering national coverage 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.

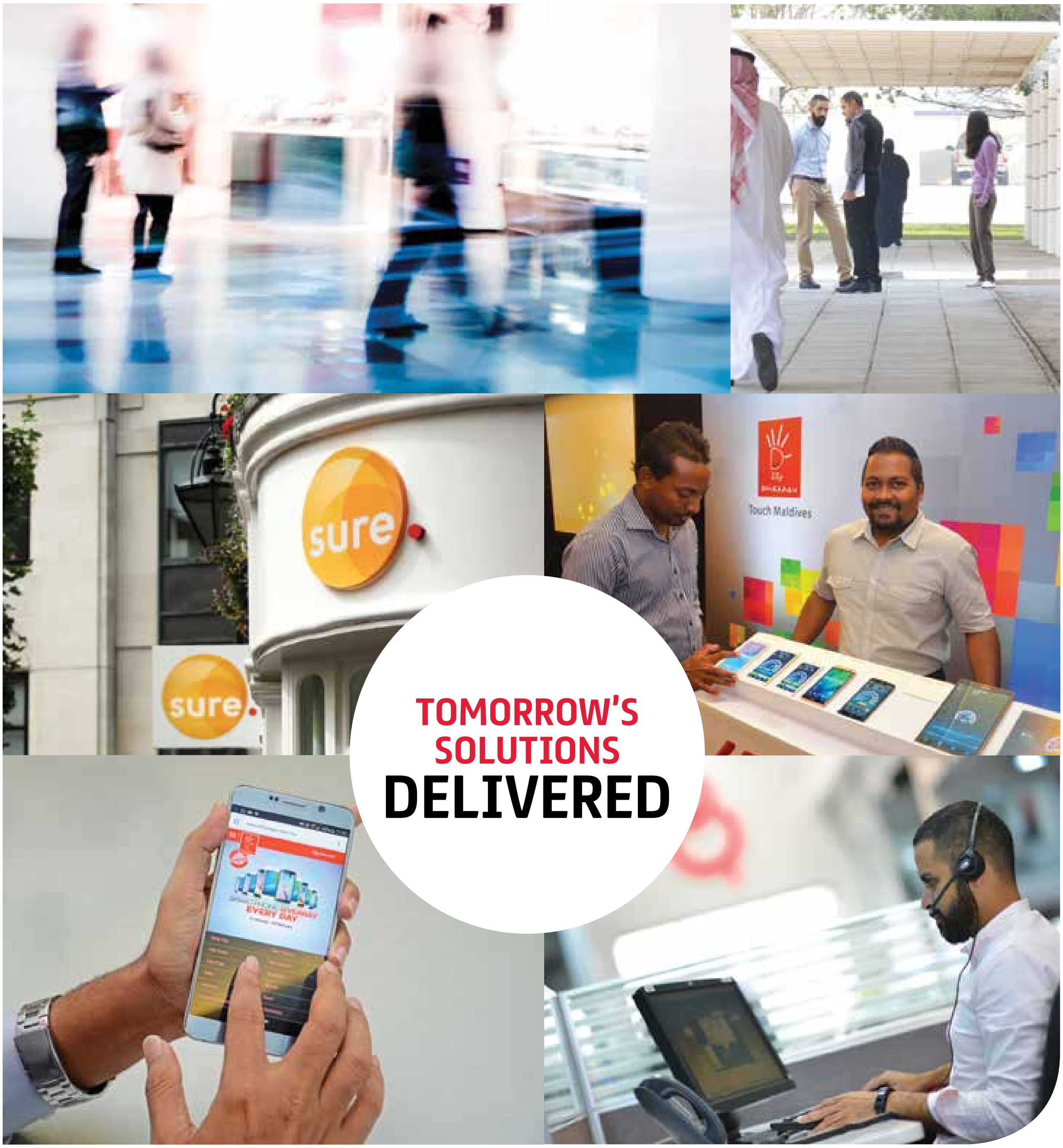
Despite operating in a challenging environment in 2015, Sabafon was able to continue providing its customers with telecommunication services.

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

Batelco Egypt is wholly owned by Batelco Group. The company was established in 2003 with a focus on providing worldwide data communication solutions to corporates, multinational customers and global telecommunication providers.

Batelco Egypt operates its own Point of Presence which is connected to Batelco Group's global network. As part of the 2015 network upgrade, the global connectivity to Egypt was upgraded significantly to accommodate increased demand.

The company will continue building its data service capabilities to cater to its customers' diversified communication requirements through alliances with international partners.



TOMORROW'S SOLUTIONS DELIVERED

AWARDS SHOWCASE

World Finance Best Corporate Governance for Bahrain

World Finance, which has been celebrating achievement and innovation in their annual awards since 2007, announced that Batelco was named as the winner of the Best Corporate Governance award for Bahrain for 2015.

World Finance's judging panel boasts over 230 years of financial and business journalism, supported by a research team that works round the clock to ensure the award winners are the most deserving in their sector.

Best Customer Experience Management Brand Award

Batelco was presented with the Best Customer Experience Management (CEM) Brand award at the 4th CEM in Telecoms: Middle East Summit awards ceremony, which was held for the 4th year.

The prestigious Best CEM Brand award was presented to Batelco for its demonstration of the best record of progress and delivery for their customers, while showcasing Customer Experience Management at the heart of their organisational strategy. Batelco's implementation of enhanced mechanisms and systems continue to raise customer satisfaction levels. Notably, one of the biggest achievements considered was Batelco's introduction of the first telecom Drive-Thru shop in the GCC designed to serve customers on the go.

BCI Middle East Award-Best Continuity and Resilience Team

The Business Continuity Institute (BCI) presented Batelco with the Best BCI Middle East Award (Best Continuity and Resilience Team 2015). The BCI, as the world's leading institute for Business Continuity, recognises the outstanding contribution of business continuity organizations operating in the Middle East.

The Judging Panel at the event evaluated Batelco, among other shortlisted companies, for their achievements in Business Continuity leadership, team operation across all disciplines, major challenges faced by the team and their handling of such challenges. The implementation of Business Continuity and improving organizational resilience, including the team profile, credentials, experience and performance in continuing to raise customer satisfaction levels were also part of the comprehensive evaluation.

Five Brand Awards at the Transform Awards MENA

Batelco won five major accolades for excellence in branding at The Transform Awards MENA. The accolades, which include three gold awards, one silver and one highly commended, are in recognition of Batelco's innovative visual brand identity and strategic brand development programme.

An international jury selected Batelco for one of the show's highest accolades 'Best Overall Visual Identity' in the technology and telecommunications sector, and also for 2 further gold awards for 'Best use of a Visual Property' and 'Best Visual Identity'. The silver award was presented for the 'Best Implementation of a Brand Development Programme' while the highly commended was given for 'Best Brand Evolution'.

IAESTE Award for Umniah

Umniah was presented with an award for its participation in IAESTE (the International Association for the Exchange of Students for Technical Experience). IAESTE is an independent, non-profit and non-political student exchange organization. It provides students in technical degrees with paid, course-related training abroad and provides

employers with highly skilled, highly motivated international trainees.

ACHIEVEMENTS

Batelco Achieves Four Specializations from Cisco Systems, Inc.

As part of its efforts to ensure a high level of technical accreditation Batelco has earned four Advanced Specialisation certificates from Cisco, namely Enterprise Networks Architecture, Security Architecture, Data Centre Architecture and Collaboration Architecture.

To earn these highly acclaimed specialisations, Batelco was required to meet rigorous standards and training to sell, design and deploy comprehensive Cisco advanced solutions.

Batelco Becomes First Partner in Bahrain to Achieve Gold Status in Palo Alto Networks NextWave Partner Programme

Batelco become the first company in Bahrain to achieve Gold status in the Palo Alto Networks NextWave Partner Programme, with the milestone achievement being reached within a year of joining the Programme.

Batelco Achieves ISO 27001:2013 Certification in Information Security

Following a thorough and vigorous auditing process conducted by Certification Bureau Veritas, Batelco was presented with four ISO Certificates in Information Security (ISO 27001:2013). The Certification was received for e-Services, Retail Operations, Data Centres and Wholesale operations.

Batelco has upgraded its existing Information Security Certification from ISO 27001:2005 to ISO 27001:2013 following an in-depth transition audit.

Umniah Achieves Advanced Certification from Cisco

Umniah, Batelco Group's sister company in Jordan, has achieved Cisco Cloud and Managed Services Programme (CMSP) advanced certification, as part of the Channel Partner Programme. This certification recognizes Umniah as having achieved an elite level of expertise to operate and deliver Internet, managed connectivity and cloud, and it verifies that Umniah Services are delivered with enterprise-Class reliability, security and support.

SURE CIIM

SURE CIIM, Batelco Group's JV in the Channel Islands & Isle of Man, was first to achieve ISO/IEC 27001:2013, the international standard for Information Security Management, for its Data Centres in Jersey and Guernsey.

At the same time as gaining the accreditation in both islands, SURE has also maintained its status as a top-tier data security supplier for users of the payment card industry. Sure has achieved this through its re-accreditation as a PCI-DSS Level One Service Provider in both Jersey and Guernsey, having been assessed to the standards of the latest version (3.1).

In order to achieve the ISO/IEC 27001:2013 status SURE had to undertake a detailed and thorough independent audit across many of its business areas. As the first Channel Island business to gain this standard, SURE is leading the way in attracting international technology businesses to Jersey and Guernsey.

CORPORATE SOCIAL RESPONSIBILITY

Being able to support residents through sponsorships and donations means so much to Batelco and is a great way for Batelco to say thank you to loyal customers.

By focusing on key areas of the community, including education, health, sport and art & culture and additionally by lending support to a number of exhibitions and conferences that target the business community, Batelco's sponsorship and donation efforts reach out to all walks of life.

KEEPING OUR COMMUNITIES CLOSE AS PART OF OUR FAMILY.

