Batelco Group

Annual Report 2011

Celebrating
30 years as a
Bahraini Shareholding
Company

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Group Board Secretary

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His Royal Highness
Prince Khalifa bin Salman
Al Khalifa

The Prime Minister

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 and
Deputy Supreme Commander

Batelco, as a pioneer in the Middle Eastern telecommunications industry continues to deliver Bahraini expertise across the region.

CONTENTS

A Pioneer in a Dynamic Industry. In 2011, Batelco celebrated 30 years as a Bahraini shareholding company, but the Company's roots date back to 1864, almost 150 years.

Since the earliest days of telecommunications in the Kingdom of Bahrain, Batelco and its predecessors have been leading the way as pioneers in an industry that becomes more dynamic with each passing year.

With a long list of 'firsts' in its rich heritage, Batelco is committed to providing the latest in communications products and services in support of Bahrain's economy and its residents' lifestyles. This is achieved through ongoing investment in communications infrastructure; in 2011, BD19 million was paid out on a range of projects including the development of LTE/4G - the latest in telecommunications technology - which will put Bahrain on equal par with some of the world's leading countries.

While Batelco is firmly established as a proud Bahraini company, headquartered in the Kingdom of Bahrain, the Company has been striving to establish a strong external footprint in MENA and Asia, a strategy which has met with considerable success. Through its joint venture operations, Batelco today is delivering its products, services and communications expertise to over 11 million customers across its operations in MENA and Asia.

Always forward looking, Batelco will continue to invest in Bahrain and overseas to grow in scale, in line with its M&A strategy and in scope as part of its remit to diversify and strengthen its product & services portfolio while evolving as a leading communications organisation of international repute.

VISION

Transform into a leading, regional information communication company of reference, admired by customers and business partners.

MISSION

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

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.

OUR STRATEGIC IMPERATIVES

We are determined to remain the market leader in Bahrain and extend our reach across the Middle East, Africa and Indian regions. Our strategic imperatives reflect our goals to develop a more customer-focused and better performing company compared to our industry peers.

- Expedite geographic expansion with focus on mobility and broadband
- Accelerate growth in existing markets
- Differentiate through customer experience and value added services
- Excel through personal leadership
- Support the communities we live in

"OUR FOCUS ON DELIVERING AN UNSURPASSED CUSTOMER EXPERIENCE FOR OUR CONSUMERS AND BUSINESS CUSTOMERS ENSURED THAT IN SPITE OF COMPETITIVE PRESSURES WE RETAINED MARKET LEADERSHIP IN THE BAHRAIN MARKET IN 2011."

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the 30th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2011.

We were pleased to announce sound financial results and operating performance across our markets of operation in MENA and India, with 37% of revenues and 30% of Operating Profit now generated from markets outside of Bahrain. For the full year 2011, the Group reported Gross Revenues of BD327.0M (US$867.4M) and Net Profit of BD80.0M (US$212.2M), a decline of 4% and 8% respectively against the full year 2010.

The Group ended the year with a strong balance sheet; as of 31 December 2011, Batelco Group was free of debt and had significant cash and bank balances of BD107.9M (US$286.2M), an increase of 24% YoY.

FINANCIAL HIGHLIGHTS

Gross Revenues of BD327.0M (US$867.4M) for the year.

Consolidated Net Profit of BD80.0M (US$212.2M) for the year.

EBITDA of BD126.0M (US$334.2M) representing a 39% margin for the full year.

Significant cash and bank balances totalling BD107.9M (US$286.2M) at year end.

An overall solid financial position to support future growth and results as underscored by the Group's Investment Grade Credit Ratings – its first public credit ratings - received from Fitch and Standard & Poor's Ratings Services in Q4 2011.

PROPOSED APPROPRIATIONS

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2011:

BD millions	2011	2010
Final dividends proposed	28.8	36.0
Interim dividends paid	28.8	28.8
Donations at 2.5%	2.0	2.2
Transfer to general reserve	8.0	15.0

Throughout 2011, Batelco Group successfully managed its operations balancing our performance in mature markets such as Bahrain, where we have effectively maintained market leadership despite strong competitive pressures, with opportunities to pursue and achieve further growth across our regional markets of operation.

Whilst our financial results showed expected declines for the year in line with market guidance, we are nevertheless pleased to have ended the year on a strong note with the fourth quarter accounting for the highest EBITDA reported in 2011.

We are also proud of our ongoing ability to deliver value to shareholders. In recommending to the General Assembly a substantial dividend of BD57.6M (US$152.8M) for the full year, equivalent to 40 fils per share, we see the Group continue to top the ranks of regional telecommunications companies in terms of dividend yields and comparative shareholder returns.

Operationally, we are also pleased with our ongoing ability to make progress in building scale, a cornerstone of our growth strategy. In 2011, we successfully expanded our customer base by 20%, bringing our subscriber numbers to a record 11 million users. We will continue to focus on executing the strategy we outlined to our shareholders during last year's AGM, investing in both strengthening our existing network and further expanding our operations and subscriber base for the benefit of customers and shareholders alike.

Our strategic imperatives are supported by the Group's solid financial position, which we have maintained through strong cash flow generation in 2011, exceeding guidance, and strengthening our balance sheet. Further growth will also be supported by the Group's Investment Grade Credit Ratings received during the fourth quarter of 2011.

AUDITORS

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2012.

On behalf of Batelco Board of Directors, management and staff, I want to express great 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, for their continuous and invaluable support for Batelco.

Batelco teams have worked diligently throughout 2011 to meet the requirements for the introduction of mandatory Corporate Governance introduced in the Kingdom of Bahrain on 1 January, 2012. Batelco has been committed to Corporate Governance principles for a number of years and the Company's adherence to best practice standards and transparency has been recognised internationally with Batelco being presented with the Best Corporate Governance in Bahrain Award by World Finance Magazine in 2011.

Appreciation for our Shareholders and Customers

We appreciate our shareholders' strong support and confidence in backing our Company strategy. We are firmly focused on our goal to drive shareholder value through strengthening our business going forward.

Our focus on delivering an unsurpassed customer experience for our consumers and business customers ensured that in spite of competitive pressures we retained market leadership in the Bahrain market in 2011. Our customers' loyalty is crucial and we extend our utmost appreciation to them for continuing to choose and trust Batelco's products and services. Our gratitude is also extended to all customers who support our international operations; all our customers can rest assured that their needs will remain a key priority in the year ahead.

Delivering a first class service for our customers would not be possible without the dedication and drive of Batelco's employees who make us proud, by meeting all operational challenges with enthusiasm. On behalf of my colleagues on the Board I extend a big vote of thanks to each and every Batelco Group employee; I encourage you to retain your focus on delivering the best quality of service for our customers

Committed to the Well-being of the Community

Beyond our focus on business and financial performance, we are also committed to our roles as responsible corporate citizens. The growth and success of the Group is inextricably linked with the growth, success and well-being of the local communities in which it operates. Our CSR commitment is very much in evidence in the Kingdom of Bahrain where we continued to contribute to a diverse range of causes through our sponsorship and donation programmes. In 2011, Batelco paid out more than BD2.1 million to enhance the lives of residents of Bahrain via health, education, sports and cultural initiatives.

Looking Forward with Confidence

I am grateful to my colleagues on the Board of Directors and to Batelco Group's Executive Management teams for their collaboration and excellent support throughout 2011. I extend a very warm welcome to Shaikh Mohamed bin Isa Al Khalifa who took on the role of Group CEO in October 2011 and wish him great success in leading our Group operations. I also offer my appreciation to Peter Kaliaropoulos for his tremendous contribution to the growth of the Batelco Group since 2005 in the role of Group CEO and look forward to his ongoing contribution in his new role as CEO of Strategic Assignments as he focuses his sights firmly on developing our international portfolio.

I look to the future with confidence encouraged by our achievements of 2011. We will continue to pursue a customer focused strategy in our home market whilst continuing to explore opportunities to diversify and expand our overseas footprint. We are in a position to leverage our strengths of knowledge and trusted brand, based on the solid reputation we have established at home and in international markets.

Hamad bin Abdulla Al Khalifa
Chairman of the Board
Bahrain Telecommunications Company B.S.C.
23rd January 2012

Delivering a first class service for our customers would not be possible without the dedication and drive of Batelco's employees who make us proud, by meeting all operational challenges with enthusiasm.

GROUP CHIEF EXECUTIVE'S MESSAGE

The year saw strong growth in the Group's mobile and broadband customer base, two segments which figure prominently in its growth strategy.

Throughout 2011, Batelco Group successfully managed its operations, balancing our performance in mature markets such as Bahrain, where we have effectively maintained market leadership despite strong competitive pressures, with opportunities to pursue and achieve further growth across our regional markets of operation.

Whilst our financial results showed expected declines for the year in line with market guidance, we are nevertheless pleased to have ended the year on a strong note with the fourth quarter accounting for the highest EBITDA reported in 2011. We are also proud of our ongoing ability to deliver value to shareholders. In recommending to the General Assembly a substantial dividend of BD57.6M (US$152.8M) for the full year, equivalent to 40 fils per share, we see the Group continue to top the ranks of regional telecommunications companies in terms of dividend yields and comparative shareholder returns.

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Our strategic imperatives are supported by the Group's solid financial position, which we have maintained through strong cash flow generation in 2011, exceeding guidance, and strengthening our balance sheet. Further growth will also be supported by the Group's Investment Grade Credit Ratings received during the fourth quarter of 2011 from leading global credit ratings agencies Fitch and Standard & Poor's Ratings Services. These were the first public credit ratings issued to the Group and affirm our strong operating and financial results and prospects as well as the Group's overall positive credit quality.

OPERATIONAL HIGHLIGHTS

Throughout 2011, we continued to focus on market leadership at home and abroad. While 2011 was a challenging year for the MENA markets and, in particular, a number of countries in which the Group is active, we are pleased to have effectively executed our strategy and made progress in growing our network and customer base. In Bahrain, despite intense competition, we worked diligently to remain the leading telecommunications provider in the Kingdom across the full spectrum of services whilst also working hard to drive performance in our overseas operations and key operating segments where we see significant potential.

A YEAR OF STRONG GROWTH IN MOBILE AND BROADBAND

The year saw strong growth in the Group's mobile and broadband customer base, two segments which figure prominently in its growth strategy. By year-end 2011, the Group had successfully grown its total mobile customer base by 21% whilst broadband subscriber figures across the network increased by 8%. The Group continues to focus efforts on further bolstering growth in these segments through innovation, excellence and added value both in Bahrain where it remains the market leader in mobile and broadband and across its subsidiaries where it is witnessing solid growth and continues to see room for even higher levels of penetration.

"IN 2011, WE SUCCESSFULLY EXPANDED OUR CUSTOMER BASE BY 20%, BRINGING OUR SUBSCRIBER NUMBERS TO A RECORD 11 MILLION USERS."

FURTHER DIVERSIFICATION AND GROWING OVERSEAS OPERATIONS

In 2011, the Group saw the further growth and diversification of its operations geographically, which remains a critical part of its strategy and ability to deliver sound financial results. By year end 2011, the Group reported growth in its overseas operations both in terms of customer numbers as well as levels of contribution to revenues and the bottom line. For the year, 37% of revenues and 30% of operating profit were sourced from markets outside Bahrain. Year on year, this accounts for a 6% and 9% increase in revenues and operating profits, respectively, from operations in Jordan and Kuwait, where growth helped to partially offset some of the effects of intense competition in Bahrain.

JORDAN: The Group's 96% owned subsidiary in Jordan, Umniah, delivered growth of 8% in its mobile subscriber base for the year, which now stands at some 2.3 million customers and further consolidates its strong position in the market. For 2012, the Group anticipates even stronger mobile customer growth at Umniah with plans in place for the launch of its 3.75G network nationwide between the second and third quarter of 2012.

This significant milestone for the Group goes a long way towards highlighting Batelco's commitment and confidence in the Jordanian market as well as our ongoing contributions to the development of their ICT sector and economy overall. Overseas growth remains a core part of Batelco Group's strategy and this investment serves to underscore our focus on driving growth and building on our market leading positions in key markets for the Group such as Jordan where we see significant opportunities and room for further penetration.

KUWAIT: Batelco's subsidiary Qualitynet, which delivers total ICT solutions, remains the market leader in Kuwait's Data Communications and Internet Services industry. In 2011, it continued to deliver steady growth registering a 4% increase in its broadband customer numbers, which now stand at more than 40,000.

OTHER JVS: Solid customer and revenue growth was also delivered by Sabafon, STEL and Atheeb, companies in which Batelco owns minority stakes. Sabafon (Yemen) registered 12% growth in its mobile customer base for 2011, which now stands at more than 4 million. STEL's (India) mobile customer base grew by 53% for the year reaching 3.5 million customers and Atheeb (Saudi Arabia), which now delivers voice and data services to approximately 114,000 customers, reported a 10% increase in its consumer subscribers for 2011. Further strengthening of Atheeb's operations and performance is also expected in 2012. The company is currently in the process of completing a SR 1.2 billion capital increase, which will support plans for future growth and a new strategic focus on the business customer segment.

INNOVATION AND EXCELLENCE SUPPORT MARKET LEADERSHIP IN BAHRAIN

In 2011, Batelco invested BD19M (US$50.4M) in infrastructure in its home market and retained its market leading position across the full spectrum of telecommunications services. In spite of a 4% decline in its mobile customer base for the year, an expected result of aggressive competition, the dynamics of an already highly penetrated market and the first full year of operations for the third mobile operator, the Group still maintained a strong approximate 44% share of the mobile market including retention of the higher value post-paid individual and business subscribers.