Batelco's CSR programme also supported numerous other programmes during 2015 with the below among those receiving support:

- INJAZ Bahrain
- UCO Parents Care Centre
- Bahrain Disabled Sports Federation
- Al Rahma Centre
- Diabetic Society
- Down Syndrome Society
- Microsoft Imagine Cup
- King Hamad Hospital – Blood Donation
- Rashid Equestrian – King Hamad Horseracing Festival
- Rashid Equestrian – Batelco Challenge
- Bahrain International Circuit Partnership
- Batelco Racing Team
- Ahlam Batelco Football Team
- Batelco Bowling Team
- Bahrain Football Association
- Red Bull Events
- Start-up Weekend Bahrain
- Al Ayam Book Fair
- University of Bahrain Career Day
- Bahrain Chamber of Commerce & Industry

CORPORATE SOCIAL RESPONSIBILITY

The broad range of societies, charities, institutions and organisations that receive support from Batelco reflect the Company's values and strengthen community ties. All entities that receive Batelco's support are driven by common values of excellence and represent dedication, focus and ultimately, success.

Batelco currently has a number of annual commitments in place that have a major beneficial impact on the local community.

The Crown Prince International Scholarship Programme (CPISP) provides top international educational, training, and cultural opportunities for outstanding Bahraini students and since the formation of the programme in 2006, Batelco has been among its major supporters. In 2013 Batelco renewed its Platinum sponsorship for the programme pledging a total of BD1 million over five years, and in 2015 handed over a cheque to the value of BD200,000.

Each year prior to the start of the Holy Month of Ramadan, Batelco delievers foodstuffs to the Kingdom's Charities for distribution to needy families. Batelco's Ramadan Basket programme which has grown in popularity with each passing year is really appreciated by thousands of residents of Bahrain. In 2015, 30,000 baskets containing produce that is traditionally in high demand for the preparation of Ramadan meals, were handed out.

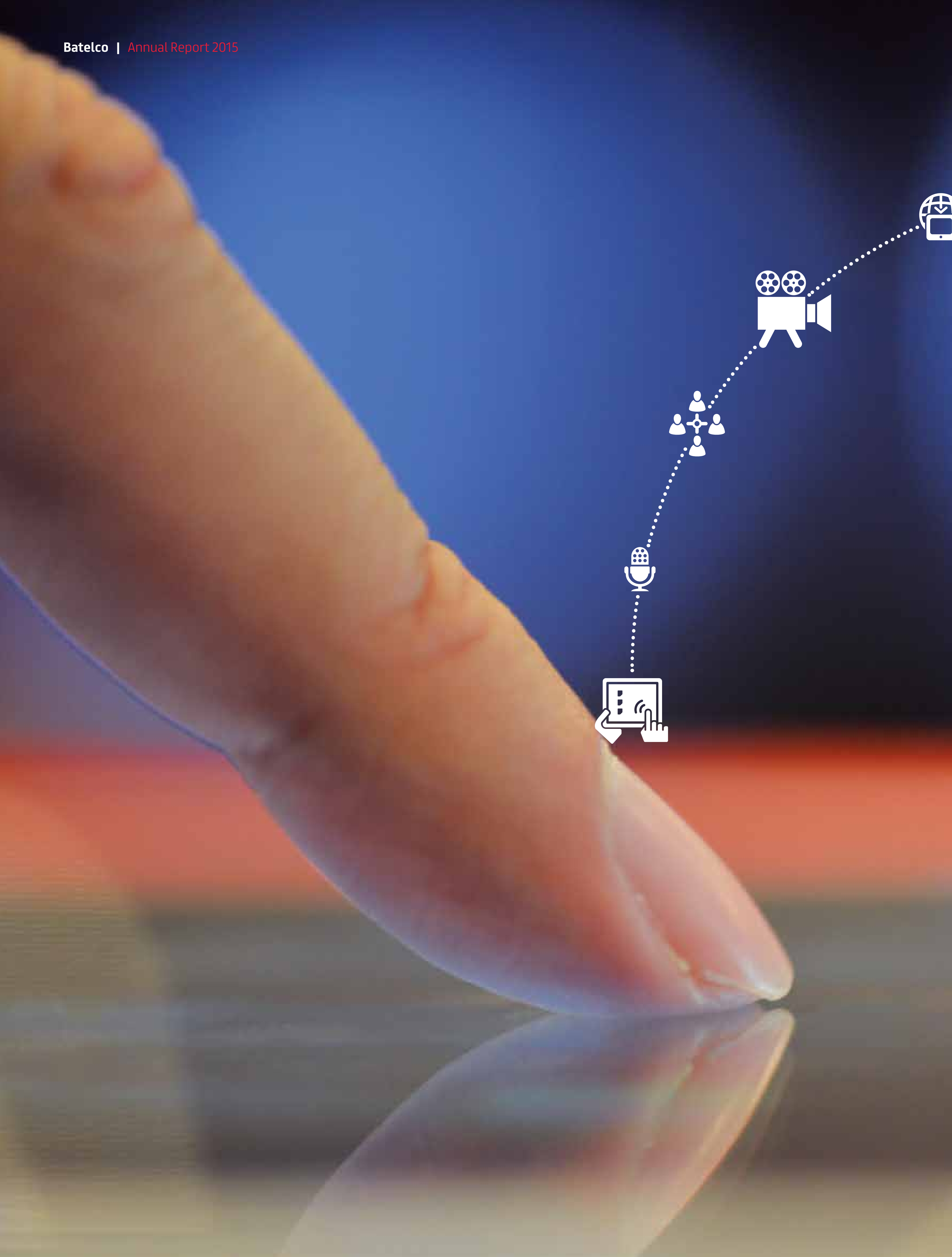
Batelco continued with its support for Shaikh Mohammed Bin Khalifa Bin Salman Al Khalifa Cardiac Centre by donating BD100,000 in 2015 to enhance the medical care and services for cardiac patients at the Centre. Batelco has been a major supporter of the Cardiac Centre for many years and annually makes a significant contribution to

support the wonderful efforts of its highly skilled teams.

His Majesty King Hamad's 8th Trophy Golf Championship took place in November 2015, with Batelco on board once again as the official sponsor of the international event. The annual event has proven to be a great initiative in promoting the royal and ancient game of golf in the Kingdom and Batelco is delighted to have been associated with this major tournament since its inception. Over the years the success of the event has done much to foster the development of golf in Bahrain and many young Bahrainis have been encouraged to take up the game as a result.

The Annual Formula One event has been transformational for the Kingdom of Bahrain and Batelco as one of the major partners of the Bahrain International Circuit is very proud of the role it plays in providing telecommunications services to ensure world class connectivity for all attendees.





DIGITAL WORLD

The digital era is reinventing the way we live, learn, work and play and accordingly we are investing in building the right platforms to enable the future digital services and elevate communication standards.

CONTENTS

CORPORATE GOVERNANCE

Overview

As a Bahrain-based Company, Batelco is subject to the corporate governance standards of the Central Bank of Bahrain (CBB) and the Bahrain Commercial Companies Law. Batelco aspires to the highest standards of ethical conduct based on sound corporate governance. In accordance with its commitment to both meeting legal and regulatory requirements and adhering to international best practices, Batelco has put in place a comprehensive Corporate Governance framework to maximise operational efficiency and protect shareholders' rights. Batelco regards the guiding principles of its Corporate Governance framework to be fairness, transparency, accountability and responsibility.

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.

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

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.

The Board of Directors of the Company together with its management undertook measures and ensured that for the year ended 31 December 2015 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 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 the copy of the Corporate Governance Guidelines of the Company from the Corporate Secretary.

Developments in 2015

During 2015, Batelco ensured compliance with the robust Corporate Governance framework established in 2011. Developments during the year include:

- Appointment of a new Group Chief Executive Officer and a new Bahrain Chief Executive Officer.
- Enhanced the organization structure of its Bahrain Operation.

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 (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.

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

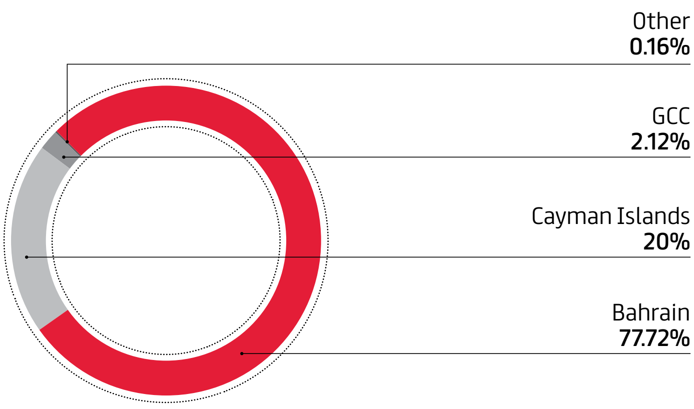
Batelco's principle shareholders include institutional investors, Sovereign Wealth Fund Institutes (SWF's) and general public.

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 (5% and above):

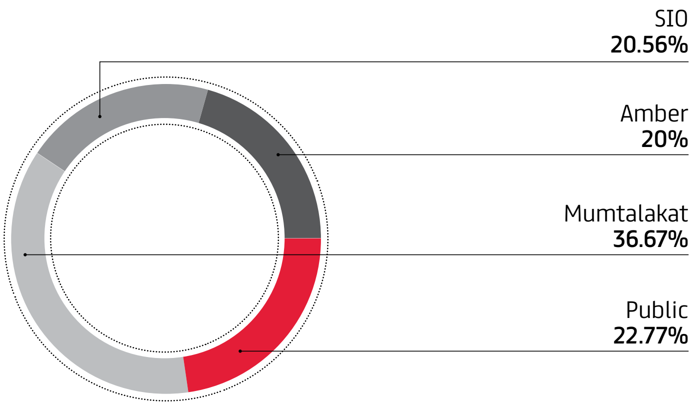
Nationality	Number of Shares	% of shares held
1. Bahrain	1,292,743,078	77.72%
2. Cayman Islands	332,640,000	20%
3. GCC	35,210,708	2.12%
4. Others	2,606,214	0.16%



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	609,840,000	36.67%
2. Amber Holding Company	332,640,000	20%
3. Social Insurance Organization	341,878,205	20.56%
4. Public	378,841,795	22.77%



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
1. Mumtalakat Holding Company	609,840,000	36.67%
2. Amber Holding Company	332,640,000	20%
3. Social Insurance Organization	341,878,205	20.56%

Directors	Number of Shares	% of shares held
1. Abdul Razak Abdulla Al Qassim	462,315	0.027%
2. Abdul Rahman Yusif Fakhro	170,752	0.010%
3. Ahmed Ateyatalla Al Hujairi	31,470	0.0019%
4. Arif Haider Rahimi	31,170	0.0019%
5. Khulood Rashid Al Qattan	30,010	0.0018%
6. Raed Abdulla Fakhri	3,710	0.0002%

Executive Management	Number of Shares	% of shares held
1. Dr. Ghassan Murad	103,950	0.0062%

Directors and Senior Management trading during the year 2015

No trading was done by Directors nor Senior Management in the year of 2015.

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 Chairman	**Mr. Abdul Razak Abdulla Al Qassim** Deputy Chairman
Appointed by/ Status	Mumtalakat / (Non – Executive Independent)	(Non- Executive Independent)
Committee membership	– Chairman of the Donations committee – Chairman of the Nomination and Remuneration Committee – NBN Committee	– Chairman of the Executive Committee – Nomination and Remuneration Committee – NBN Committee
Qualifications and Experience	– Has been serving on Batelco Board since 09/2006. He was re-appointed by the shareholders in the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. – Obtained a Bachelor's 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.	– Has been serving on Batelco Board since 02/2008. He was re-elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. – Chief Executive Officer of National Bank of Bahrain. – Holds a Masters degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA. – Joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank.
Years of Experience	– Over 39 Years of experience in the business sector	– Over 38 years in the Banking sector
Board Representation	– Chairman of Umniah Telecommunication (Jordan) – Chairman of Sure Channel islands and Isle of Man (UK) – Chairman of Quality net Telecommunication(Kuwait)	– Deputy Chairman of Umniah Telecommunications company (Jordan) – Deputy Chairman of Sure Channel Islands and Isle of Man telecommunications company (UK) – Deputy Chairman of Quality net Telecommunications company (Kuwait) – Deputy Chairman of Dhiraagu Telecommunications company – Chairman of Benefit Company – Chairman of Bahrain Islamic Bank – Chairman of Bahrain Association of Banks – Board member of National Bank of Bahrain – Board member of The Crown Prince International Scholarship Program – Board member of Deposit and URIA Protection at Central Bank of Bahrain

	Mr. Abdulrahman Yusuf Fakhro Director	Brigadier Khalid Mohammed Al Mannaei Director
Appointed by/ Status	– Social Insurance Organization/ (Non – Executive Dependent)	– Amber Holdings / (Non – Executive Dependent)
Committee membership	– Executive Committee – Donations Committee	– Nomination and Remuneration Committee – Donations Committee – Property Asset Committee
Qualifications and Experience	– Has been serving on Batelco Board since 2012/04. He was re-appointed at the AGM in 2014. He holds the role as a non-executive Dependent director for a period of 3 years. – University of Cairo, Faculty of Commerce.	– Has been serving on Batelco Board since 2012/8. He was re-appointed at the AGM in 2014. He holds the role as a non-executive Dependent director for a period of 3 years. – General Manager & Board member of the Military Pension Fund – Holds a Master's degree in Business Administration from Sheffield Hallam University (UK). – Joined the Military Pension Fund in February 2011 following a long service with Bahrain Defense Force. – He is one of the founders of the GCC Expanded Military Pension Coverage committee.
Years of Experience	– Over 50 years in the investment and insurance sector.	– 36 years of experience
Board Representation	– Board member and Chairman of Audit Committee Sure Channel Islands and Isle of Man (UK). – Chairman of Bahrain Commercial Facilities Company (BSC) – Chairman of Yusif bin Yusif Fakhro B.S.C. (c) – Deputy Chairman of Social Insurance organization (SIO) – Deputy Chairman of Osool Asset Management – Chairman of Bahrain Marina – Chairman of Amlak.	– Board member in Umniah Telecommunication (Jordan) – Board member in Sure Diego Garcia Limited – Deputy Chairman of Bahrain Islamic Bank – Board member in Social Insurance Organization (SIO) – Board member in Osool Asset Management – Board member and General manager in Military Pension Fund

	Mr. Raed Abdulla Fakhri Director	Dr. Ahmed Ebrahim Abdulqader Al Balooshi Director
Appointed by/ Status	– Mumtalakat / (Non- Executive – Dependent)	– Amber Holdings/ (Non- Executive – Independent)
Committee membership	– Executive Committee – Nomination and Remuneration Committee – Property Asset Committee	– Audit Committee
Qualifications and Experience	– Has been serving on Batelco Board since 03/14. He has been appointed in the AGM 2014 and holds a role as a non-executive Dependent director in the Board for a period of 3 Years. – Mumtalakat Vice President Investments since March 2013 – Holds an Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, USA. – Co-founded BDI Partners in 2010 and headed the firm as a Managing Director. – Spent 3 years in Capivest Investment Bank, heading the Investment Department. – Batelco Senior Manager in New Business Development Unit. – Spent 3 years with Gulf Petrochemical Industries Company (GPIC) as a Control Systems Engineer and Project Engineer.	– Has been serving on Batelco Board since 03/14. He was appointed at the AGM in 2014. He holds the role as a non-executive independent director for a period of 3 years. – Currently, the CEO of Smarteam Consultancy. – Attained the role of Assistant Professor at the College of Business Administration, UOB in early 2014. – 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. – Used to hold a post of Senior Manager with Ernst and Young, and Director of Audit at the Ministry of Finance and Head of Computer Audit, Ministry of Finance.
Years of Experience	– Over 21 years of experience mainly in business development and investment banking.	– 27 years of experience
Board Representation	– Board member in Investrade – Board member in BDI Partners	– Board member in Sabafon telecommunication (Yemen) – Chairman of UOB Alumni – Member of Alba Audit committee – Member of Falcon Group Audit Committee

	Mr. Arif Haider Rahimi Director	Mr. Ahmed Ateyatalla Al Hujairy Director
Appointed by/ Status	– (Non- Executive Independent)	– (Non- Executive Independent)
Committee membership	– Chairman of the Audit Committee	– Audit Committee – Property asset Committee
Qualifications and Experience	– Has been serving on Batelco Board since 14/03. He was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. – Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. – A Certified Public Accountant, Board of Accountancy, Oregan, USA – Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division.	– Has been serving on Batelco Board since 14/03. He was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. – Founder and CEO of Gulf Future Business S.P.C. and group of companies. – He holds an executive MBA (Distinguished Honours) from DePaul University, Chicago, USA – He began his career with Riyadh Bank, Saudi Arabia – He attained the post of Director in the Health Information Directorate. – Held the role as Acting CEO, Advisor to the Bahrain Minister of Health on Health Economics at Salmaniya Medical Complex – Held the role of General Manager at Gateway Gulf B.S.C. – Senior Advisor to the Board of Bahrain Technology Companies Society. Advisor and Founder of Bahrain Internet Society and a member of the Bahrain Society for Training and Development.
Years of Experience	– Over 24 years of experience in financial services.	– Over 32 years of experience in Information Technology and Communications, Business, and Management.
Board Representation	– Board member and Chairman of the Audit Commitee of Quality Net Telecommunications company (Kuwait) – Member of Sure South Atlantic Limited – Director and Chairman of the Audit committee in Bahrain International Circuit (BIC) – Member in Bahrain Judicial Committee for Stalled Real Estate Projects.	– Board member and Chairman of the Umniah Telecommunications company (Jordan) Audit committee.

	Mrs. Khulood Rashid Al Qattan Director	**Mr. Oliver McFall** Director
Appointed by/ Status	– (Non – Executive Independent)	– (Non- Executive Independent)
Committee membership	– Audit Committee	– Executive Committee
Qualifications and Experience	– Has been serving on Batelco Board since 03/14. She was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. – General Manager of Prime Advisory WLL and Managing Director of Green FX WLL. – She holds a Bachelor Degree in Accounting from Ayn Shams University, Cairo – 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. – Early career started with Bank of Bahrain & Kuwait where she worked her way to Head of Investment Department – She widened her experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolvence Capital.	– Has been serving on Batelco Board since 03/2014. He was appointed at the AGM in 2014 by the shareholders representing Mumtalakat and he holds the role as a non-executive independent director for a period of 3 years. – Vice President of Roland Berger Strategy Consultants – Senior Partner and member of the Executive Team with AT Kearney. – Senior Project Manager with McKinsey & Company.
Years of Experience	– Over 23 years of experience in banking and investment.	– More than 30 years of experience in international management consulting
Board Representation	– Board member of Etihad Atheeb Telecommunications (Saudi Arabia) – Board member and Deputy Chairman of Audit committee in Umniah Telecommunications company (Jordan) – Board member in Sico Financial Services company (SFS) – Board member in Gulf Aviation Academy – Member in Committee for the Young Women Entrepreneur award	– Board member in Dantherm Power (Denmark); production of fuel cell systems – Executive director in Blue Ocean/HSV (Switzerland); real estate management and development in Europe – Board member in Ringford Holding (Switzerland); telecom technology

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 11 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)
25/01/2015	– Formation of the Property asset committee – Corporate Strategy, Budget 2015 and business plan	– Approved – Needs Further Discussion
28/01/2015	– BMIC Limited – proposed change to constitution – Umniah Board investment recommendations – Unified BSS Transformation – Credit limit policies	– Approved – Approved – Approved – Approved
16/02/2015	– 2014 YTD results – Budget 2015 and Business plan – NBN Update – Umniah Way forward – 2014 financial performance and final dividend recommendation – Termination of GCEO contract	– Approved – Referred to the executive committee – Needs further discussion – Needs further discussion – Approved – Approved
18/03/2015	– NBN update – discussion – Strategic options for Atheeb – Combining Sure SA and DG Boards	– Needs further discussion – Referred to the Executive committee – Referred to the Remuneration committee
29/04/2015	– Riffa Views settlement agreement (*Mr. AlQassim excused himself from the meeting due to conflict of interest*) – 2013 EWA PABX charges settlement – Adjacent business strategy – Approval of 2015 Budget – Accelerated fiber business case – Batelco Bahrain organizational development update – March 2015 Batelco Bahrain Receivables – March 2015 and YTD financial performance – Batelco Group Business plan 2015-19 – Umniah Solar plant business case – Bank Authorized signatories – Excess liquidity options – Group Structure	– Approved – Approved – Approved – Approved – Approved – Referred to the next meeting – Approved – Approved – Approved – Approved – Approved – Approved – Approved
13/05/2015	– Group Organizational Structure – Receivables collection	– Approved – Referred to the Audit committee
10/06/2015	– Evaluation of Batelco Group Assets	– Approved