And while Batelco only reported a nominal 1% increase in its broadband customer base for 2011, importantly, it registered more than 50% growth in its wireless broadband subscriber numbers, a cornerstone of its strategy in

In November 2011, Batelco was presented with the Telecoms Technology Investment of the Year Award for the MENA region at the annual CommsMEA Awards held in Dubai, UAE.

this segment. In terms of fixed line customers, in line with global market trends and expected losses, subscriber numbers in this segment declined by 8% for 2011 as more customers continue to migrate to mobile services.

While market conditions in Bahrain have been challenging over the past year and our results impacted by the significant competitive pressures that continue to define the Kingdom's telecommunications industry, we are pleased with our ability to maintain our market leadership in mobile and broadband and to retain the high value customers we have focused on keeping loyal to the Batelco brand though the ongoing introduction of new and exciting value added products and services that have been brought to market in 2011.

CONTINUING TO DELIGHT OUR CUSTOMERS

Throughout the year, Batelco continued to innovate in order to deliver value for customers across the full spectrum of services. New initiatives were introduced for the prepaid customer segment where Batelco was the first to introduce prepaid Blackberry packages and branded phones that are capable of delivering advanced in-demand features. Another significant milestone that positively impacted all mobile customers during the year was continued efforts to provide best prices and connectivity for customers whether they are at home or abroad. In 2011, Batelco signed its 1000th International Roaming Agreement ensuring a wide range of choices for Batelco's customers while they use their mobile devices overseas.

Innovations also continued in broadband, where Batelco aims to ensure that Bahrain residents and businesses are the best connected in the region. During the year, the company offered enhanced services and packages with higher speeds and higher usage thresholds with no additional price increase. It has also successfully tested 100Mbps fixed broadband speeds as part of the roll out of its Fiber Network, which it intends to make available to residents in fiber covered areas in 2012. Batelco also continued to develop complementary broadband services throughout the year such as CCTV and IPTV, among others.

In December 2011, Batelco Bahrain announced its successful trial of LTE (Long Term Evolution) mobile technology in collaboration with Ericsson. With the provision of 4G/LTE, Batelco networks will be capable of handling the much greater throughput of data in real time that is required to support such services as mobile HD video streaming and conferencing, web-based applications and services, and the rapid transfer of large files. LTE opens the doors for innovative applications, products, services, and solutions targeted not only to today's handheld mobile devices, but also to other non-traditional devices.

Our success in maintaining market leadership is wholly routed in initiatives such as these and our ongoing drive to remain competitive. This applies to our approach to the quality and level of choice, price and service we deliver day in and day out to customers as well as our continuous efforts to strengthen and streamline the way we operate our business and manage our costs both on a Group level as well as across each of our individual operations with Bahrain being our largest and most significant.

INTERNATIONAL RECOGNITION

We are proud that our efforts are recognised each year by a number of prestigious organisations. In November 2011, Batelco was presented with the Telecoms Technology Investment of the Year award for the MENA region at the annual CommsMEA Awards held in Dubai, UAE. The prestigious Telecommunications Technology Investment award recognises the operator that has not only invested a substantial sum in technology but also ensured that its investment

has delivered a return for its customers.

Also in November 2011, Batelco was presented with the Brand Leadership Award at the 20th World Brand Congress, which took place in Mumbai, India. The theme for the 2011 event was 'A Brand New World'. Batelco was presented with the Brand Leadership award, which is the most prestigious award a company can receive at the event, in recognition for Batelco's professional efforts at home and overseas.

Among a number of other awards collected during 2011, Batelco Group was named the Best Company for Investor Relations in Bahrain at the 3rd Annual Middle East Investor Relations Awards, held in Abu Dhabi, UAE.

APPRECIATING OUR PEOPLE

With teams of top performing employees sharing the same vision and values, I am confident we will achieve our goals. Across the Group, we encourage development and retention programmes to guarantee we have teams of motivated employees that strive for excellence. We will continue to invest in our people to ensure they are equipped to take on the new challenges that lie ahead of us.

On behalf of the Group's executive management, I offer much appreciation to our employees in Bahrain and throughout our networks for their collective efforts in driving the growth and success of our business.

I extend my sincere appreciation to our Chairman, Shaikh Hamad bin Abdulla Al Khalifa and each member of the Board of Directors for their support to me both as their colleague on the Board and in my new role as CEO of the Group. Sincere gratitude is also extended to Batelco's Senior Leadership Teams at Batelco Bahrain and our subsidiaries and to the senior executives at Batelco's affiliate companies for their commitment and focus in achieving our strategic goals and garnering respect for Batelco at home and across our areas of operation.

A special vote of thanks goes to Peter Kaliaropoulos for his invaluable contributions as CEO since 2005 towards growing Batelco into the prestigious Group of Companies we have today. As Peter sharpens his focus on growing the Batelco Group in scale and scope as CEO Strategic Assignments, I look forward to continuing to work alongside him.

Without the loyal support of our customers we would not be in such solid shape. On behalf of every member of the Batelco Group community, I offer a huge vote of thanks to our customers who continue to choose our products and services.

INVESTING FOR FURTHER DIVERSIFICATION AND GROWTH

The Group is firmly focused on effectively deploying its resources so as to further diversify, grow and build value across its operations both in the Kingdom of Bahrain and across overseas growth markets while striving to achieve profitable growth.

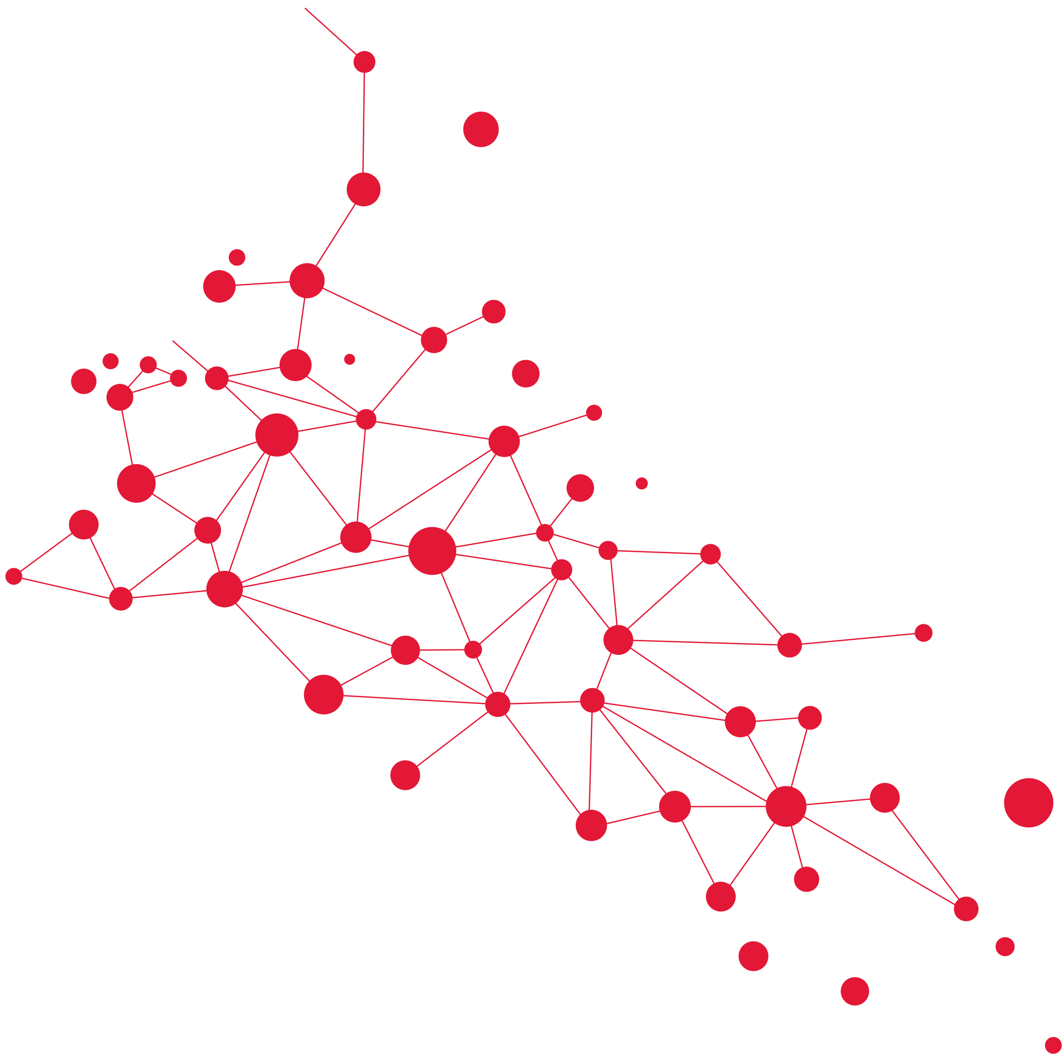
Our industry is very dynamic, constantly changing with customer usage behaviours evolving with the emergence of new devices, applications and technology. The constant evolution presents exciting opportunities which we will continue to evaluate in order to enhance our position in the mobile and broadband markets and achieve greater synergies for the benefit of our customers and shareholders.

We believe we have an effective strategy and the right management team in place. Having ended the year in a strong financial position, we are confident we are well placed to make further gains, progress and build our market leadership in the year ahead.

Mohamed bin Isa Al Khalifa
Group Chief Executive

Bahrain Telecommunications Company B.S.C.

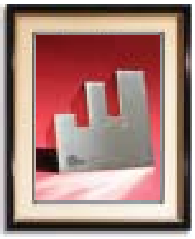
Winning recognition for
our efforts inspires us to
work harder and fuels our
motivation and inspiration.



AWARDS SHOWCASE







These are just some of the awards won by the Batelco Group in 2011. Such recognition reflects the collective efforts of all Batelco's people, across the Group's operations. Batelco operates today in an ever more competitive marketplace and we believe that it is our people that gives us the edge and ensures our continued success.

CommsMEA Annual Awards - Telecoms Technology Investment of the Year Award

Batelco was presented with the Telecoms Technology Investment of the Year award for the MENA region at the annual CommsMEA Awards. The prestigious Telecommunications Technology Investment award recognises the operator that has not only invested a substantial sum in technology but also ensured that its investment has delivered a return for its customers.

3rd Annual M.E. Investor Relations Society Awards - Best Company for Investor Relations in Bahrain

Batelco was voted as 'Best Company for Investor Relations: Bahrain - by the Middle East Investor Relations (ME-IR) Society at their Annual Conference & Awards, held in Abu Dhabi.

MENA Cristal Awards - Client of the Year

Batelco was named as Client of the Year at the MENA Cristal Awards. Batelco took home a total of 19 awards for their innovative and successful advertising campaigns of 2010, implemented by Bahrain's FP7.

Dubai Lynx International Advertising Festival Awards – Multi Award Winner

Batelco was presented with one Grand Prix, 1 Gold, 11 Silver and several Bronze awards at the Dubai Lynx International Advertising Awards for its innovative and

successful advertising campaigns of 2010, implemented by Bahrain's FP7.

GCC Award for Best Talent Management – Batelco HR Division Awarded

Batelco won the annual GCC Human Capital Award for Best Talent Management at the 3rd Annual GCC HR Excellence Awards 2011. The 3rd Annual GCC HR Excellence Awards held in conjunction with the 6th Annual Human Assets Middle East Summit, was designed to honour and recognise individuals and organisations that have demonstrated excellence in HR function and practices.

LACP Vision Awards - Batelco 2010 Annual Report Wins Silver Award

Batelco's 2010 Annual Report collected a Silver Award at the prestigious LACP Vision Awards. LACP (League of American Communications Professionals) LLC was established in 2001 in order to create a forum within the public relations industry that facilitates discussion of best-in-class practices within the profession, while also recognising those who demonstrate exemplary communications capabilities.

25th International ARC Awards - Batelco Annual Report Wins Bronze Award

Batelco's 2010 Annual Report won a Bronze Award at the 25th International ARC Awards in New York. The International ARC Awards have been dubbed the Academy Awards of Annual Reports. It is the largest international competition honouring excellence in annual reports with twenty-one hundred entries received in 2011 from nearly 40 countries around the world.

20th World Brand Congress - Batelco Wins Brand Leadership Award

Batelco was presented with the Brand Leadership Award at the 20th World Brand Congress held in Mumbai in November. The theme for the 2011 event was 'A Brand New World'. Batelco was presented with the Brand Leadership award, which is the most prestigious award a company can receive at the event, in recognition for the Company's professional efforts at home and overseas.