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
06/08/2015	– Q2 2015 Results Bahrain – Special government debt collection – Authority Matrix- Customer debt write off – BMIC Limited – Recruitment for Bahrain – June 2015 and YTD results group – 2015 interim Dividends – STel Case update	– Approved – Approved – Approved – Approved – Approved – Approved – Approved – Approved
26/10/2015	– Situation update with the TRA – Response to Bahrain Bourse	– Noted – Approved
10/11/2015	– Q3 2015 Results Bahrain – Budget 2016/BP – Sales contract authority matrix – Debt Write-off special government segment – Atheeb Strategic Options – Sep 2015 and YTD financial performance group – Revised Exco charter – Petrarca Project Update – Stel Update – Batelco Group 9+3 Forecast 2015	– Approved – Approved – Approved – Approved – Needs further discussion – Approved – Approved – Needs further discussion – Needs further discussion – Approved
29/12/2015	– NBN proposal	– Needs further discussion

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

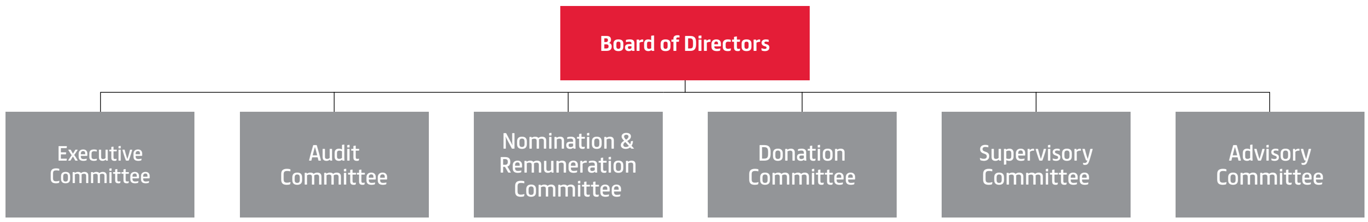
Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's 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 2016.

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 10 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)
15/02/2015	– 2014 Bahrain operation Results – 2015 budget and business plan – NBN update – 2014 group financial performance – Batelco group business plan 2015-19	– Recommended to the Board – Recommend to the Board – Recommend to the Board – Recommend to the Board – Needs Further discussion
25/03/2015	– EWA PABX charges settlement – Authority Matrix – Adjacent business consultancy – NBN scope of work – Budget and business plan – Accelerated Fiber Capex – Compliance Report – Disposal of Decommissioned Assets – Feb 2015 and YTD financial performance – Batelco group business plan 2015-19 – STel case update	– Recommend to the Board – Needs further Discussion – Recommend to the Board – Recommend to the Board – Recommend to the Board – Needs Further Discussion – Noted – Approved – Approved – Approved – Recommended to the Board
27/04/2015	– Q1 2015 results – Top Risks update – Cost efficiency initiatives update – Ideas innovation center – March 2015 and YTD Financial performance – Bank Authorized signatories – Excess Liquidity options	– Recommend to the Board – Needs further discussion – Approved – Needs further discussion – Recommend to the Board – Recommend to the Board – Recommend to the Board
27/05/2015	– NBN Scope of work – April 2015 Results – Umniah Shareholder loan – Batelco Group financial performance April 2015 and YTD results	– Approved – Approved – Approved – Approved
24/06/2015	– Umniah Performance	– Needs further discussion

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
05/08/2015	– Huawei network support contract – Sales contract approval – MCI Communications – Sales contract approval – Ditco – Sales contract approval – MCI Communications – Q2 2015 results – Authority Matrix – Compliance Report – Project Petrarca – June 2015 and YTD financial performance – Stel Case update – BMIC litigation update – Provision for STel Receivable – Batelco Group Top Risks	– Approved – Approved – Approved – Approved – Recommend to the Board – Recommend to the Board – Noted – Approved – Recommend to the Board – Recommend to the Board – Approved – Approved – Noted and Approved
07/10/2015	– August 2015 Results Bahrain – Approval of sales contract MCI communications – Approval of sales contract – Arab Banking – Debt Settlement agreement – August 2015 Results and YTD performance Group	– Approved – Approved – Approved – Approved – Approved
13/10/2015	– Consultant Brief on NBN	– Needs further discussion
09/11/2015	– Bahrain Q3 2015 Results – Budget 2016/BP – Debt write-off – Headcount rationalization and benchmark – Revision of Sales contract Authority Matrix – Compliance Report – Group Sep 2015 and YTD financial performance – Batelco Group 9+3 financial forecast 2015 – Batelco Group Top Risks	– Recommended it to the Board – Recommended it to the Board – Approved – Approved – Approved – Noted and Approved – Approved – Approved – Noted
14/12/2015	– NBN Way forward – Oct 2015 results – Debt Write-Off – Updated 2 Connect Settlement Proposal – Text & Maritime Capex – Business Plan Sensitivity – Legal & Regulatory Update – Group Oct 2015 results and YTD performance – Umniah 2016 Budget – Batelco Group 2016 Budget and Preliminary Group Business Plan	– Needs further discussion – Approved – Approved – Approved – Postponed – Needs Further discussion – Approved – Approved – Approved – Approved

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 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)
10/02/2015	– Group financials- year end – Internal Audit Activity report – Q4- 2014 – Audit issues follow up Report –Q4 – 2014 – KPMG 2013 management letter	– Recommend to the board – Approved – Approved – Approved
07/04/2015	– Network coverage and quality of service	– Needs further Discussion
27/04/2015	– Group Financials – Q1 2014 – Group Internal Audit activity report – Follow up on open issues – Q1 2014 – Government and special government accounts – Bahrain Internal Audit activity report – Bahrain Audit issues follow up – Q1 2014 – Revised Audit Committee charter	– Recommend to the Board – Approved – Approved – Needs further Discussion – Approved – Approved – Recommend to the Board
03/08/2015	– Impairment policy for special government office – Audit Issues follow up – Group consolidated financials – KPMG management letter – Group Internal audit activity report – Group Audit issues follow up – Risk Management Framework	– Approved – Approved – Recommend to the Board – Approved – Approved – Approved – Needs further discussion
08/11/2015	– Special government Accounts settlement proposal – KPMG 2014 management letter update – Bahrain Internal audit Activity Report – Q3 – Group Q3 Consolidated financials – Group internal Audit Activity report Q3 – 2016-2018 annual audit plan – Tender and evaluation process – Succession Plan	– Approved – Approved – Approved – Recommend to the Board – Approved – Approved – Needs further discussion – Recommend to the Remuneration and Nomination Committee

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
13/12/2015	– KPMG's year end plan – Tender Evaluation for selecting a Global External Auditor – Fraud/Whistleblowing Reporting Policy	– Approved – Needs further discussion – Needs Further discussion

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 13 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)
13/01/2015	– GCFO training request – Update on executive search – CEO's KPI's – Bahrain IT structure – Board appraisal	– Approved – Approved – Approved – Needs further discussion – Approved
08/02/2015	– Update on executive search – Operating companies bonus plan/ operating companies CEO's performance review and bonus	– Needs further discussion – Needs further discussion
12/02/2015	– Update of executive search	– Needs Further discussion
15/02/2015	– Operating companies bonus plan – Operating companies CEOs performance review and Bonus – Executive Salary Structure Review	– Needs further discussion – Approved – Approved
23/02/2015	– Incentive reward fund allocation policy – Operating companies bonus plan – Operating companies CEOs performance review and Bonus/ executive salary structure review	– Needs further discussion – Approved – Approved

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
13/04/2015	– Update on recruitment process – Recruitment of Group CEO – Revised group structure – Batelco Bahrain restructuring Update – Performance management review – Executive salary survey	– Needs further discussion – Needs further discussion – Approved – Recommend to the Board – Needs further discussion – Approved
25/06/2015	– CEO Bahrain – interviews	– Approved
06/07/2015	– Interviews with the proposed Bahrain executives	– Approved
14/07/2015	– Group CEO search assignment – Umniah CEO search assignment	– Approved – Approved
26/08/2015	– Approval of Recruitment for Bahrain – Appointment of Umniah CEO	– Approved – Needs further discussion
27/08/2015	– Umniah CEO interview – Ziad Shatara	– Approved
03/12/2015	– Umniah CEO package – Succession Planning – Board Evaluation Forms – Replacement of Board members in Dhiraagu and Umniah Board – Performance Management System – Executive Incentive Scheme – Bahrain COO Interview	– Approved – Needs Further Discussion – Needs Further Discussion – Approved – Approved – Needs Further Discussion – Approved
10/12/2015	– Renewal of Group GM contracts – Executive Incentive scheme presented by EY – Interviews for GCEO (Candidates)	– Approved – Approved – Approved

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)
22/03/2015	– Review of donation requests	– Approved
30/08/2015	– Ratification of circulated resolutions – Review of donation requests	– Approved – Approved as per the donation policy

Property Asset Committee

The Property Asset Committee's primary duties and responsibilities covers; monitoring and assessing the market value of all the properties owned by Batelco and report back to the board with their analysis and findings. In addition, the committee recommends to the Board the best way to utilize these assets.

Property Asset Committee Meetings

During the year, the Property Asset 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)
28/01/2015	– Review of all Batelco current assets	– Needs further Discussion
18/02/2015	– Review and evaluation of assets.	– Needs further Discussion

National Broadband Network (NBN) Committee

The National Broadband Network (NBN) Committee's primary duties and responsibilities covers; negotiating and leasing with the TRA and Government entities on the final implementation of the project when agreed by all.

National Broadband Network (NBN) committee meetings

During the year, the NBN 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)
21/01/2015	– Discussion about the meeting with the TRA and to address Batelco's proposal	– Needs further discussion
27/04/2015	– Writing a letter to the TRA	– Approved
06/05/2015	– Meeting with the TRA and the ministry of transportation to discuss the Government proposal and Batelco's role in the project	– Needs further discussion
19/11/2015	– Meeting with Batelco's consultant to discuss the way forward.	– Needs further discussion
15/12/2015	– Meeting with the TRA and the Minister.	– Needs further discussion
27/12/2015	– NBN discussion	– Needs further discussion
28/12/2015	– Meeting with Sh. Khalid bin Abdulla Al Khalifa Deputy Prime Minister.	– Needs further discussion

Board Members Meeting Attendance

	BOD		EXCO		AUDIT		RNC		Donations		Property		NBN	
	11 Meetings		10 Meetings		6 Meetings		13 Meetings		2 Meetings		2 Meetings		7 Meetings	
Sh. Hamad Al Khalifa	C	11					C	12	C	2			C	6
Mr. Abdul Razak Al Qassim	M	11	C	9			M	13					M	7
Mr. Abdulrahman Fakhro	M	9	M	9					M	1				
Brig. Khalid Al Mannaei	M	11					M	7	M	2	C	2		
Mr. Raed Fakhri	M	10	M	9			M	13			M	2		
Dr. Ahmed AlBalooshi	M	11			M	6								
Mr. Arif Rahimi	M	9			C	6								
Mr. Ahmed Al Hujairy	M	9			M	6					M	2		
Mrs. Khulood Al Qattan	M	7			M	5								
Mr. Oliver McFall	M	9	M	9										

C = Committee Chairman, M = Committee Member

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 28 (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 2015, 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 28 (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 28 (Key Management Personnel Compensation) of the financial statements for the details of Executives Remunerations.

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 2015	BHD 70,250
Non-Audit Services Fees for 2015	BHD 31,700

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

Ihab Hinnawi Group Chief Executive Officer Umniah Chief Executive Officer	**Feb 2015** **2009 – Dec 2015**
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

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.

Muna Alhashemi 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
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

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

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

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

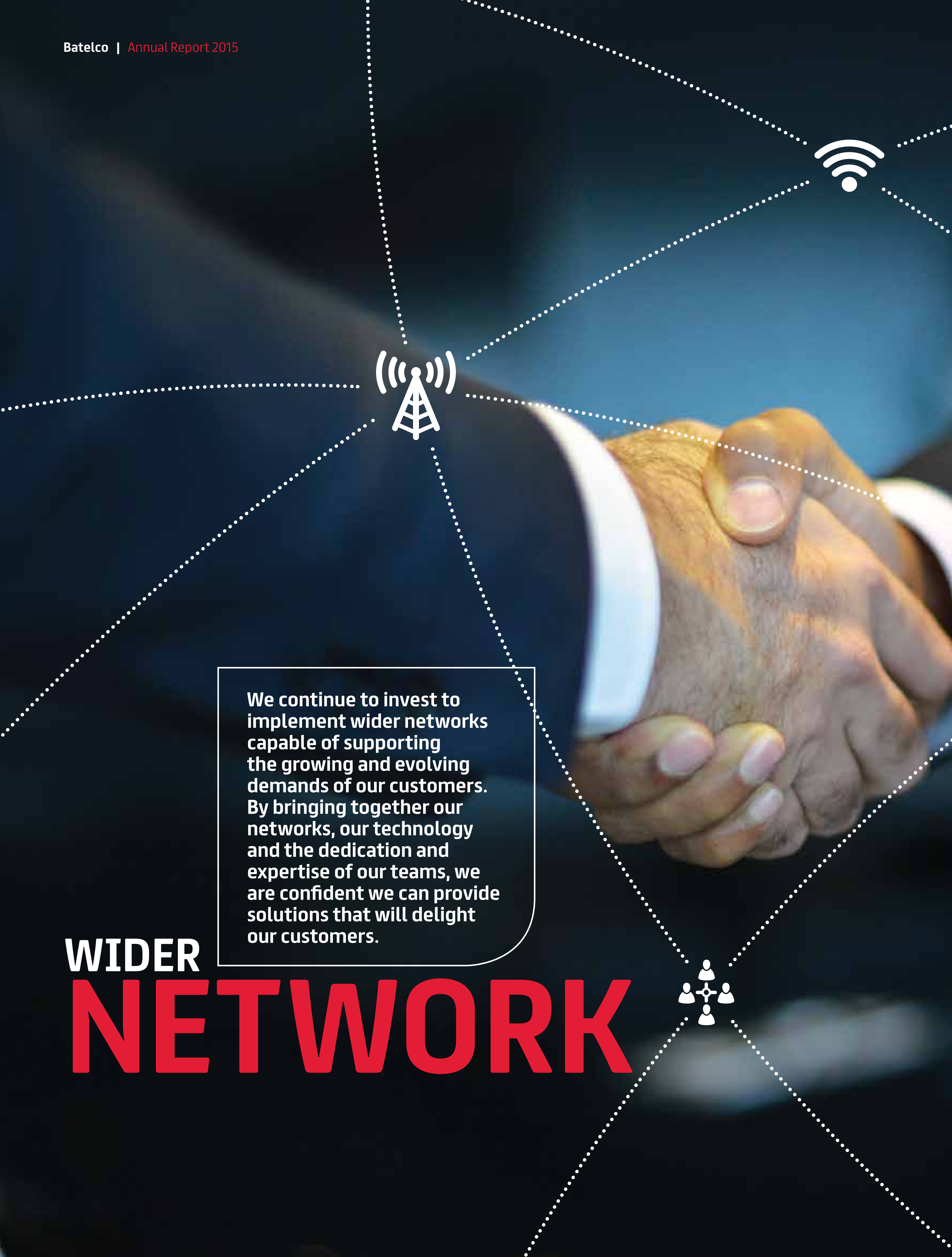
Ali Sharif Group Chief Internal Auditor	**2010**
Joined Batelco	– 1989
Previous roles/Experience	– Chief Internal Auditor – Internal Audit Manager
Qualifications/Achievements	– CIA (USA) – CISA (USA) – St. Edwards University, Austin, Texas, US- BA Finance (Hons)

Dr. Ghassan Murad Group General manager, Mergers & Acquisitions	**January 2013**
Joined Batelco	– November 1996
Previous roles/Experience	– Chief Financial Officer - Batelco Bahrain – Senior Manager, Mergers & Acquisitions – Batelco Group – Research Associate, Department of Engineering - University of Leicester (UK)
Qualifications/Achievements	– Doctor of Philosophy (PhD.) - Control Systems Theory, University of Leicester (UK) – Master of Science (MSc.) - Control Systems, Imperial College of Science, Technology and Medicine (London, UK) – BEng. (Hons) – Control Engineering

Ian Kelly CEO, Sure South Atlantic & Diego Garcia	**April 2014**
Joined Batelco	– August 2007
Previous roles/Experience	– 2007-2014: Group Director, Mergers & Acquisitions, Batelco Group – 2003-2007: Managing Director, Pink Capital (International Corporate Development Consulting), Australia and Singapore – 2002-2003: Director, Business Development, Nextgen Networks, Australia
Qualifications/Achievements	– Master of Business Administration (Class of 2000), Melbourne Business School, University of Melbourne, Australia – Corporate Finance Program (1998), University of Michigan, USA – Bachelor of Arts (Psychology- 1990), Monash University, Australia – Bachelor of Business (Marketing-1990), Monash University, Australia

Haytham Fatayer Group General Manager, Strategic Projects	**2011**
Joined Batelco	– February 2011
Previous roles/Experience	– Umniah CTO, Technical Director /Partner at Ciscom, Senior Engineer at Philips
Qualifications/Achievements	– BSc degree in Electronics / Telecom Engineering 1993 from the Maritime Academy/Alexandria Egypt

Alan Francis Whelan Group Chief Executive Officer	**2014**
Joined Batelco	– 2014 to March 2015
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



We continue to invest to implement wider networks capable of supporting the growing and evolving demands of our customers. By bringing together our networks, our technology and the dedication and expertise of our teams, we are confident we can provide solutions that will delight our customers.

WIDER NETWORK

Contents

CONSOLIDATED FINANCIAL STATEMENTS 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain

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 2015, the consolidated statements of profit or loss and 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 2015, 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
15 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015 - BD'000

	Note	**2015**	2014
ASSETS			
Non-current assets			
Property and equipment	5	264,283	255,159
Goodwill	6	168,826	173,881
Other intangible assets	7	163,110	141,812
Investment in associate	8	76,324	75,793
Deferred tax assets	14	4,905	3,733
Post-employment benefit assets	24	4,210	189
Other investments	9	48,597	35,466
Total non-current assets		**730,255**	686,033
Current assets			
Inventories		4,607	4,296
Trade and other receivables	10	110,158	118,263
Cash and bank balances	11	159,962	150,185
Total current assets		**274,727**	272,744
Total assets		**1,004,982**	958,777
EQUITY AND LIABILITIES			
Equity			
Share capital	16	166,320	166,320
Statutory reserve	17	84,116	83,160
General reserve	17	45,890	46,464
Foreign currency translation reserve		(3,580)	3,056
Investment fair value reserve		(2,488)	(589)
Post-employment benefit actuarial reserve		(4,605)	(2,293)
Retained earnings		242,180	235,950
Total equity attributable to equity holders of the Company		**527,833**	532,068
Non-controlling interest		45,220	46,990
Total equity		**573,053**	579,058
Non-current liabilities			
Trade and other payables	12	5,010	4,698
Loans and borrowings	15	222,469	176,523
Deferred tax liabilities	14	19,195	22,577
Total non-current liabilities		**246,674**	203,798
Current liabilities			
Trade and other payables	12	181,743	175,921
Loans and borrowings	15	3,512	-
Total current liabilities		**185,255**	175,921
Total liabilities		**431,929**	379,719
Total equity and liabilities		**1,004,982**	958,777