A proud Bahraini company with a strong External Footprint -delivering strength in Unity

Celebrating
a Lifetime of Joy

BATELCO GROUP EXECUTIVE TEAM

Standing left to right

Ahmed Al Janahi
Group Board Secretary &
General Manager Corporate Affairs

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

Haytham Fatayer
Group General Manager Strategic Projects

Hamid Husain
Group Chief Information Officer

Ali Sharif
Group Chief Internal Auditor

Bernadette Baynie
Group General Counsel

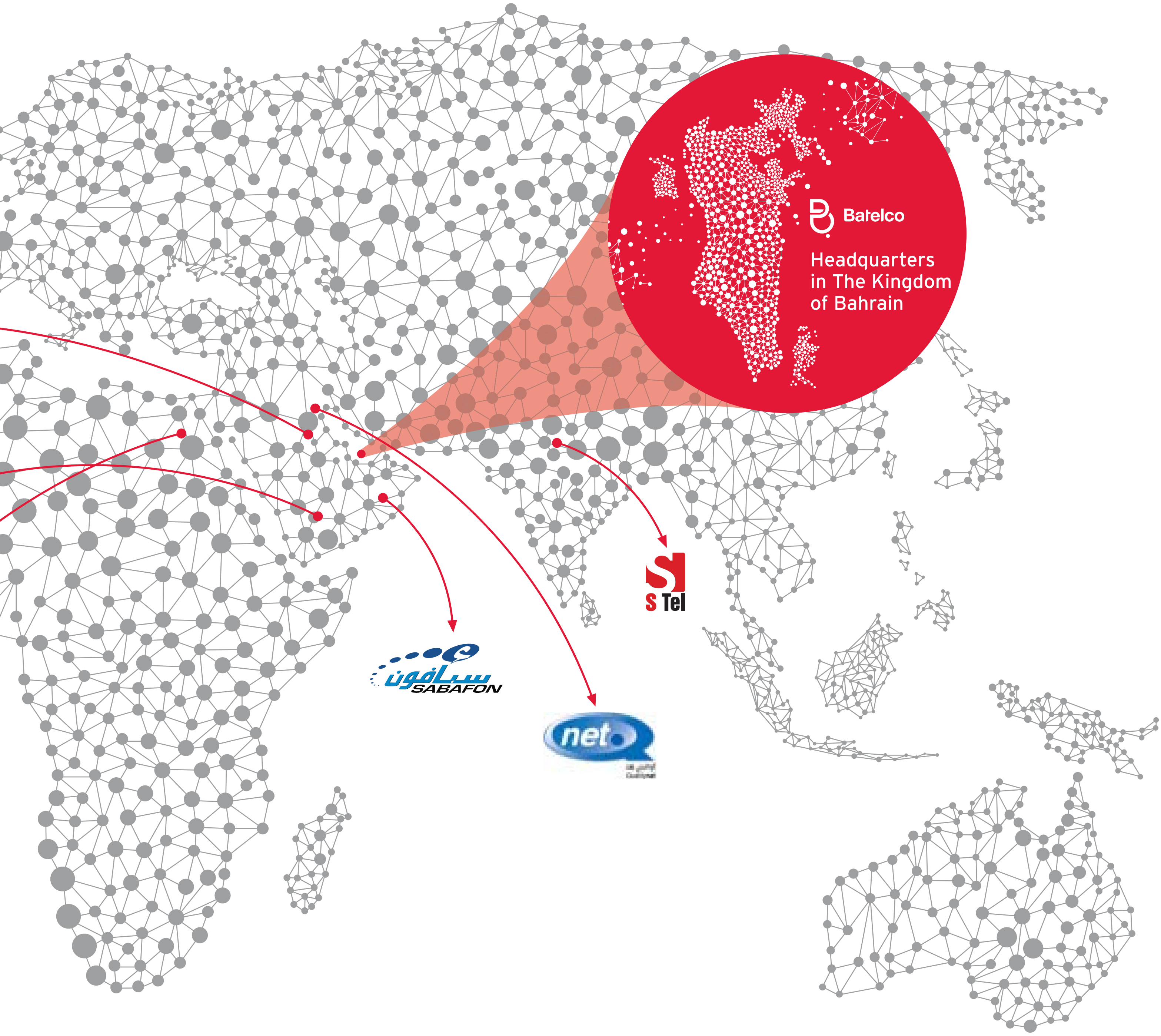
Seated left to right

Kataryna Stapleton
Group Chief Financial Officer

Shaikh Mohamed bin Isa Al Khalifa
Group CEO

Peter Kaliaropoulos
Group CEO Strategic Assignments

BATELCO GROUP: The Batelco Group, listed on the Bahrain Bourse {Bahrain Telecommunications Company (BATELCO)}, operates across 7 markets in the Middle East, North Africa and India. The Batelco Group serves the consumer, corporate and wholesale markets in Bahrain and also delivers cutting-edge fixed and wireless telecommunication services to its customers in Jordan, Kuwait, Egypt, Saudi Arabia, Yemen and India.



Batelco's overseas operations continue to add value to the Group and in 2011 contributed 37% of revenues and 30% of Operating Profit. The Group's successful expansion strategy is establishing the Batelco name as a dependable and reliable company throughout the MENA and Asian regions and has resulted in over 11 million subscribers, equivalent to a 20% year-on-year increase over 2010.

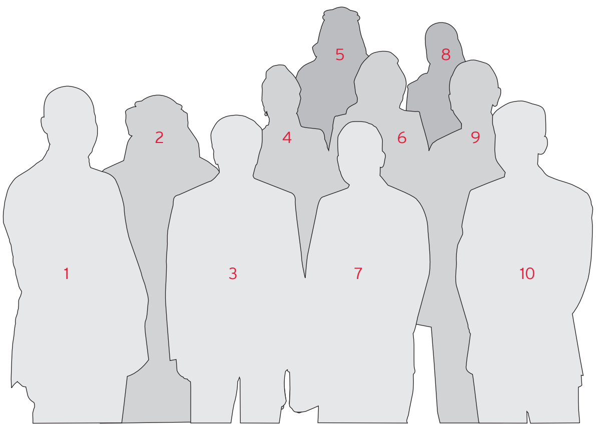
Batelco - THE KINGDOM OF BAHRAIN

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

Batelco serves both the corporate and consumer markets in the most liberalised and competitive environment in the MENA region, delivering cutting-edge fixed and wireless telecommunication services to its customers. At the end of 2011, Batelco Bahrain's customer base stood at over 738,500 mobile customers, over 89,000 Broadband customers and 171,000 fixed line connections, making Batelco the market leader for telecoms in Bahrain.

Batelco offers end-to-end telecommunications solutions for its residential, business and government customers in Bahrain on Next Generation, all IP fixed and 3.5G wireless networks, MPLS based regional data solutions and, GSM mobile and WiMax broadband services across the countries in which it operates.

Batelco remains among the leading philanthropic companies in the Kingdom of Bahrain and in 2011 paid out over BD2.1 million to health, education, sports and cultural initiatives. The Company aspires to have a positive impact on all segments of the community and reach all areas of Bahrain via its annual CSR programme.

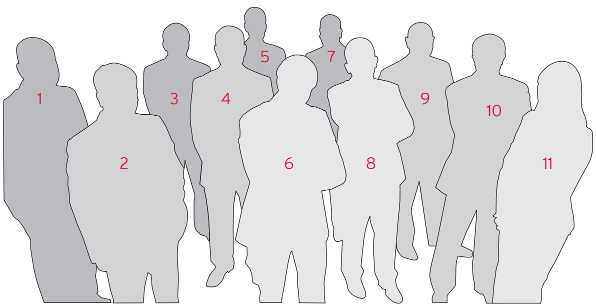


1	Dr. Ghassan Murad	- CFO Bahrain
2	Dr. Abdulla Al Thawadi	- General Manager Business Continuity
3	Rashid Abdulla	- CE Bahrain
4	Suhaila Alnowakhda	- General Manager HR Bahrain
5	Ahmed Al Janahi	- General Manager Corporate Affairs
6	Muna Al Hashemi	- General Manager Consumer Division
7	Adel Daylami	- General Manager Business Division
8	Nadia Hussain	- General Manager Government Relations
9	John Ford	- Chief Technical Officer
10	Hamza Ali	- General Manager Wholesale and Carrier Relations

JORDAN - umniah

Umniah - Jordan: A proven pioneer in one of the region's most competitive markets, Umniah has established itself as the fastest growing telecom operator and customers' first choice for telecom services. Umniah enjoys a strong presence in the Jordanian telecom market due to a sound strategy that offers high quality integrated services, including mobile, Internet and business solutions, at highly competitive prices, while keeping abreast with sector developments and customers' various needs.

Umniah, a subsidiary of Batelco Bahrain has contributed through its services to an increase in mobile and Internet penetration rates in the Kingdom of Jordan. In 2011, Umniah's mobile subscriber base exceeded the 2.3 million mark, which represents a market share of over 30%. Its broadband services witnessed a 100% growth in less than 2 years, enabling it to extend wireless Internet services to 80% of the Kingdom's population through updating its infrastructure and expanding its coverage across Jordan, all in line with the National ICT Strategy's objectives. Today, Umniah continues to lead the introduction of regionally unprecedented services and initiatives in the Jordanian telecom sector.



Moreover, the company was able to boost Internet penetration in the Jordanian mobile phone market from 26% to more than 120%, and positioned itself at the helm of the Jordanian telecom industry by setting up the first state-of-the-art future proof 2.75G in the Kingdom, fully ready for migration to HSPA+ technology. Umniah is also the first company in the Kingdom to offer WiMAX, which was launched in 2007 under its Umax brand to provide cutting-edge technologies that enable users to access the Internet without the need for a landline. The company also offers an advanced range of Business Solutions that includes Managed Data Services (MDS): Premium Internet, Multi Protocol Label Switch Service (MPLS), Global MPLS and International Private Leased Circuit (IPLC). It also recently obtained the 3G license and is planning to launch its 3G services between the second and third quarter of 2012.

For more information, visit www.umniah.com or www.facebook.com/umniah.belong or call us at 07-88001333.

1 Sami Jarrar - Director of HR & Corporate Affairs
2 Yaser Sghair - Director of Information Technology
3 Amjad Frouqa - Director of Quality, Business Continuity and Information Security
4 Ahmed Jaghaib - Director of Engineering
5 Klaus Rimmen - Chief Financial Officer
6 Ihab Hinnawi - Chief Executive Officer
7 Omar Omoush - Director of Marketing
8 Khaled Hudhud - Director of Government Relations and Regulatory Affairs
9 Raed Rasheed - Director of Sales and Distribution
10 Emad Maali - Director of Business Segment
11 Lara El Khateeb - Head of Legal Umniah

- KUWAIT

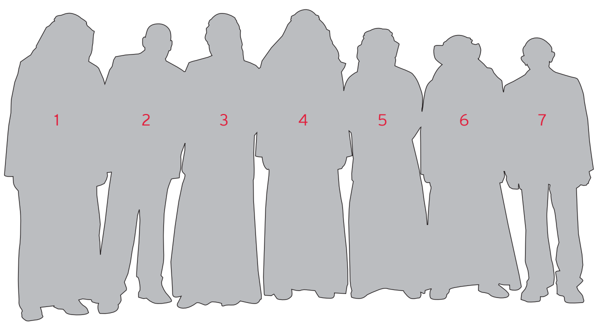
Qualitynet - Kuwait: A 44% Batelco-controlled subsidiary company, Qualitynet meets the challenges of an era of convergence by providing total ICT solutions. Qualitynet remains the clear market leader in the fixed Data Communications and Internet Services industry in Kuwait where there are four licensed ISP's delivering services. The company grew its Broadband customer base by 4% in 2011.

Qualitynet's market share for fixed broadband services is estimated at 37%, with data communications estimated to be 45% at local level and 55% at International level. Qualitynet is the first telecom operator in Kuwait to open up terrestrial broadband services with Iraq.

During the last three years, the Company has also launched global managed services in partnership with global players to serve corporate and multi-national companies and furthermore, has launched structured cabling, surveillance and IT security services for meeting the growing demand from corporate clients and shopping malls.

Qualitynet continues to distinguish itself as the leader in providing call centre services to its customers with differential service levels. Qualitynet has also been voted over three consecutive years as a Super Brand within the State of Kuwait.

1 Mustafa Al-Najjar - GM, Network Services
2 Essa Al-Kohheji - GM, Consumer Services
3 Mohammad Al-Nusif - GM, Corporate & Business Services
4 Eng. Waleed Al Qallaf - Chief Executive
5 Nael Al-Awadi - GM, HR & Administration
6 Ali Esmail - GM, Information Services
7 M.P. George Verghese - GM, Finance



Etihad Atheeb Telecom - Saudi Arabia: Etihad Atheeb, in which Batelco holds 15% equity has successfully increased its customer base to exceed 114,000 Broadband customers by the end of 2011 primarily due to the committed team of professionals and the reliability of the popular "GO" brand in KSA.

The company has a broad portfolio of products and services for both business and retail customers. Its portfolio includes, but not limited to, VOIP communication solutions, data services, wireless broadband internet, fixed line telephony, cloud solutions, and enterprise connectivity services leveraging its state-of-the-art 4G network.

Being ranked in the top 50 brands in KSA by the "Arabian Business Economic Magazine" in September 2010, was a considerable achievement for the Company only after a year and a half of the commencement of commercial operations as the first 4G Cloud Telecom in the region.

Further strengthening of Atheeb's operations and performance is also expected in 2012. The company is currently in the process of completing a SR 1.2 billion capital increase, which will support plans for future growth and a new strategic focus on the business customer segment.

SabaFon - Yemen: Sabafon, in which the Batelco Group holds a 26.94% equity investment, has continued to impress and ended the year 2011 with over 4 million customers, a solid 12% increase year on year. Sabafon is the largest GSM mobile operator in Yemen and offers national coverage with over 1000 base stations across the country.

The company started its operations in February 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.

The company provides high quality and innovative mobile voice and data services and presents the best value to all Yemeni customers.

STEL - India: STEL is a joint venture of Siva Industries & Holdings Ltd., India and BMIC Ltd., headquartered in India. STEL has launched its services in 5 circles - Bihar (includes Jharkhand), Odisha, Himachal Pradesh, Assam & North East wherein spectrum has been allocated.

In a short span of 2 years, STEL has garnered a customer base of over 3.5 million, over 66,400 points of sales and distribution across 5 circles.