The consolidated financial statements, which consist of pages 68 to 103 were approved by the Board of Directors on 15 February 2016 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 31 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 2015 BD'000

	Note	2015	2014
REVENUE	19	**372,428**	389,656
EXPENSES			
Network operating expenses	20	(136,252)	(139,119)
Staff costs		(53,004)	(55,738)
Depreciation and amortisation		(67,789)	(67,029)
Other operating expenses	21	(45,226)	(50,056)
Total expenses		**(302,271)**	(311,942)
Results from operating activities		**70,157**	77,714
Finance and other income	22	6,538	9,126
Finance and other expenses	23	(11,842)	(10,308)
Impairment on available-for-sale investments		(3,062)	(16,791)
Impairment on goodwill	6	(3,600)	-
Share of profit of associate (net)	8	531	3,818
Profit before taxation		**58,722**	63,559
Income tax expense	14	(1,877)	(6,171)
Profit for the year		**56,845**	57,388
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		(6,664)	(7,156)
Investment fair value changes – available-for-sale financial assets		(4,961)	(18,776)
Net fair value changes transferred to profit or loss on impairment		3,062	16,791
		(8,563)	(9,141)
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset including related tax	24	(2,312)	(870)
		(2,312)	(870)
Other comprehensive income, net of tax		**(10,875)**	(10,011)
Total comprehensive income for the year		**45,970**	47,377
Profit for the year attributable to:			
Equity holders of the Company		49,512	49,347
Non-controlling interest		7,333	8,041
		56,845	57,388
Total comprehensive income for the year attributable to:			
Equity holders of the Company		38,579	39,348
Non-controlling interest		7,391	8,029
		45,970	47,377
Basic and diluted earnings per share (Fils)	25	**29.8**	29.7

The consolidated financial statements, which consist of pages 68 to 103 were approved by the Board of Directors on 15 February 2016 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 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015 BD'000

	Note	**2015**	2014
OPERATING ACTIVITIES			
Results from operating activities		70,157	77,714
Adjustment For:			
Depreciation and amortisation		67,789	67,029
		137,946	144,743
Working capital changes:			
Decrease /(increase) in trade and other receivables		8,144	(5,010)
Increase in inventories		(443)	(515)
(Decrease)/ increase in trade and other payables		(6,929)	6,116
Cash generated from operating activities		**138,718**	145,334
Taxes paid		(8,029)	(9,808)
Payment to charities		(1,720)	(1,121)
Net cash from operating activities		**128,969**	134,405
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(93,944)	(35,596)
Acquisition of businesses, net of cash acquired		-	(1,096)
Receipts from associate	8	-	4,068
Purchase of available-for-sale bonds	9	(18,580)	(18,845)
Purchase of other investments		(2,386)	(51,361)
Interest and investment income received		3,535	3,179
Net cash used in investing activities		**(111,375)**	(99,651)
FINANCING ACTIVITIES			
Dividend paid		(50,248)	(42,071)
Interest paid		(9,204)	(10,185)
Acquisition of non-controlling interest		-	(14,958)
Borrowings (net)		49,190	(66,878)
Net cash used in financing activities		**(10,262)**	(134,092)
Increase/(decrease) in cash and cash equivalents		**7,332**	(99,338)
Cash and cash equivalents at 1 January		95,732	195,070
Cash and cash equivalents at 31 December	11	**103,064**	95,732

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015 BD'000

2015	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post employment benefit actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
		Equity attributable to equity holders of the Company									
At 1 January 2015		166,320	83,160	46,464	3,056	(589)	(2,293)	235,950	532,068	46,990	579,058
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**49,512**	**49,512**	**7,333**	**56,845**
Other comprehensive income											
Foreign currency translation differences		-	-	-	(6,636)	-	-	(86)	(6,722)	58	(6,664)
Investment fair value changes		-	-	-	-	(4,961)	-	-	(4,961)	-	(4,961)
Net fair value change transferred to profit or loss on impairment		-	-	-	-	3,062	-	-	3,062	-	3,062
Remeasurement of defined benefit liability including related tax	24	-	-	-	-	-	(2,312)	-	(2,312)	-	(2,312)
Total other comprehensive income		**-**	**-**	**-**	**(6,636)**	**(1,899)**	**(2,312)**	**(86)**	**(10,933)**	**58**	**(10,875)**
Total comprehensive income for the year		**-**	**-**	**-**	**(6,636)**	**(1,899)**	**(2,312)**	**49,426**	**38,579**	**7,391**	**45,970**
Contributions and distributions											
Final dividends declared for 2014	18	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2014		-	-	-	-	-	-	(1,234)	(1,234)	-	(1,234)
Transfer to statutory reserve (net)		-	956	-	-	-	-	(956)	-	-	-
Transfer from general reserve	17(b)	-	-	(574)	-	-	-	574	-	-	-
Interim dividends declared for 2015	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(9,161)	(9,161)
Total contributions and distributions		**-**	**956**	**(574)**	**-**	**-**	**-**	**(43,196)**	**(42,814)**	**(9,161)**	**(51,975)**
At 31 December 2015		**166,320**	**84,116**	**45,890**	**(3,580)**	**(2,488)**	**(4,605)**	**242,180**	**527,833**	**45,220**	**573,053**

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015 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	Post employment benefit 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		-	-	-	(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

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 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 2015 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
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	United Kingdom	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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

2. BASIS OF PREPARATION (Continued)

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 carry forward tax losses can be used
• Note 6	Goodwill impairment: measurement of the recoverable amounts of cash- generating units
• Note 24	Measurement of defined benefit obligations: key actuarial assumptions

e) Amendments and interpretations effective from 1 January 2015

The following amendments which became effective as of 1 January 2015 are relevant to the Group. The adoption of these amendments had no significant impact on the consolidated financial statements:

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

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.

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 adoption of this amendment had no significant impact on the consolidated financial statements

(ii) Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles various standards

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014.

The following are the key amendments in brief:

- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.

- IFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:

  - a brief description of the operating segments that have been aggregated; and

  - the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

  In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

2. BASIS OF PREPARATION (Continued)

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

- IAS 40 has been amended to clarify that an entity should:

• assess whether an acquired property is an investment property under IAS 40; and

• perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

The adoption of these amendments had no significant impact on these consolidated financial statements.

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 2016, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

a) IFRS 9 Financial Instruments

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

b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

c) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

2. BASIS OF PREPARATION (Continued)

d) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

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

The following are the key amendments in brief:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for de recognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

e) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

The amendments to IFRS 10 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

f) Disclosure Initiative (Amendments to IAS 1).

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) Other intangible assets

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

(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 recognizes 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 derecognizes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, these 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30).

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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 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.

(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 net 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 66.62 million (2014: BD 59.59 million) and has recognized cumulative impairment allowances amounting to BD 27.08 million (2014: BD 19.54 million). Based on the current status of discussions with the debtors and expected realization, the management believes that the current level of provisions is adequate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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

a) Credit risk (continued)

(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.

(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:

	2015	2014
Trade receivables	48,497	67,938
Unbilled revenue	4,162	7,397
Other receivables	42,287	29,194
Other investments	34,831	18,648
Cash at bank	159,634	149,790
	289,411	272,967

(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:

Operating segment	**2015**	2014
Bahrain	23,706	40,185
Jordan	6,103	3,575
Maldives	1,123	976
Channel Islands and Isle of Man (CIIM)	2,537	1,446
Other countries	3,523	2,752
	36,992	48,934

(vi) Amounts due from telecommunications operators

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

Cutomer segment	**2015**	2014
International operators	7,441	8,908
Local operators	4,064	10,096
	11,505	19,004

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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

b) Liquidity risk (continued)

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 2015	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 Years**	**More than two years**
Trade payables	45,793	45,793	45,793	-	-
Other payables	7,421	7,421	7,421	-	-
Amount due to telecommunications operators	12,072	12,072	12,072	-	-
Loans and borrowings	225,981	253,977	11,089	7,022	235,866
	291,267	**319,263**	**76,375**	**7,022**	**235,866**

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

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.

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 2015 was 2.20% (2014: 1.39 %).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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

c) Market risk (continued)

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

	2015	2014
Fixed rate instruments		
Financial assets	**47,589**	29,778
Financial liabilities	**176,826**	176,523
Variable rate instruments		
Financial assets	**102,362**	110,098
Financial liabilities	**49,155**	-

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 1,024 (2014: BD 1,054).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 1,294 (2014: BD 1,600) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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

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 2015	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**
Financial assets				
Other investments at fair value	-	47,771	-	47,771
Other investments at cost	-	-	826	826
Trade receivables	48,497	-	-	48,497
Other receivables	42,287	-	-	42,287
Unbilled revenue	4,162	-	-	4,162
Cash and bank balances	159,962	-	-	159,962
	254,908	**47,771**	**826**	**303,505**
Financial liabilities				
Trade payables	-	-	45,793	45,793
Other payables	-	-	7,421	7,421
Amounts due to telecommunications operators	-	-	12,072	12,072
Loans and borrowings	-	-	225,981	225,981
	-	**-**	**291,267**	**291,267**

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

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

f) Measurement of fair values (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 2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets measured at fair value				
Other investments	47,204	-	567	47,771
Financial assets not measured at fair value				
Other investments	-	-	826	826
Financial liabilities not measured at fair value				
Contingent consideration (Other Payables)	-	-	2,113	2,113
Loans and borrowings	225,981	-	-	225,981

	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

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 2015	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2015
Cost					
At 1 January	81,704	492,909	49,988	33,272	657,873
Additions	1,163	21,224	481	40,634	63,502
Projects completed	2,708	34,545	6,502	(43,755)	-
Disposals	(466)	(11,739)	(3,808)	(5)	(16,018)
Effect of movements in exchange rates and other adjustments	(546)	(3,639)	(3,493)	(481)	(8,159)
At 31 December	**84,563**	**533,300**	**49,670**	**29,665**	**697,198**
Depreciation					
At 1 January	50,307	314,809	37,598	-	402,714
Charge for the year	2,797	42,301	3,353	-	48,451
Disposals	(466)	(10,553)	(2,867)	-	(13,886)
Impairment *	1,533	-	-	-	1,533
Effect of movements in exchange rates and other adjustments	(245)	(1,062)	(4,590)	-	(5,897)
At 31 December	**53,926**	**345,495**	**33,494**	**-**	**432,915**
Net book value					
At 31 December 2015	**30,637**	**187,805**	**16,176**	**29,665**	**264,283**

Land and buildings include certain property at Hamala, Kingdom of Bahrain with a carrying value of BD 56 (2014: BD 56) held as investment property for earning rentals or capital appreciation. The fair value of the property as at 31 December 2015 was BD 10,060 (2014: 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 2015.