STEL adopts a managed services model for its Network & IT operations. It has also implemented an in-house solution with respect to its customer services and contact centre platform that would better improve costs and enable effective service delivery to its subscribers.

STEL added subscribers with the help of quality and value for money offers during the last quarter of 2011 besides maintaining the highest rural base penetration amongst new operators.

Batelco Egypt Communications (S.A.E.) - Egypt: Batelco Egypt is wholly owned by the Batelco Group. The company was established in 2003 with an initial focus on providing worldwide telecommunication services to corporate and multinational customers. Today, Batelco Egypt is focused on providing end to end data solutions to multi-national companies through the Batelco Group's worldwide network.

The company's services are based on Global IP-VPN through Batelco's own infrastructure in the Middle East and it is further extended across the globe through alliances with international partners. Batelco Egypt aims to deliver one-stop-shop services to cater to all of its customers' diversified communication needs.

Celebrating Innovation

CORPORATE SOCIAL RESPONSIBILITY

Beyond Batelco's focus on business and financial performance, the company is also committed to its role as a responsible corporate citizen. In 2011, Batelco paid out more than BD2.1 million to enhance the lives of residents of Bahrain via health, education, sports and cultural initiatives.

CORPORATE SOCIAL RESPONSIBILITY

Bahrain Downs Syndrome Society

Batelco Ramadan Baskets

Shaikh Mohammed bin Khalifa bin Salman Al Khalifa Cardiac Centre

Batelco Racing Team

Shaikh Ebrahim bin Mohammed Al Khalifa Centre for Culture and Research

Al Areen Wildlife Park

Some of Batelco's other CSR initiatives

Bahrain International Circuit

Royal Charity Organisation

Shaikh Faisal Memorial Trophy 2011

inJAz Bahrain

Public Commission for the Protection of Marine Resources

Bahrain Golf Club

Bahrain Football Association

Al Rahma Centre for Youth Care

Anti-Drug Day

H.H. Shaikh Khalid bin Hamad Al Khalifa Football Tournament

King Hamad Golf Trophy

Batelco Karting Team

Batelco Bowling Team

Bahrain Tennis Federation

Bahrain Disabled Sports Federation

Think Pink Gala Evening

Bahrain Society for Women

Supreme Council for Women

BOARD OF DIRECTORS

Seated left to right

Mr. Adel Hussain Al Maskati
Director

Mr. Murad Ali Murad
Deputy Chairman

Shaikh Hamad bin Abdulla Al Khalifa
Chairman

Mr. A. Razak Abdulla Al Qassim
Director

Dr. Zakaria Ahmed Hejres
Director

Standing left to right

Dr. Yousif Ahmed Al Dashkouni
Director

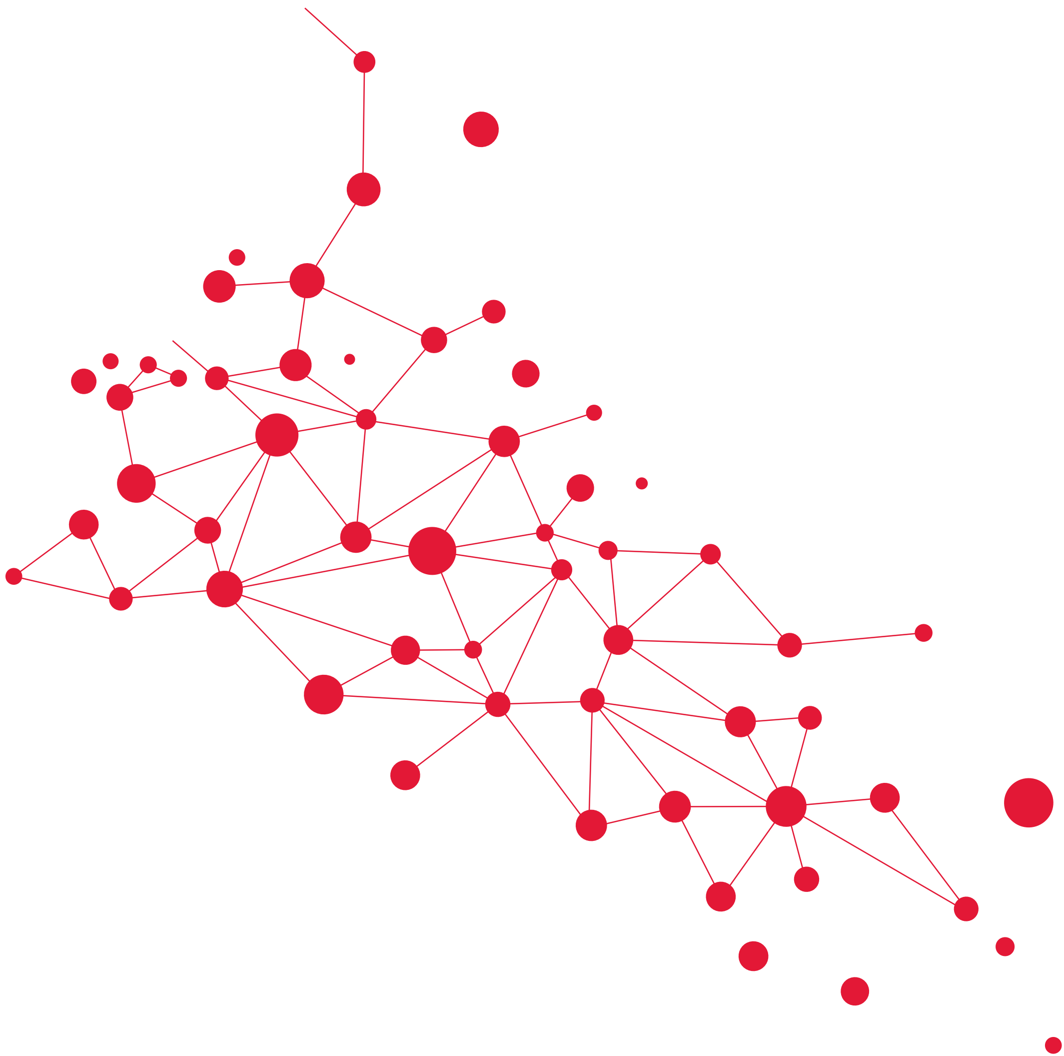
Mr. Waleed Ahmed Al Khaja
Director

Mr. Nedhal Saleh Al-Aujan
Director

Mr. Ali Yusuf Engineer
Director

Celebrating Achievements

Challenges are not obstacles – they motivate us to think smarter and drive us to reach for further success.



OVERVIEW

Sound corporate governance principles are the foundation upon which the trust of stakeholders is built. These principles are critical in increasing and maintaining the reputation the Company has established over the period as a company dedicated to excellence in both performance and integrity.

The Board considers that good governance is fundamental to achieving the Company's objectives which is to maximize the shareholder returns and deliver satisfaction to the customers of the Company.

Batelco is committed to high standards of corporate governance which are critical to our business integrity and to maintaining investors' trust in us. We expect all our directors, employees and suppliers to act with honesty, integrity and fairness.

While placing paramount importance to it, the Board has ensured that a 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 through the management ensures that the corporate governance framework is embedded in all the activities of the Company and applied consistently throughout.

To ensure the above, the Board has delegated some of

CORPORATE GOVERNANCE

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.

Not only do the directors endeavour to be compliant with all the governance requirements of the regulators, but have taken an additional step by resolving and have resolved to instigate the best corporate governance practice to maintain the high standards as expected by the stakeholders and preserve the reputation of the Company.

The Board of Directors of the Company together with its management undertook measures and ensured that the corporate governance requirements as stated in the Central Bank of Bahrain's (CBB) High Level Controls Module Rulebook 6 are developed and implemented in order to meet the timeline specified by CBB.

For the year ended 31 December 2011 and to the date of the annual report, Batelco is compliant with the provisions of CBB's corporate governance requirements.

In addition to the above, the Board has approved corporate governance guidelines of the Company which outlines the key corporate governance principles stipulated by the CBB and the Corporate Governance Code ("the Code") issued by the Bahrain Ministry of Industry and Commerce ("MOIC").

The policies and practices set out in the Corporate Governance Guidelines are intended to provide a framework for the efficient corporate governance of Batelco.

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.

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 shareholder 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.

CEO'S STATEMENT

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the company's risk management and internal control system. Management reports to the Audit Committee 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, SWFs and general public.

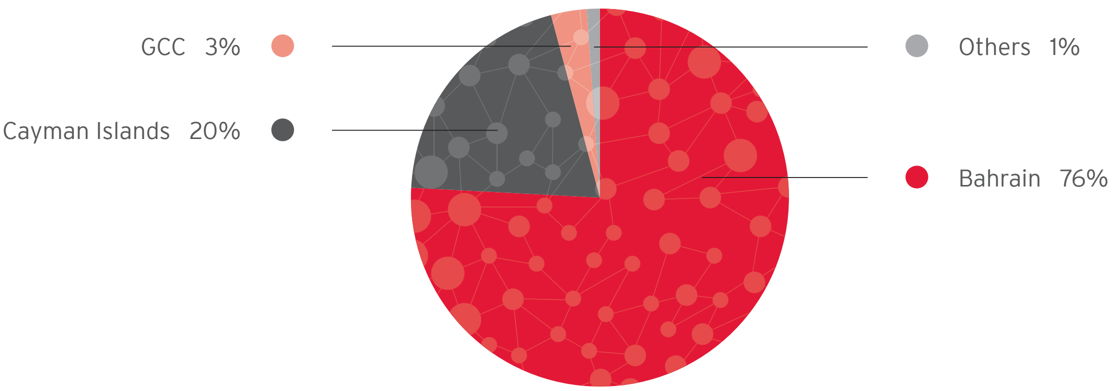
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders.

OWNERSHIP STRUCTURE BY NATIONALITY

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

	Nationality	Number of Shares	% of shares held
1	Bahrain	1,095,376,483	76%
2	Cayman Islands	288,000,000	20%
3	GCC	34,557,666	3%
4	Others	22,065,851	1%

Distribution of Shares by Nationality

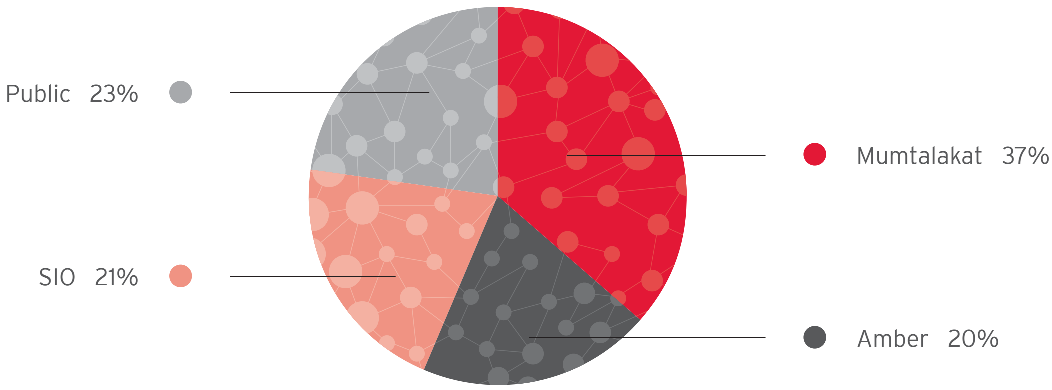


OWNERSHIP STRUCTURE BY SIZE

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

	Owner	Number of Shares	% of shares held
1	Mumtalakat Holding Company	528,000,000	36.67%
2	Amber Holding Company	288,000,000	20%
3	Social Insurance Organization	296,098,447	20.56%
4	Public	327,901,553	22.77%

Distribution of Shares by Size



OWNERSHIP STRUCTURE BY CATEGORY

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

	Govt Entity(ies)	Number of Shares	% of shares held
1	Mumtalakat Holding Company	528,000,000	36.67%
2	Amber Holding Company	288,000,000	20%
3	Social Insurance Organization	296,098,447	20.56%

	Directors	Number of Shares	% of shares held
1	Murad Ali Murad	2,766,127	0.192%
2	Adel Hussain Al Maskati	226,760	0.016%
3	Abdul Razak Al Qassim	500,274	0.035%
4	Ali Yousif Engineer	385,200	0.027%

	Executive Management	Number of Shares	% of shares held
1	Peter Kaliaropoulos	9,180	0.001%
2	Ghassan Murad	90,000	0.006%

BOARD STRUCTURE

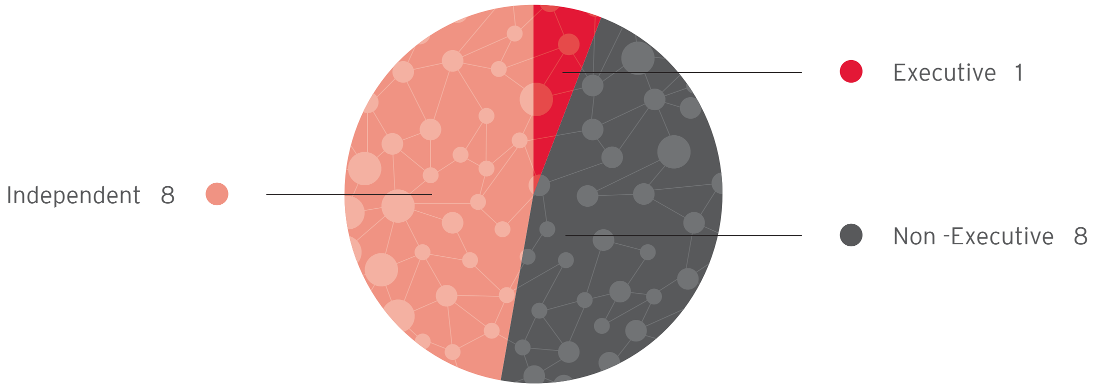
The Board has the final responsibility for the overall conduct of the Company's business, providing direction by exercising objective judgment on all matters independent from executive management.