* During the year, the Group reassessed carrying value of a land in one of its subsidiaries, based on the estimated recoverable value and using level 2 inputs. This resulted in an impairment of BD 1,533 which was recognised during the year.

For a list of properties owned and rented by the Company, please refer to note 31.

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	-	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

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6. GOODWILL

	2015	2014
At 1 January	173,881	175,323
Exchange rate adjustments	(1,455)	(1,765)
Impairment charge during the year	(3,600)	-
Acquisition through business combination	-	323
	168,826	173,881

a) Analysis of Goodwill

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

	2015	2014
Jordan	121,354	125,036
Maldives	21,870	21,870
CIIM	17,985	18,649
Others	7,617	8,326
At 31 December	**168,826**	173,881

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 has been determined based on fair values less costs to sell. Fair values less costs to sell are estimated by using a combination of the capitalised earnings approach and a market approach 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 (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 3%). The weighted average growth rates are consistent with forecasts. The pre-tax discount rates used for the calculations range between 9% to 17%.

(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 changes in the above variables, and any adverse change in key assumptions could result in a materially significant change in the carrying value of the goodwill and related assets. In case of the Jordan CGU, the recoverable amount of the CGU was lower than its carrying value by BD 3.6 million and accordingly an impairment loss has been recognised in 2015 (2014: Nil) in respect of goodwill allocated to the Jordan CGU. For Maldives, CIIM and other locations, recoverable amounts exceed the carrying value by a significant range. Refer note on segment reporting (note 30) for details of net assets (including goodwill and intangibles) attributable to each CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. OTHER INTANGIBLE ASSETS

31 December 2015	**Licenses**	**Other Intangibles**	**2015**
Cost			
At 1 January	132,442	91,291	223,733
Additions during the year *	40,205	3,532	43,737
Disposals during the year	-	(167)	(167)
Effect of movements in exchange rates	(2,539)	(1,675)	(4,214)
At 31 December	**170,108**	**92,981**	**263,089**
Amortisation			
At 1 January	38,523	43,398	81,921
Charge for the year	9,028	10,310	19,338
Regrouping	65	(65)	-
Disposals during the year	(2)	(150)	(152)
Effect of movements in exchange rates	(544)	(584)	(1,128)
At 31 December	**47,070**	**52,909**	**99,979**
Net book value			
At 31 December 2015	**123,038**	**40,072**	**163,110**

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	-	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

* During the year Umniah Mobile Company acquired 4th Generation frequency license for 15 years at a cost of BD 37.7 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

8. INVESTMENT IN ASSOCIATE

The Group has a 26.943% 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:

	2015	2014
At 1 January	75,793	76,043
Receipts from associate & other adjustment	-	(4,068)
Share of profit of associate (net)	531	3,818
At 31 December	**76,324**	75,793

The summarised aggregate financial information of the associate (unaudited and as of 30 November 2015; 2014: as of 30 November 2014) is as follows:

	2015	2014
Non-current assets	85,819	90,148
Current assets	86,469	71,194
Non-current liabilities	(70,218)	(77,682)
Current liabilities	(66,798)	(51,307)
Revenues	75,108	85,174
Net profit and total comprehensive income for the period	3,166	10,731
Dividends received by the Group	-	3,047

9. OTHER INVESTMENTS

	2015	2014
Available-for-sale investments:		
- Quoted equity securities (at fair value)	12,940	16,003
- Unquoted equity securities (at cost)	826	815
- Debt securities (at fair value)	34,831	18,648
	48,597	35,466

Quoted equity securities represent market value of an equity investment in Etihad Atheeb Telecommunications Company ("the investee"). In 2015, the Group recognised impairment loss of BD 3.1 million as a result of significant decline in fair value of the investment in the statement of profit or loss.

In 2015, the Group invested BD 18.6 million (including commission costs) in Bahrain Sovereign Bonds. These bonds will mature in 2020 and carry a fixed semi-annual coupon interest of 5.5% per annum on the face value.

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10. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables	77,036	92,269
Less impairment allowance	(28,539)	(24,331)
	48,497	67,938
Unbilled revenue	4,162	7,397
Prepaid expenses and other receivables	57,499	42,928
	110,158	118,263

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

	2015	2014
Customers' accounts	36,992	48,934
Telecommunications operators	11,505	19,004
	48,497	67,938

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

	2015	2014
Neither past due nor impaired	10,089	19,484
Overdue:		
- Up to 90 days	25,291	16,621
- 91-365 days	18,728	22,417
- More than 365 days	22,928	33,747
Gross trade receivables	77,036	92,269
Impairment provision	(28,539)	(24,331)
Net trade receivables	**48,497**	67,938

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:

	2015	2014
At 1 January	24,331	24,273
Acquisition through business combination	-	20
Impairment loss recognised during the year (Note 21)	3,983	4,448
Effect of movements in exchange rates	442	(210)
Written off during the year	(217)	(4,200)
At 31 December	**28,539**	24,331

11. CASH AND BANK BALANCES

	2015	2014
Cash in hand	328	395
Cash at bank	159,634	149,790
Cash and bank balances	**159,962**	150,185

Cash and bank balances include BD 56,898 (2014: BD 54,453) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. TRADE AND OTHER PAYABLES

	2015	2014
Trade payables	45,793	33,495
Amounts due to telecommunications operators	12,072	17,535
Provisions, accrued expenses and other payables	100,287	100,120
Customer deposits and billings in advance	25,583	23,984
Current tax liability	3,018	5,485
	186,753	180,619

Trade and other payables are classified as follows:

	2015	2014
Current liabilities	181,743	175,921
Non-current liabilities	5,010	4,698
	186,753	180,619

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	
	2015	2014	**2015**	2014	**2015**	2014
At 1 January	-	701	3,121	3,096	3,128	2,999
Amounts provided during the year	-	-	1,042	1,090	217	129
Amounts paid during the year	-	(701)	(1,387)	(1,065)	-	-
At 31 December	**-**	**-**	**2,776**	3,121	**3,345**	3,128

14. INCOME TAXES

Amounts recognised in profit or loss for the year

	2015	2014
Current tax expense	5,793	8,936
Deferred tax expense	(3,916)	(2,765)
Tax expense for the year	**1,877**	6,171

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% (2014: 0 %). The table below reconciles the difference between the expected tax expense of nil (2014: 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

	2015	2014
Profit before tax	**58,722**	63,559
Corporation tax rate of 0% in Bahrain (2014: 0 %)	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,877	6,171
Tax expense for the year	**1,877**	6,171
Profit after tax for the year	**56,845**	57,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

14. INCOME TAXES (Continued)

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

	2015	2014
At 1 January	22,577	25,875
Credit to the consolidated income statement	(3,916)	(2,765)
Credit to the equity (Note 24)	(39)	(186)
Exchange differences	573	(347)
At 31 December	**19,195**	22,577

The recognised deferred tax asset of BD 4,905 (2014: BD 3,733) is attributable to the temporary differences related to Group's operations in Jordan and Guernsey jurisdictions.

15. LOANS AND BORROWINGS

		2015	2014
a) Current			
The Housing Bank for Trade & Finance	(i)	3,512	-
		3,512	-
b) Non-current			
Bonds	(iii)	176,826	176,523
The Housing Bank for Trade & Finance	(i)	45,643	-
		222,469	176,523
		225,981	176,523

(i) This long term loan facility with a total available amount of BD 58.5 million (of which BD 49.2 million drawn as of 31 December 2015) has been utilised by a group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR – 3.35% per annum. As at 31 December 2015, BD3.5 million of the outstanding amount was classified under current liabilities being due within the next 12 months.

(ii) Current loans and borrowings also include an overdraft facility with a total available amount of BD 4.5 million of which BD nil has been utilised. The facility bears an interest rate of PLR – 3.35% per annum.

(iii) This represents bonds with a face value of BD 178.3 million. The bonds 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 coupon of 4.250% payable semi-annually.

16. SHARE CAPITAL

	2015	2014
a) Authorised		
2,000 (2014: 2,000) million shares of 100 fils each	**200,000**	200,000
b) Issued and fully paid:		
1,663 (2014: 1,663) million shares of 100 fils each	**166,320**	166,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

16. SHARE CAPITAL (Continued)

- 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	609,840	37
Amber Holdings Limited	Cayman Islands	332,640	20
Social Insurance Organisation	Bahrain	341,878	20

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1 %	268,462	10,856	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 %	1,284,358	3	77
	1,663,200	**10,862**	**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 2015 by the shareholders of the Company. The general assembly of Umniah in their meeting held on 1 June 2015 approved appropriation from general reserve of BD 597 of which Group's share was BD 574.

18. DIVIDENDS

The dividends paid in 2015 and 2014 were BD 41.6 million (25 Fils per share) and BD 32.4 million (20 Fils per share) respectively. The dividends paid in 2015 include an amount of BD 24.9 million relating to the final dividend for the year ended 31 December 2014 and interim dividend of BD 16.6 million for the year 2015. The total dividend in respect of the year ended 31 December 2015 of 25 Fils per share, amounting to BD 41.6 million (including final dividend of BD 24.9 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 21 March 2016. These financial statements do not reflect the final dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

19. REVENUE

	2015	2014
Mobile telecommunications services	182,504	193,840
Data communication circuits	60,616	60,976
Internet	47,020	48,305
Wholesale	34,725	37,931
Fixed line telecommunication services	26,802	28,955
Others	20,761	19,649
	372,428	389,656

20. NETWORK OPERATING EXPENSES

	2015	2014
Outpayments to telecommunications operators	53,942	57,069
Cost of sales of equipment and services	43,392	39,890
Repair, maintenance & other direct cost	20,183	22,415
License fee	9,817	10,274
Operating lease rentals	8,918	9,471
	136,252	139,119

21. OTHER OPERATING EXPENSES

	2015	2014
Marketing, advertising and publicity	14,189	13,971
Impairment allowances for trade receivables	3,983	4,448
Professional fees	3,765	3,787
Office rental and utilities	4,535	4,536
Other expenses	18,754	23,314
	45,226	50,056

22. FINANCE AND OTHER INCOME

	2015	2014
Rental income	230	232
Interest income	1,821	1,485
Others	4,487	7,409
	6,538	9,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

23. FINANCE AND OTHER EXPENSES

These include interest charges of BD 8,942 (2014: BD 8,642) during the year in relation to the Group's loan and borrowings.

24. POST-EMPLOYMENT BENEFIT ASSETS

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.3 million (2014: BD 4.1 million). The provision for leaving indemnity in respect of expatriate employees amounted to BD 3.4 million (2014: BD 3.3 million) and is included under provisions and accrued expenses.

a) Defined benefit scheme

At 31 December 2015, 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.

During 2015, the Company offered enhanced transfer values to the scheme members to encourage them to take their scheme benefits out of the scheme. 102 members of the scheme availed this offer. This gave rise to the recognition of a net settlement credit of BD 4,095 during the year, which is included in staff costs.

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

	2015			2014		
	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	45,251	45,440	(189)	44,405	(43,949)	456
Included in profit or loss						
Current service cost	-	-	-	653	-	653
Interest costs/ (income)	663	897	(234)	1,968	(1,966)	2
Expense Costs	-	(159)	159	-	273	273
Past service credit	-	-	-	(1,881)	-	(1,881)
Settlement credit	(27,646)	(23,551)	(4,095)	79	-	79
	(26,983)	**(22,813)**	**(4,170)**	819	(1,693)	(874)
Included in OCI						
Remeasurement loss/(gain)						
Actuarial changes arising from						
- demographic assumptions	-	-	-	996	-	996
- financial assumptions	1,941	-	1,941	3,698	-	3,698
- experience adjustments	(1,050)	-	(1,050)	(515)	-	(515)
Return on plan assets excluding interest income	-	(1,460)	1,460	-	(3,123)	(3,123)
Effect of movements in exchange rates	(1,736)	(1,743)	7	(2,733)	2,746	13
	(845)	**(3,203)**	**2,358**	1,446	(377)	1,069
Other						
Contributions paid by the employer	-	2,209	(2,209)	-	(840)	(840)
Benefits paid	(1,159)	(1,159)	-	(1,534)	1,534	-
Employee contributions	-	-	-	115	(115)	-
At 31 December	**16,264**	**20,474**	**(4,210)**	45,251	(45,440)	(189)

The deferred tax on amounts included in OCI was BD 39 (2014:186)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

24. POST-EMPLOYMENT BENEFIT ASSETS (Continued)

a) Defined benefit scheme (Continued)

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:

	2015	2014
Employer's part of current service cost	-	653
Interest (income)/costs on benefit obligation	(234)	2
Expense cost	159	273
Past service credit	-	(1,881)
Settlement (credit)/cost	(4,095)	79
	(4,170)	(874)

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

	2015	2014
Equities	5,706	6,248
Bonds	9,316	11,549
Diversified growth fund	5,410	6,431
Others	42	21,212
	20,474	45,440

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

Assumptions	**2015**	2014
Price inflation	**3.3%**	3.5%
Discount rate	**3.7%**	3.8%
Pension increases	**3.3%**	3.5%
Life expectancy of male aged 60 in 2015	**28.0**	27.8
Life expectancy of male aged 60 in 2035	**30.4**	30.3

25. EARNINGS PER SHARE ("EPS")

	2015	2014
Profit for the year attributable to equity holders of the Company	**49,512**	49,347
Weighted average number of shares outstanding during the year (in million)	**1,663**	1,663
Basic earnings per share (Fils)	**29.8**	29.7

Diluted earnings per share have 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 2015, the Group's banks have issued guarantees, amounting to BD 4.9 million (2014: BD 7.3 million) and letters of credit amounting to BD 1 million (2014: 8.1 million).

(ii) The Company has furnished a guarantee for BD 4.4 million (2014: BD 5.1 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 million (2014: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015 BD'000

26. COMMITMENTS AND CONTINGENCIES (Continued)

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:

	2015	2014
Future minimum lease payments		
Within one year	2,733	3,741
After one year but not more than five years	15,927	14,555
	18,660	18,296

c) Staff housing loans

The Company offers loan assistance 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% (2014: 75 %) of the loan interest. At 31 December 2015, the Company has an outstanding guarantee of BD 1.1 million (2014: BD 1.3 million) towards housing loans to staff.

d) Commitments

The Group has capital commitments at 31 December 2015 amounting to BD 28.4 million (2014: BD 15.8 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 Nil (2014: BD 5.9 million).

27. 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:

	2015		2014	
Entity	**QualityNet**	**Dhiraagu**	QualityNet	Dhiraagu
NCI Share	**10%**	**48 %**	10 %	48 %
Non-current assets (excluding goodwill)	7,811	82,463	9,985	85,843
Current assets	25,713	32,864	22,995	28,832
Non-current liabilities	(1,664)	(8,239)	-	(8,568)
Current liabilities	(26,385)	(18,540)	(24,385)	(14,432)
Net assets	**5,475**	**88,548**	8,595	91,675
Carrying amount of NCI	**547**	**42,503**	859	44,004
Revenue	26,044	55,640	26,107	51,790
Profit & total comprehensive income	**1,398**	**14,617**	5,449	14,082
Profit allocated to NCI	**140**	**7,016**	1,044	6,759
Cash flows from operating activities	5,158	29,266	2,988	26,240
Cash flows from investing activities	(876)	(6,989)	(1,440)	(4,942)
Cash flows from financing activities, before dividends to NCI	-	(1,016)	-	(1,354)
Cash flows from financing activities - cash dividends to NCI	-	(17,759)	(595)	(9,117)
Net increase in cash and cash equivalents	**4,282**	**3,502**	953	10,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. TRANSACTIONS WITH RELATED PARTIES

(i) The Company qualifies as a government related entity under the definitions provided in the 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:

	2015	2014
Short-term employee benefits	1,740	1,923
Post-employment benefits	222	72
Total key management personnel compensation	**1,962**	1,995

	2015	2014
Post-employment benefits outstanding	**222**	192
Directors remuneration (including sitting fees)	**704**	711

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

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

	2015	2014
Total number of shares held by Directors	**729,427**	729,367
As a percentage of the total number of shares issued	**0.04%**	0.04%

29. 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.

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for the year ended 31 December 2015 BD'000

30. 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 2015 is as follows:

	Year ended 31 December 2015							Year ended 31 December 2014						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter-segment elimination	Total
Revenue (external customers)	154,334	78,306	55,637	49,322	34,829	-	**372,428**	163,904	87,534	51,785	51,664	34,769	-	389,656
Inter segment revenues	2,350	991	3	-	2,144	(5,488)	**-**	4,093	2,291	5	-	2,235	(8,624)	-
Finance and other income	12,657	157	458	171	2,220	(9,125)	**6,538**	4,200	319	425	64	5,750	(1,632)	9,126
Depreciation and amortisation	22,891	18,316	12,233	9,631	4,718	-	**67,789**	22,198	17,191	12,091	10,415	5,134	-	67,029
Impairment of goodwill	-	3,600	-	-	-	-	**3,600**	-	-	-	-	-	-	-
Finance and other expenses	7,965	1,442	1,119	414	1,533	(631)	**11,842**	8,509	1,567	1,235	-	59	(1,062)	10,308
Share of profit of associate	-	-	-	-	531	-	**531**	-	-	-	-	3,818	-	3,818
Profit for the year	37,347	676	14,617	6,658	(3,751)	1,298	**56,845**	37,832	8,094	14,082	1,958	(4,380)	(198)	57,388

	As at 31 December 2015							As at 31 December 2014						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter - segment elimination	Total
Non-current assets	165,221	260,270	104,332	95,503	125,186	(20,257)	**730,255**	151,266	220,905	107,713	96,489	124,013	(14,353)	686,033
Current assets	183,797	15,486	32,864	14,353	46,900	(18,673)	**274,727**	174,978	16,878	28,832	14,971	107,638	(70,553)	272,744
Total assets	**349,018**	**275,756**	**137,196**	**109,856**	**172,086**	**(38,930)**	**1,004,982**	326,244	237,783	136,545	111,460	231,651	(84,906)	958,777
Current liabilities	126,420	54,471	18,540	8,753	28,742	(51,671)	**185,255**	101,831	56,885	14,432	7,911	31,309	(36,447)	175,921
Non-current liabilities	176,826	47,558	8,239	7,600	6,451	-	**246,674**	176,524	2,498	8,568	9,154	44,754	(37,700)	203,798
Total liabilities	**303,246**	**102,029**	**26,779**	**16,353**	**35,193**	**(51,671)**	**431,929**	278,355	59,383	23,000	17,065	76,063	(74,147))	379,719

31. 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
18 Sales Site	Customer Service Centre	Rented
67 different sites used for GSM base stations and exchanges	GSM & fixed telephone network	Owned
296 different sites used for locating Remote Line Units (RLUs) Plus MNE Sites.	GSM & fixed telephone network	Rented

GLOSSARY

- Mobile Network
- Cloud Computing
- Wi-Fi Network
- Satellite communication
- Fiber Broadband Network
- Ultra Fast Speeds
- Multiple Access
- World Channels
- Faster Upload & Download
- Customer Service
- Touchpad Devices
- On-Demand Content
- Movies
- Documentaries
- Television
- Music
- Global Operations
- Global Network
- Telecommunication

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