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 Company comprises of 10 directors, 9 of whom served throughout the year.

In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there are 1 Executive Director and 7 Non-Executive Directors, 7 of which are independent.

STATUS OF EXECUTIVE, NON- EXECUTIVE DIRECTORS AND INDEPENDENT DIRECTORS AS AT YEAR END 2011



	Shaikh Hamad bin Abdulla Al Khalifa (Independent)
Brief History / Biography	Shaikh Hamad bin Abdulla Al Khalifa obtained a Bachelor degree in Aeronautic Science from the University of King Faisal in 1976 and an MBA in the same field from the US in 1985. He was a founder of the Bahraini Royal Air Force and became the commander of the Royal Air Force before he retired in 2003. He has been a member of the TRA Board till his appointment to the new post. He enjoys a wealth of experience, knowledge and professionalism in the business sector.
Term of Office	Shaikh Hamad was appointed by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Shaikh Hamad has been serving on the Board since 09/2006
Business Title & Professional experience in years	Chairman of Batelco Board of Directors 35 Years
Committee Membership	Nomination and Remuneration Committee, Donations Committee

	Mr. Murad Ali Murad (Independent)
Brief History / Biography	Mr. Murad Ali Murad holds a degree from the Chartered Institute of Management Accountants (CIMA), UK and is a fellow member of the institute since 1993. Mr. Murad has over 40 years of experience in the fields of Banking and Finance. He is the Chairman of BBK since 2002 till today and has held the position of CEO of BBK from 1987 till 2002. In addition, he has held the chairmanship of BBK's wholly owned subsidiaries by the Bank. In addition, Mr. Murad also holds a number of memberships in Community Service Societies such as Chairman of Human Resources Development Fund in Banking Sector since 2004 and Member of Council of Vocational Training in Banking Sector – Bahrain Institute of Banking and Finance since 1987. Mr. Murad has a special interest in the fields of banking, finance, economics, and technology.
Term of Office	Mr. Murad was elected by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Mr. Murad has been serving on the Board since 03/1990
Business Title & Professional experience in years	Chairman of Bank of Bahrain & Kuwait 40 Years
Committee Membership	Audit Committee, Nomination and Remuneration Committee, Regulatory Affairs Committee

	Dr. Zakaria Ahmed Hejres (Independent)
Brief History / Biography	Dr. Zakaria Ahmed Hejres holds a Ph.D. in Economic Development from the University of Durham, United Kingdom. He also obtained a Master's Degree in Economic Development from the University of Strathclyde, Scotland, United Kingdom in 1985. His postgraduate Diploma was in Economic and Social Planning from the University of Wales, Swansea, United Kingdom with a Bachelor's Degree in Sociology from the University of Alexandria in Egypt. Dr. Hejres past work experience includes being a Director of Economic Planning, and the Assistant Undersecretary for Economic Affairs in the Ministry of Finance and National Economy. Dr. Hejres also held the position of Deputy Chief Executive in the Economic Development Board (EDB) for six years since October 2003 until October 2009.
Term of Office	Dr. Hejres was appointed by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Dr. Hejres has been serving on the Board since 02/2005
Business Title & Professional experience in years	Chief Executive Officer of Al Watan Publishing and Distribution Company 30 Years
Committee Membership	Executive Committee

	Mr. Nedhal Saleh Al-Aujan (Independent)
Brief History / Biography	Mr. Nedhal Saleh Al-Aujan is a career Banker with an extensive experience of 29 years in all the facets of banking and held senior positions in different domestic and international banks. He joined Bahrain Development Bank in 2000 and became the Chief Executive Officer of the Bank in 2007. Mr. Al Aujan served as a Chairman of Gulf Diabetes Center and Arabian Taxi Company as well as member of the Board of Directors in Venture Capital Bank, Retail Arabia (Geant) and Gulf Membrane & Coating Industries WLL.
Term of Office	Mr. Al Aujan was appointed by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Mr. Al Aujan has been serving on the Board since 02/2005
Business Title & Professional experience in years	Chief Executive Officer of Bahrain Development Bank 29 Years
Committee Membership	Executive Committee

	Mr. Adel Hussain Al Maskati (Independent)
Brief History / Biography	Mr. Adel Hussain Al Maskati holds a Master's degree in Engineering since 1977. Mr. Al Maskati worked in the Oil Industry from 1978 to 1993. Mr. Al Maskati Joined Maskati Commercial Services in 1993, a company that manages manufacturing plants, trades in Industrial products and manages investment portfolios. He served on the Board of Directors and Board committees in Bahrain Petroleum Co (Bapco), Bahrain Tourism Co BSC, United Packaging Industries Co BSC (c), Abu Dhabi Paper Mill Co, Bahrain Chamber Of Commerce and Industry, Labor Market Regulatory Authority, Bahrain Economic Development Board, Gulf Air and National Health Regulatory Authority.
Term of Office	Mr. Al Maskati was elected by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Mr. Al Maskati has been serving on the Board since 02/2005
Business Title & Professional experience in years	Managing Director, Maskati Commercial Services BSC ©. 34 Years
Committee Membership	Audit Committee, Regulatory Committee

	Mr. Abdul Razak Abdulla Al Qassim (Independent)
Brief History / Biography	Mr. Abdul Razak Abdulla Al Qassim holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology, USA). Mr. Al Qassim joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank. Chairman of Benefit Company; Chairman of Board of Trustee of Ahlia University; Deputy Chairman of Eskan Bank; Deputy Chairman and Chairman of Executive Committee of Oasis Capital Bank B.S.C; Deputy Chairman and Chairman of Executive Committee of the Arab Academy for Education and Research; Board Member and Chairman of Executive Committee of Bahrain Telecommunication Company; Board Member of Umniah; Member of the Board of the Crown Prince International Scholarship Programme. He assumed his present position in 2008.
Term of Office	Mr. Al Qassim was elected by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Mr. Al Qassim has been serving on the Board since 02/2008
Business Title & Professional experience in years	Chief Executive Officer and Managing Director of National Bank of Bahrain 34 Years
Committee Membership	Executive Committee, Donations Committee, Nomination and Remuneration Committee, Regulatory Committee

	Mr. Waleed Ahmed Al Khajah (Executive)
Brief History / Biography	Mr. Waleed Ahmed Al Khajah obtained a Bachelor degree in Business Administration from North Texas State University in 1985. He joined SIO in 2005 after 19 years with Ministry of Finance. Mr. Al Khajah served on the Board of Directors and Board committees in Bahrain Tourism Co BSC, Seef Properties and AMAK & Sons. He enjoys a wealth of experience, knowledge and professionalism in the business sector
Term of Office	Mr. Al Khajah was appointed by the shareholders in the AGM in 2011, as an executive director in the Board in 02/2011 for a period of 3 Years. Mr. Al Khajah has been serving on the Board since 02/2008
Business Title & Professional experience in years	Executive Director in SIO 26 Years
Committee Membership	Audit Committee

	Dr. Yousif Ahmed Dashkouni (Independent)
Brief History / Biography	Dr. Yousif Ahmed Dashkouni holds a Doctorate in Business Administration from the University of Hull. From 1983 till 1990, Dr. Dashkouni worked in Riyadh Bank as Application Development and Maintenance Manager. He then joined the Social Insurance Organisation where he worked for 20 years and held the post of Director of Information Technology before his retirement. He enjoys a wealth of experience, knowledge and professionalism in the business sector.
Term of Office	Dr. Dashkouni was appointed by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Dr. Dashkouni has been serving on the Board since 02/2008
Business Title & Professional experience in years	Project Director for the Implementation of SIO Asset Management company 28 Years
Committee Membership	Audit Committee, Donations Committee

	Mr. Ali Yousif Engineer (Independent)
Brief History / Biography	Mr. Ali Yousif Engineer obtained a Bachelor degree in Business Administration from United Kingdom in 1967. Mr. Engineer has been chairing board of a number of family owned business and establishments. Board member of TRAFCO and Vice Chairman of Arabian Taxi Company. He enjoys a wealth of experience, knowledge and professionalism in the business sector.
Term of Office	Mr. Engineer was elected by the shareholders in the AGM in 2011, as a non-executive independent director in the Board in 02/2011 for a period of 3 Years. Mr. Engineer has been serving on the Board since 02/2008
Business Title & Professional experience in years	Chairman of several family owned business. 44 Years
Committee Membership	Nomination and Remuneration Committee

MANDATE OF THE BOARD

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

- Represent the shareholder's interest 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 for 12 times on following dates and discussed the below mentioned significant items. The Board agreed not to consider the first two non attendance by any director due to the volume of meetings.

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)
26-01-2011	Recommendation to AGM	Approved
09-02-2011	Acquisition	Approved
23-02-2011	Appointment of Committees' members and Boards' members of Subsidiaries	Approved
	Group Financial Performance	Approved
20-04-2011	Restructuring of a Subsidiary (ATHEEB)	Approved
	To pursue the sale of STEL investment	Approved
	Disciplinary action against staff participating in general strike	Approved
07-06-2011	Appointment of new Group CEO	Approved
	Acquisition (Update)	Approved
03-07-2011	Status of Subsidiaries	Approved
20-07-2011	Second Quarter Financials	Approved
	Acquisition (Update)	Approved
	Annual Deposit Limits (Sh. Mohamed, Mr. Murad and Mr. Al Qassim excused themselves from the meeting due to conflict of interest)	Approved
13-10-2011	Restructuring of Board Committees and JVs Board Membership	Approved
	Termination of Acquisition	Approved
26-10-2011	Third Quarter Financials	Approved
15-11-2011	Group Strategy	Approved
23-11-2011	Discuss Three years Group Business Plan	Approved
26-11-2011	Corporate Governance Code Update	Approved

The members of the Board during the year 2011, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Sh. Hamad bin Abdulla Al Khalifa	Non- Executive	12	12/12
Sh. Mohamed bin Isa Al Khalifa	Non- Executive	7	5/7 Served as Deputy Chairman till his appointment as Group CEO on 1 October 2011
Mr. Murad Ali Murad	Non-Executive	12	12/12
Dr. Zakaria Hejres	Non-Executive	12	8/12
Mr. Nedhal Al-Aujan	Non-Executive	12	10/12
Mr. Adel Al Maskati	Non-Executive	12	12/12
Mr. Abdul Razak Al Qassim	Non-Executive	12	11/12
Mr. Waleed Al Khajah	Executive	12	10/12
Dr. Yousif Dashkouni	Non-Executive	12	12/12
Mr. Ali Engineer	Non-Executive	12	11/12

Shaikh Mohamed bin Isa Al Khalifa was a Board member and served as Deputy Chairman till his new appointment as Group CEO on 1 October 2011. Upon his departure, Mr. Murad Ali Murad was appointed as Deputy Chairman.

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 NRC.

Currently, the size of the Board of the Company is 9 directors.

All of the current Directors of the Company were appointed and elected at Annual General Meeting of Shareholders for a three year term that will expire at the 2014 Annual General Meeting of Shareholders.

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 Nomination and Remuneration Committee (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 DIRECTORSHIP

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

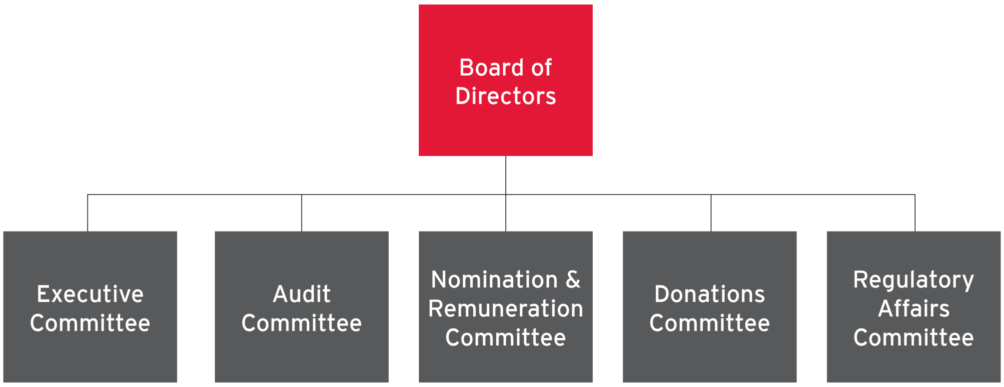
Performance evaluation of the Board, Board Committees' individual directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its committees, individual contributions and the Company's 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 2012.

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 (EC)

The EC'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 for 5 times on following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
23-03-2011	Financial & Business Performance Batelco Innovation Center JV Performance EXCO Term of Reference	Approved Approved Approved Approved
18-05-2011	Sabafon Management Agreement STEL Funding Group Financial Performance Business Divisions Performance	Approved Approved Approved Approved
15-06-2011	Group Financial Performance Atheeb update on rights issue	Approved Update
21-09-2011	Group Financial Performance Disposal of Fixed Assets Regulatory Matters Mobile Number Portability Group Strategy (Mid Year Review) Corporate Governance	Approved Approved Approved Update Update Needs further Discussions
18-10-2011	Corporate Governance Code	Approved

The members of the Executive Committee during the year 2011, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Abdul Razak Al Qassim	Non-Executive	5	5/5
Sh. Mohamed bin Isa Al Khalifa	Non- Executive	4	4/4 Served in the Committee till his appointment as Group CEO on 1 October 2011
Dr. Zakaria Hejres	Non-Executive	5	4/5
Mr. Nedhal Al-Aujan	Non-Executive	5	5/5




EXECUTIVE COMMITTEE (from left to right)

Mr. Abdul Razak Al Qassim, Sh. Mohamed bin Isa Al Khalifa, Dr. Zakaria Hejres, Mr. Nedhal Al-Aujan

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 for 4 times on 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)
25-01-2011	2010 Group Financials	Approved
	CrediMax Issue (Chairman Excused himself from the meeting due to conflict of interest)	Negotiation of Agreement
	Nomination of External Auditor	Submitted to Board
	3 Years Internal Audit Plan	Approved
19-04-2011	Q1 Group Financials	Approved
	Compliance Update	Noted
19-07-2011	H1 Group Financials	Approved
	Compliance Report	Noted
	CrediMax Issue Update (Chairman Excused himself from the meeting due to conflict of interest)	Refer matter to EXCO
25-10-2011	Q3 Group Financials	Approved
	Corporate Governance Code	Needs further Discussions
	Qnet Board Restructure	Approved
	CrediMax Issue Update (Chairman Excused himself from the meeting due to conflict of interest)	Update

The members of the Audit Committee during the year 2011, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Murad Ali Murad	Non-Executive	4	4/4
Mr. Adel Al Maskati	Non-Executive	4	4/4
Mr. Waleed Al Khajah	Executive	2	2/2 Appointed after the second meeting
Dr. Yousif Dashkouni	Non-Executive	4	4/4
Mr. Ali Engineer	Non-Executive	2	1/2 Appointed after the second meeting

AUDIT COMMITTEE (from left to right)

Mr. Murad Ali Murad, Mr. Adel Al Maskati, Mr. Waleed Al Khajah, Dr. Yousif Dashkouni, Mr. Ali Engineer

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The NRC's 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.

NRC 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 for 5 times on 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)
24-01-2011	Directors' Remuneration	Submitted to Board
	Batelco Bahrain Bonus	Approved
	Retention of Executives	Approved
31-05-2011	Appointment of Group CEO	Approved
	Appointment of Group Deputy CFO	Approved
07-06-2011	Group CEO Package	Approved
15-06-2011	Update on Group CEO position	Update
18-08-2011	Resignation of Group Deputy CFO	Approved
	Group Structure	Approved
	Group CEO Update	Update
20-10-2011	Contract of CEO Strategic Assignment	Approved

The members of the NRC during the year 2011, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Sh. Hamad bin Abdulla Al Khalifa	Non- Executive	6	6/6
Mr. Murad Ali Murad	Non-Executive	6	6/6
Mr. Abdul Razak Al Qassim	Non-Executive	5	5/5 Appointed after the first meeting
Mr. Ali Engineer	Non-Executive	5	4/5 Appointed after the first meeting




NOMINATION AND REMUNERATION COMMITTEE (from left to right)

Sh. Hamad bin Abdulla Al Khalifa, Mr. Murad Ali Murad, Mr. Abdul Razak Al Qassim, Mr. Ali Engineer

DONATIONS COMMITTEE (DC)

The DC'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 for 2 times on following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
23-02-2011	Approval of Donations for Q1 2011	Approved
24-05-2011	Approval of Donations for remaining period of 2011	Approved

The members of the Donations Committee during the year 2011, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Sh. Hamad bin Abdulla Al Khalifa	Non- Executive	2	2/2
Mr. Abdul Razak Al Qassim	Non-Executive	2	2/2
Dr. Yousif Dashkouni	Non-Executive	2	2/2



DONATIONS COMMITTEE (from left to right)

Sh. Hamad bin Abdulla Al Khalifa, Mr. Abdul Razak Al Qassim, Dr. Yousif Dashkouni

REGULATORY AFFAIRS COMMITTEE

The Regulatory Affairs Committee's primary duties and responsibilities are to:

- Assisting Batelco's regulatory team in complying with its regulatory and licensing obligations as prescribed by the applicable regulations.
- Monitoring and responding to any issues arising out of the Company's relationship with the Telecommunications Regulatory Authority of Bahrain.
- Providing relevant feedback about the Company's compliance with its regulatory and licensing obligations to the Executive Management of the Company.

REGULATORY AFFAIRS COMMITTEE MEETINGS

As per the charter of the Regulatory Affairs 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 Regulatory Affairs Committee met for 1 time on following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
27-03-2011	Batelco Group Relationship with TRA	Noted

The members of the Regulatory Affairs Committee during the year 2011, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Murad Ali Murad	Non-Executive	1	1/1
Sh. Mohamed bin Isa Al Khalifa	Non- Executive	1	1/1 Served in the Committee till his appointment as Group CEO on 1 October 2011
Mr. Abdul Razak Al Qassim	Non-Executive	1	1/1
Mr. Adel Al Maskati	Non-Executive	1	1/1

REGULATORY AFFAIRS COMMITTEE (from left to right)

Mr. Murad Ali Murad, Sh. Mohamed bin Isa Al Khalifa, Mr. Abdul Razak Al Qassim, Mr. Adel AlMaskati

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 to note 26 (Transactions with Related Parties) of the financial statements for the details of related party transactions and 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 31st December 2011, 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 to note 26 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees sitting 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 CEO is responsible for administering the employee performance process.

Please refer to note 26 (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 B.S.C." as a legal entity are stated here below:

Audit Fees for 2011	BD 48,250
Non-Audit Fees for 2011	BD 156,008

KPMG Fakhro has 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 has 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

Shaikh Mohamed bin Isa Al Khalifa Batelco Group Chief Executive	October 2011 -
Joined Batelco	Deputy Chairman of Batelco Board of Directors 2002-2011
Previous roles/Experience	Social Insurance Organisation - CEO General Organisation Social Insurance (GOSI) – Director General GOSI – Director Finance & Investment Department Represented SIO as:- • SICO Chairman • Batelco Vice Chairman • BBK Vice Chairman • Bahrain International Golf Course Company Vice Chairman • Bahrain Commercial Facilities Company Director
Qualifications/Achievements	University of Texas, Austin, US - BA Business Administration

Kataryna Stapleton Batelco Group Chief Financial Officer	2010
Joined Batelco	2006
Previous roles/Experience	Batelco Bahrain CFO SingTel Optus (Australia) – Bus. Mgr for CFO; GM, Finance projects (Business); GM Future Mode of Operations Savvis Communications (USA) – Director of Operations (Reg/Leg/Proc) Cable & Wireless (USA) Programme Director
Qualifications/Achievements	Macquarie Graduate School of Management, Australia – Master, Financial Management Melbourne Business School, Australia - MBA

Peter Kaliaropoulos Batelco Group CEO Strategic Assignments	October 2011
Joined Batelco	2005
Previous roles/Experience	Batelco Group CEO Batelco Bahrain CEO SingTel Optus Business (Australia) MD Telstra (Australia) MD Clear (New Zealand) CEO StarHub (Singapore) COO/SVP BT Asia Pacific (Singapore & Australia) Director Sales & Services
Qualifications/Achievements	Macquarie University, Sydney, Australia - MBA University of NSW, Sydney, Australia – Bachelor of Electrical Engineering

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

Dr. Ghassan Murad Batelco Bahrain Chief Financial Officer	September 2010 -
Joined Batelco	1996
Previous roles/Experience	Batelco Group Head of Mergers & Acquisitions for MENA University of Leicester Research Associate
Qualifications/Achievements	University of Leicester, UK - PhD Control Systems Theory Imperial College of Science, Technology & Medicine, London, UK • MSc in Control Systems theory • BSc Control Engineering

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

Klaus Solling Rimmen Umniah Chief Financial Officer	2009 -
Joined Umniah	2009
Previous roles/Experience	Cell One (Namibia) CFO & Executive Team member TDC Dotcom (Sweden) CFO Nawras (Oman) Acting CFO & Founding Team Member
Qualifications/Achievements	Aarhus University, Denmark - Masters in Business Economics & Information Systems

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

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

Bernadette Baynie Batelco Group General Counsel	January 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 Batelco Group Chief Internal Auditor	2010
Joined Batelco	1989
Previous roles/Experience	Batelco Bahrain Chief Internal Auditor Batelco Bahrain Internal Audit Manager
Qualifications/Achievements	CIA (USA) CISA (USA) St Edward's University, Austin, Texas, US – BA Finance (Hons)

Hamid Husain Batelco Group Chief Information Officer	February 2011
Joined Batelco	2011
Previous roles/Experience	Hutchinson Group CIO Zain Group, Nigeria CIO Du, UAE VP of IT & CIO Vodafone CIO
Qualifications/Achievements	University of Houston, Texas, US – MBA

Auditors

External : KPMG Fakhro
Internal : Batelco Bahrain Head of Internal Audit - Manal Al Sarraf
Detailed Terms of Reference available at www.batelcogroup.com

Celebrating Success

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

* Latest financial statements are available on www.batelcogroup.com

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the shareholders
Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain

23 January 2012

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 2011, and the consolidated statements of 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 2011, 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 the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; the financial information contained in the chairman's report is consistent with the consolidated financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

KPMG Fakhro 5th Floor, Chamber of Commerce Building, P.O. Box 710,
Manama,
Kingdom of Bahrain.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

BD'000

	Note	2011	2010
ASSETS			
Non-current assets			
Property and equipment	5	185,019	191,474
Goodwill	6	124,682	125,129
Intangible assets	7	24,308	28,404
Investment in associates	8	78,580	130,124
Deferred tax assets	15	2,018	1,271
Available-for-sale investments	10	16,703	28,403
Total non-current assets		**431,310**	504,805
Current assets			
Investment in associate classified as held for sale	9	46,473	-
Inventories		1,869	2,015
Trade and other receivables	11	71,762	64,834
Cash and bank balances	12	107,893	86,817
Total current assets		**227,997**	153,666
Total assets		**659,307**	658,471
EQUITY AND LIABILITIES			
Equity			
Share capital	16	144,000	144,000
Statutory reserve	17	76,719	76,428
General reserve	17	30,000	15,000
Foreign currency translation reserve		787	1,376
Investments fair value reserve		(3,397)	8,210
Retained earnings		257,731	259,977
Total equity attributable to equity holders of the Company		**505,840**	504,991
Non-controlling interest		**12,851**	11,824
Total equity (Page 70)		**518,691**	516,815
Non-current liabilities			
Trade and other payables	13	2,555	3,063
Deferred tax liability	13	4,193	4,732
Total non-current liabilities		**6,748**	7,795
Current liabilities			
Trade and other payables	13	133,868	133,861
Total current liabilities		**133,868**	133,861
Total liabilities		**140,616**	141,656
Total equity and liabilities		**659,307**	658,471

The consolidated financial statements, which consist of pages 67 to 95 were approved by the Board of Directors on 23 January 2012 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

BD'000

	Note	2011	2010
REVENUE	19	**326,972**	340,252
EXPENSES			
Network operating expenses	20	(113,462)	(109,362)
Staff costs		(50,930)	(49,785)
Depreciation and amortisation		(37,985)	(39,704)
Other operating expenses	21	(36,558)	(34,942)
Total expenses		**(238,935)**	(233,793)
Results from operating activities		**88,037**	106,459
Finance and other income	22	3,257	1,293
Finance expenses		(262)	(346)
Share of loss of associates (net)	8	(3,124)	(13,199)
Profit before taxation		**87,908**	94,207
Income tax expense		(4,053)	(3,574)
Profit for the year		**83,855**	90,633
Other comprehensive income			
Foreign currency translation differences for foreign operations		(503)	1,406
Investments fair value changes		(11,607)	(1,247)
Other comprehensive income for the year		**(12,110)**	159
Total comprehensive income for the year		**71,745**	90,792
Profit for the year attributable to:			
Equity holders of the company		80,014	86,773
Non-controlling interest		3,841	3,860
		83,855	90,633
Total comprehensive income attributable to:			
Equity holders of the company		67,818	86,734
Non-controlling interest		3,927	4,058
		71,745	90,792
Basic earnings per share (Fils)	23	**55.6**	60.3

The consolidated financial statements, which consist of pages 67 to 95 were approved by the Board of Directors on 23 January 2012 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011 BD'000

	Note	2011	2010
OPERATING ACTIVITIES			
Cash receipts from customers		300,118	316,625
Net cash paid to suppliers		(128,765)	(129,879)
Cash paid to and on behalf of employees		(48,362)	(48,855)
Cash flows from operating activities		**122,991**	137,891
INVESTING ACTIVITIES			
Acquisition of property and equipment		(31,554)	(28,846)
Advance to investee company		(2,781)	-
Receipts from associate		1,930	6,094
Net proceeds from sale and maturity of investments		4,238	4,943
Interest and investment income received		1,069	1,604
Cash flows from investing activities		**(27,098)**	(16,205)
FINANCING ACTIVITIES			
Dividend paid		(69,117)	(73,270)
Interest paid		-	(50)
Borrowing repaid		-	(36,569)
Payments to charities		(2,117)	(1,591)
Cash flows from financing activities		**(71,234)**	(111,480)
Increase in cash and cash equivalents		**24,659**	10,206
Cash and cash equivalents at 1 January		80,436	70,230
Cash and cash equivalents at 31 December	**12**	**105,095**	80,436

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

BD'000

2011	**Share capital**	**Statutory reserve**	**General reserve**	**Foreign currency translation reserve**	**Investment fair value reserve**	**Retained earnings**	**Total**	**Non - controlling interest**	**Total equity**
	Equity attributable to equity holders of the Company								
At 1 January 2011	144,000	76,428	15,000	1,376	8,210	259,977	504,991	11,824	516,815
Profit for the year	-	-	-	-	-	80,014	80,014	3,841	83,855
Other comprehensive income									
Foreign currency translation differences	-	-	-	(589)	-	-	(589)	86	(503)
Net changes in fair value of investments	-	-	-	-	(11,607)	-	(11,607)	-	(11,607)
Total other comprehensive income	-	-	-	(589)	(11,607)	-	(12,196)	86	(12,110)
Total comprehensive income for the year	**-**	**-**	**-**	**(589)**	**(11,607)**	**80,014**	**67,818**	**3,927**	**71,745**
Final dividends declared for 2010	-	-	-	-	-	(36,000)	(36,000)	-	(36,000)
Donations declared for 2010	-	-	-	-	-	(2,169)	(2,169)	-	(2,169)
Transfer to statutory reserve	-	291	-	-	-	(291)	-	-	-
Transfer to general reserve	-	-	15,000	-	-	(15,000)	-	-	-
Interim dividends declared for 2011	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(2,900)	(2,900)
	-	**291**	**15,000**	**-**	**-**	**(82,260)**	**(66,969)**	**(2,900)**	**(69,869)**
At 31 December 2011	**144,000**	**76,719**	**30,000**	**787**	**(3,397)**	**257,731**	**505,840**	**12,851**	**518,691**

2010	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total	Non - controlling interest	Total equity
	Equity attributable to equity holders of the Company								
At 1 January 2010	144,000	75,364	15,000	168	9,457	249,334	493,323	10,731	504,054
Profit for the year	-	-	-	-	-	86,773	86,773	3,860	90,633
Other comprehensive income									
Foreign currency translation differences	-	-	-	1,208	-	-	1,208	198	1,406
Net changes in fair value of investments	-	-	-	-	(1,247)	-	(1,247)	-	(1,247)
Total other comprehensive income	-	-	-	1,208	(1,247)	-	(39)	198	159
Total comprehensive income for the year	-	-	-	1,208	(1,247)	86,773	86,734	4,058	90,792
Final dividends declared for 2009	-	-	-	-	-	(43,200)	(43,200)	-	(43,200)
Donations declared for 2009	-	-	-	-	-	(2,626)	(2,626)	-	(2,626)
Directors' remuneration declared for 2009	-	-	-	-	-	(440)	(440)	-	(440)
Transfer to statutory reserve	-	1,064	-	-	-	(1,064)	-	-	-
Interim dividends declared for 2010	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(2,965)	(2,965)
	-	1,064	-	-	-	(76,130)	(75,066)	(2,965)	(78,031)
At 31 December 2010	144,000	76,428	15,000	1,376	8,210	259,977	504,991	11,824	516,815

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2011

1 BACKGROUND AND ACTIVITIES

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 2011 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 associates. The registered office of the Company is P.O. Box 14, in Manama, Kingdom of Bahrain. The subsidiaries and associates of the Group included in these consolidated financial statements are as follows:

Company	Country of incorporation	Shareholding (%)
Subsidiaries		
Batelco Middle East Company SPC	Kingdom of Bahrain	100
Arabian Network Information Services WLL	Kingdom of Bahrain	100
BMIC Limited	Mauritius	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	100
Umniah Mobile Company PSC	Kingdom of Jordan	96
Batelco Jordan PSC (held by Umniah Mobile Company PSC)	Kingdom of Jordan	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	96
Qualitynet General Trading and Contracting Company WLL*	State of Kuwait	44
Associates		
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	26.94
STEL Private Limited	India	42.70

** Subsidiary due to management control*

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 2001 and Central Bank of Bahrain's Disclosure Standards. 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 other than the changes as stated below.

(i) New Standards, amendments and interpretations that are effective on or after 1 January 2011

The following standards, amendments and interpretations, which became effective in 2011, are relevant to the Group:

- *IAS 24 – Related party disclosures*

  The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

  The adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

- *Improvements to IFRS*

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

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

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

2 BASIS OF PREPARATION (continued)

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

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

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

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

  The application of this amendment has no significant impact on the financial statements of the Group.

- *IFRS 9 - Financial Instruments*

  - Standard issued November 2009

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

  - Standard issued October 2010

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

    The Group is assessing the implications of the standard and the impact on the Group.

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

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

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

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

- *IFRS 12 - Disclosures of interests in other entities*

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

2 BASIS OF PREPARATION (continued)

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

- *IFRS 13 - Fair value measurement*

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

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

- *Early adoption of standards*

  The Group did not early adopt new or amended standards in 2011.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for available for sale investments that are stated at their fair values and investment in associate classified as held for sale that is stated at lower of its carrying value and fair value less cost to sell.

c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Note 3 i) & 10 – valuation of investments
- Note 3 n) – provisions
- Note 3 o) – impairment
- Note 3 q) – utilization of tax losses
- Note 6 – measurement of the recoverable amounts of cash-generating units

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain economic benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control effectively ceases.

(ii) Investment in associates

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

b) Foreign currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the locations in which the Company, its subsidiaries and associate operate ("the functional currency"). These consolidated financial statements are presented in Bahraini Dinars ("BD"), the Group's presentation currency and all values are rounded to the nearest thousand (BD' 000) except where otherwise indicated.

(ii) 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.

(iii) 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 recognized in the other comprehensive income and presented in equity as a foreign currency translation reserve.

c) Property and equipment

(i) Recognition and initial measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost includes expenditures that are directly attributable to the acquisition cost of the asset. The cost of self constructed assets includes the cost of materials, direct labour and any costs that are directly attributable to bringing an asset to its working condition for its intended use. 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.

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 measurement

Any subsequent cost incurred for replacing a component of an item of property and equipment is capitalized if it is possible that the future economic benefits embodied in the component of the item of property and equipment will flow to the Group. All other expenditures are recognised in the profit or loss as expenses are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(iii) 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 of acquisition, 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 to 25
Network assets & telecom equipment	2 to 25
Motor vehicles, furniture, fittings & office equipment	2 to 10

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

d) Investment property

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

e) Leased assets

(i) Finance leases

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

(ii) Operating leases

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

f) Goodwill

Goodwill arises on acquisition of subsidiaries and associates. Goodwill represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. In respect of associates, goodwill is included in the carrying amount of the investment.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually at the balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Intangible assets

Intangible assets comprise license fees, trade name & associated assets, and non-network software.

(i) Recognition and measurement

License fees, trade name & associated assets and non-network software acquired or incurred by the Group have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses, if any. 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 recognized 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 to 13
Trade name & associated assets and non-network software	3 to 13

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

h) Financial instruments

(i) Financial instruments

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

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

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

(ii) 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) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale ("AFS") investments. Purchase and sale of AFS investments are accounted for on the trade date and are initially recorded at cost, being the fair value of the consideration given including transaction charges associated with the investment. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3(o)), 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.

j) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

l) 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.

m) 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.

n) 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.

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

(ii) Non-financial assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

p) 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.

q) Income tax

Income 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. 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.

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.

r) Revenue

Revenue represents the value of fixed or determinable consideration that has been received or is receivable and includes revenue from revenue sharing arrangements entered into with national and international telecommunication operators in respect of traffic exchanged.

Revenue for services rendered is stated at amounts invoiced to customers. Fees for installation and activation are recognised as revenue upon activation. All installation and activation costs are expensed as incurred. Monthly service revenue received from the customer is recognised in the period in which the service is delivered. Airtime revenue is recognised on the usage basis. Revenue from data services is recognised when the Group has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service. Revenue from handset and other equipment sales is recognised when the product is delivered to the customer.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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.

t) 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 27).

u) 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, amortization, revaluations or share of profits or losses that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

4 FINANCIAL INSTRUMENTS 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 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 Audit Committee of the Board of Directors of the Company 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 Audit Committee is assisted in its oversight role 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.

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group has also established a centralised Group treasury function which works under the overall supervision of the Board of Directors of the Company and provides support to the Group for funding, foreign exchange, interest rate management and counterparty risk management. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Company'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, unbilled revenue, investment securities and cash and bank balances.

(i) Trade receivables

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables (refer to note 11).

(ii) Investments and cash and bank balances

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

(iii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
Trade receivables	49,987	45,946
Unbilled revenue	1,435	3,198
Available-for-sale investments	4,337	4,430
Cash and bank balances	107,893	86,817
	163,652	140,391

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iv) Customers' accounts

The maximum exposure to credit risk at 31 December 2011 classified by operating segment sharing common economic characteristics with respect to credit risk is as follows:

	2011	2010
Operating segment		
Bahrain	26,330	25,513
Jordan	1,557	1,496
Other countries	8,613	10,671
	36,500	37,680

(v) Amounts due from telecommunications operators

The maximum exposure to credit risk for amounts due from telecommunications operators at 31 December 2011 by type of customer was:

	2011	2010
Customer segment		
International operators	3,606	3,349
Local operators	9,881	4,917
	13,487	8,266

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. A major portion of the Group's funds are invested in cash and cash equivalents which are readily available to meet expected operational expenses, including the servicing of financial obligations. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities at 31 December 2011	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 years**	**2-5 years**
Trade payable	25,971	25,971	23,416	582	1,973
Amount due to telecommunications operators	14,167	14,167	14,167	-	-
	40,138	**40,138**	**37,583**	**582**	**1,973**

Non-derivative financial liabilities at 31 December 2010	Carrying amount	Contractual cash flows	Within one year	1-2 years	2-5 years
Trade payable	26,397	26,398	23,335	772	2,291
Amount due to telecommunications operators	14,853	14,853	14,853	-	-
	41,250	41,251	38,188	772	2,291

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 and Jordanian Dinar, (which are pegged to the US Dollar) and Kuwaiti Dinar. The Group's exposure 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 2011 was 0.80 % (2010: 0.99 %).

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

	2011	2010
Fixed rate instruments		
Financial liabilities	**41**	167
Variable rate instruments		
Financial assets	**87,982**	68,487

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 803 (2010: BD 697). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

(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

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 Company's Board of Directors.

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 measured at fair value at the end of 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2011	2010
Available-for-sale investments		
Investment securities fair valued at level 1	**11,684**	23,291

(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 i) for accounting policies on valuation of AFS investments and note 3 o) 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 return 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 Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

e) Classification of financial instruments

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

31 December 2011	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**
Available-for-sale investments	-	16,703	-	16,703
Trade receivables	49,987	-	-	49,987
Unbilled revenue	1,435	-	-	1,435
Cash and bank balances	107,893	-	-	107,893
	159,315	**16,703**	**-**	**176,018**
Trade payable	-	-	25,971	25,971
Amounts due to telecommunications operators	-	-	14,167	14,167
	-	**-**	**40,138**	**40,138**

31 December 2010	Loans and receivables	Available-for-sale	Others at amortised cost	Total carrying amount
Available-for-sale investments	-	28,403	-	28,403
Trade receivables	45,946	-	-	45,946
Unbilled revenue	3,198	-	-	3,198
Cash and bank balances	86,817	-	-	86,817
	135,961	28,403	-	164,364
Trade payable	-	-	26,397	26,397
Amounts due to telecommunications operators	-	-	14,853	14,853
	-	-	41,250	41,250

With the exception of available-for-sale investments carried at cost less impairment allowances, the fair values of the Group's assets and liabilities closely approximate the carrying value.

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5 PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2011	Total 2010
Cost							
At 1 January	19,026	52,004	392,981	34,949	23,676	522,636	538,219
Additions	-	-	8,669	498	17,467	26,634	27,280
Projects completed	96	-	18,906	675	(16,103)	3,574	4,217
Disposals	-	-	(21,991)	(787)	(105)	(22,883)	(47,080)
At 31 December	**19,122**	**52,004**	**398,565**	**35,335**	**24,935**	**529,961**	**522,636**
Depreciation							
At 1 January	-	45,771	258,631	26,760	-	331,162	342,200
Charge for the year	-	871	29,444	3,147	-	33,462	34,959
Disposals	-	-	(18,907)	(775)	-	(19,682)	(45,997)
At 31 December	**-**	**46,642**	**269,168**	**29,132**	**-**	**344,942**	331,162
Net book value							
At 31 December 2011	**19,122**	**5,362**	**129,397**	**6,203**	**24,935**	**185,019**	191,474
At 31 December 2010	19,026	6,233	134,350	8,189	23,676	191,474	

Free hold land includes certain property at Hamala with a carrying value of BD 44 (2010: BD 44) held as investment property for earning rentals or capital appreciation. The fair value of the property as at 31 December 2011 was BD 10,060 (2010: BD 9,600). The fair value of the property was determined by a registered independent appraiser having an appropriate recognised professional qualification and experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties as the Group's property.

For a list of properties owned and rented by the Company, please refer to note 29.

6 GOODWILL

	2011	2010
Cost		
At 1 January	125,129	125,129
Exchange rate adjustments	(447)	-
At 31 December	**124,682**	125,129

a) Analysis of Goodwill

Goodwill acquired in business combination is allocated to "Jordan" for the purposes of segment reporting.

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 ("CGU") is determined based on the higher of fair values less costs to sell and value-in-use calculations. Fair values less costs to sell are estimated by using the capitalised earnings approach and comparing the same with those of other telecom companies within the region.

(ii) The key assumptions for the value-in-use calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user ("ARPUs"), earnings before interest, taxation, depreciation and amortization ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts. No impairment losses were recognised in 2011 (2010: BD Nil).

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6 GOODWILL (continued)

(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 value in use calculations is sensitive to the above changes, although these did not result in a materially significant change in the carrying value of the goodwill and related assets.

7 INTANGIBLE ASSETS

	2011	2010
Cost		
At 1 January	64,386	64,772
Additions during the year	464	1,457
Disposals during the year	(800)	(1,843)
At 31 December	**64,050**	64,386
Amortisation		
At 1 January	35,982	32,979
Charge for the year	4,523	4,745
Disposals during the year	(763)	(1,742)
At 31 December	**39,742**	35,982
Net book value at 31 December	**24,308**	28,404

8 INVESTMENT IN ASSOCIATES

	2011	2010
At 1 January	130,124	148,388
Receipts from Associate	(1,930)	(6,094)
Share of loss (net)	(3,124)	(13,199)
Share of currency translation (loss) / gain	(17)	1,029
Investment classified as held for sale (Note 9)	(46,473)	-
At 31 December	**78,580**	130,124

The summarized aggregate financial information of the associates is as follows:

	2011*	2010
Assets	139,454	248,934
Liabilities	111,488	174,520
Revenues	60,240	90,455
Profit / (loss)	1,944	(24,186)

* Unaudited and as of 31 October 2011. Excludes "Investment classified as held for sale".

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9 INVESTMENT IN ASSOCIATE CLASSIFIED AS HELD-FOR-SALE

As at 31 December 2011, the Group's investment in STEL Private Limited ("STEL") is classified as asset held-for-sale, following the Board of Directors earlier decision in April 2011 to actively pursue the sale of the investment, whilst identifying other investment opportunities for the Group to remain active in Indian telecom market. The Group has a binding agreement to sell its investment in STEL by quarter ending 31 December 2012 for US$ 174.5 (BD 65.8) million. Investment in STEL is measured at lower of its carrying amount and fair value less cost to sell, in accordance with IFRS 5 - Non-current Assets Held-for-Sale and Discontinued Operations.

As result of classification of the investment in STEL as held-for-sale, effective 1 April 2011, the Group has discontinued recognising its share of loss from STEL. The unrecognised share of loss from associate company amounted to BD 13,217 as at 31 December 2011.

	2011	2010
Investment in associate classified as held for sale	**46,473**	-

10 AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
Debt securities	6,316	6,409
Equity securities	14,413	26,020
Less: impairment allowance	(4,026)	(4,026)
	16,703	28,403

Non-current investments include BD 11,684 representing 15 % equity investment in Etihad Atheeb Telecommunications Company ("the investee"). There is a five year lock in period starting from April 2009.

The investment has been written down from its original cost of BD 15,081 to the current carrying value based on the latest available share price before suspension of trading on the Saudi Stock Exchange on 25th May 2011. The decrease in original cost and carrying value is recognised in other comprehensive income and presented within equity in the Investments fair value reserve.

The investee's shareholders have approved the SAR 1,175 million (BD 118.1 million) rights issue in an Extra-ordinary General Meeting on 14 January 2012. The Group's share of rights issue is BD 17.7 million, being 15 % of BD 118.1 million. The investee expects to complete the rights issue by quarter ending 31 March 2012.

As part of the financial restructuring, the investee company has reduced the share capital by BD 60.3 million (SAR 600 million) corresponding to a 60 % reduction. In the interim, the investee is dependent on interim funding committed from its founding shareholders to meet operational cash requirements. The Group's share of such interim funding commitment is BD 9.0 million of which BD 2.8 million has been disbursed. The commitment will be applied against the Group's share of the rights issue, once the rights issue is completed.

11 TRADE AND OTHER RECEIVABLES

	2011	2010
Trade receivables	66,294	62,120
Less: impairment allowance	(16,307)	(16,174)
	49,987	45,946
Unbilled revenue	1,435	3,198
Prepaid expenses and other receivables	20,340	15,690
	71,762	64,834

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11 TRADE AND OTHER RECEIVABLES (continued)

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

	2011	2010
Customers' accounts	36,500	37,680
Telecommunications operators	13,487	8,266
	49,987	45,946

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. Trade receivables are considered past due when they are aged over 30 days from the billing date. The aging of past due trade receivables at the reporting date was as follows:

	2011	2010
Not yet due	20,733	15,963
Overdue:		
- Up to 90 days	18,298	18,517
- 91-180 days	6,688	5,878
- More than 180 days	20,575	21,762
Gross trade receivables	66,294	62,120
Impairment provision	(16,307)	(16,174)
Net trade receivables	**49,987**	45,946

The movement in the allowance for impairment was as follows:

	2011	2010
At 1 January	16,174	16,021
Impairment loss recognized during the year	3,413	2,798
Written off during the year	(3,280)	(2,645)
At 31 December	**16,307**	16,174

12 CASH AND BANK BALANCES

Cash and bank balances include BD 2,798 (2010: BD 6,381) on account of unclaimed dividends and short-term deposits with maturities exceeding three months. These have been excluded for the purposes of statement of cash flows.

	2011	2010
Cash and bank balances	**107,893**	86,817

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13 TRADE AND OTHER PAYABLES

	2011	2010
a. Current		
Trade payable	23,416	23,334
Amounts due to telecommunications operators	14,167	14,853
Provisions and accrued expenses (note 14)	69,605	62,443
Customer deposits and billings in advance	21,867	28,311
Current tax liability	4,813	4,920
	133,868	133,861
b. Non-current		
Trade payable	2,555	3,063
Deferred tax liability (note 15)	4,193	4,732
	6,748	7,795
	140,616	141,656

14 PROVISIONS

Included within provisions and accrued expenses are amounts provided for employee redundancy programme benefits and donations. The movement in provisions is as follows:

	Provision for employee redundancy benefits		Provision for donations	
	2011	2010	**2011**	2010
At 1 January	2,100	2,061	2,353	1,318
Amounts provided during the year	3,407	3,332	2,169	2,626
Amounts paid during the year	(5,087)	(3,293)	(2,117)	(1,591)
At 31 December	**420**	2,100	**2,405**	2,353

15 DEFERRED INCOME TAX ASSET AND LIABILITY

The deferred tax assets and liabilities are attributable to the following items relating to Jordan:

	2011 Assets	**2011 Liabilities**	2010 Assets	2010 Liabilities
Intangible assets	-	4,193	-	4,732
Aggregate temporary differences mainly on expenses	2,018	-	1,271	-
Total	**2,018**	**4,193**	1,271	4,732

16 SHARE CAPITAL

	2011	2010
a) **Authorised:** 2,000 (2010: 2,000) million shares of 100 fils each	**200,000**	200,000
b) **Issued and fully paid:** 1,440 (2010: 1,440) million shares of 100 fils each	**144,000**	144,000

- The Company has only one class of equity shares and the holders of these shares have equal voting rights.
- Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5 % or more of outstanding shares:

Name	Nationality	Number of shares (thousands)	Share holding (%)
Bahrain Mumtalakat Holding Company BSC (c)	Bahrain	528,000	37
Amber Holdings Limited	Cayman Islands	288,000	20
Social Insurance Organisation	Bahrain	296,098	21

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1 %	247,409	11,089	16
1 % up to less than 5 %	80,493	2	6
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,112,098	3	78
	1,440,000	**11,094**	**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. Transfer of BD 15,000 (2010: Nil) was made during the year 2011.

18 DIVIDENDS

The dividends paid in 2011 and 2010 were BD 64,800 (45 Fils per share) and BD 72,000 (50 Fils per share) respectively. The dividends paid in 2011 include an amount of BD 36,000 relating to the final dividend for the year ended 31 December 2010 and interim dividend of BD 28,800 in the year 2011. A final dividend in respect of the year ended 31 December 2011 of 20 Fils per share, amounting to final dividend of BD 28,800 was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 22 February 2012. These financial statements do not reflect this final dividend payable.

19 REVENUE

	2011	2010
Mobile telecommunications services	150,855	161,809
Fixed line telecommunication services	27,974	34,037
Internet	38,124	37,873
Data communication circuits	55,271	52,971
Wholesale	37,352	39,831
Others	17,396	13,731
	326,972	340,252

20 NETWORK OPERATING EXPENSES

	2011	2010
Outpayments to telecommunications operators	43,462	47,983
Operating lease rentals	27,596	23,308
Cost of sales of equipment and services	26,079	23,455
Licence fee	5,662	6,569
Repair and maintenance	10,663	8,047
	113,462	109,362

21 OTHER OPERATING EXPENSES

	2011	2010
Marketing, advertising and publicity	13,311	14,768
Impairment allowances	3,413	2,798
Other expenses	19,834	17,376
	36,558	34,942

22 FINANCE AND OTHER INCOME

	2011	2010
Rental income	294	738
Interest income	750	586
Others	2,213	(31)
	3,257	1,293

23 EARNINGS PER SHARE ("EPS")

	2011	2010
Profit for the year attributable to equity holders of the Company	80,014	86,773
Weighted average number of shares outstanding during the year (in thousands)	1,440,000	1,440,000
Basic earnings per share (Fils)	**55.6**	60.3

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

24 COMMITMENTS AND CONTINGENCIES

a) Guarantees

(i) The Group has furnished a guarantee for BD 27.1 (2010: BD 36.9) million to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(ii) The Group has furnished guarantees amounting to BD 1.6 (2010: BD 2.5) million to suppliers on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.

(iii) As at 31 December 2011, the Group's banks have issued guarantees, amounting to BD 7.8 (2010: BD 8.5) million and letters of credit amounting to BD 0.31 (2010: BD 1.9) million.

(iv) The Group has furnished a comfort letter for BD 1.9 (2010: BD 1.9) million to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

b) Operating leases

The Group enters in to cancellable operating lease agreements in the normal course of business, which are principally in respect of property and equipment. These lease agreements are cancellable with a notice period less than a year.

c) Staff housing loans

The Company provides loans to its Bahraini employees for the acquisition of residential properties. The loans are funded through a local commercial bank and secured by a guarantee issued by the Company. The policy of providing staff housing loan guarantees was discontinued in 2007. The Company bears 75% (2010: 75 %) of the loan interest. At 31 December 2011, the Company has an outstanding guarantee of BD 2.4 (2010: BD 3.1) million towards housing loans to staff.

d) Foreign currency facilities

The Group currently has foreign currency facilities from commercial banks totalling approximately BD 11.7 (2010: BD 11.7) million. At 31 December 2011, the Group has utilised BD Nil (2010: BD Nil) of the foreign currency facilities.

e) Commitments

(i) The Group has capital commitments at 31 December 2011 amounting to BD 17.0 (2010: BD 15.5) million.

(ii) The Company has commitment to contribute BD 17.7 million to the equity of an investee company as a part of the proposed rights issue of the investee company.

f) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 5.5 (2010: BD 5.5) million. The Group is of the view that there are no legitimate legal grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

g) Claims against STEL

Claims have been made against STEL by certain government authorities in India, which have been incorporated in litigation commenced in the Supreme Court of India in January 2011 that STEL was ineligible to be granted Unified Access Services ("UAS") licenses in 2008, due to its alleged non-compliance of certain UAS License guidelines. STEL is taking all necessary legal steps to strenuously defend its position.

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25 EMPLOYEE BENEFITS

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 3.5 (2010: BD 3.8) million. The provision for leaving indemnity in respect of expatriate employees amounted to BD 2.5 (2010: BD 2.4) million and is included under provisions and accrued expenses.

26 TRANSACTIONS WITH RELATED PARTIES

(i) The Company qualifies as a government related entity under the definitions provided in the Revised IAS 24. The Group provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Group 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

	2011	2010
Short-term employee benefits	2,540	2,163
Post-employment benefits	64	28
Total key management personnel compensation	**2,604**	2,191

	2011	2010
Post employment benefits due	**182**	118
Directors remuneration (including sitting fees)	**601**	597

(iii) Transactions with associates are disclosed under note 8 and 9.

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

	2011	2010
Total number of shares held by Directors	**3,878,361**	3,598,361
As a percentage of the total number of shares issued	**0.27 %**	0.25 %

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27 SEGMENT INFORMATION

Operating segments

The Group's operations are segregated between Bahrain, Jordan and Other countries. Other countries include Kuwait, Yemen, Egypt and India. Segment information disclosed for the year ended 31 December 2011 is as follows:

	Year ended 31 December 2011					Year ended 31 December 2010				
Segment revenue & profit	**Bahrain**	**Jordan**	**Other countries**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
Revenue (external customers)	202,877	88,866	35,229	-	326,972	222,653	87,593	30,006	-	340,252
Inter-segment revenues	9,510	18,319	1,259	(29,088)	-	8,793	11,379	1,242	(21,414)	-
Finance and other income	5,810	146	13	(2,712)	3,257	3,747	130	110	(2,694)	1,293
Depreciation and amortisation	23,546	12,466	1,973	-	37,985	25,335	12,531	1,838	-	39,704
Interest expense	-	262	-	-	262	50	296	-	-	346
Share of loss of associates (net)	-	-	(3,124)	-	(3,124)	-	-	(13,199)	-	(13,199)
Profit / (loss)	67,833	13,587	2,435	-	83,855	86,044	11,795	(7,206)	-	90,633

	As at 31 December 2011					As at 31 December 2010				
Segment assets & liabilities	**Bahrain**	**Jordan**	**Other countries**	**Inter -segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter -segment elimination	Total
Non-current assets	138,672	199,231	93,407	-	431,310	155,207	204,461	145,137	-	504,805
Current assets	154,517	12,405	73,003	(11,928)	227,997	123,152	17,980	24,097	(11,563)	153,666
Total assets	**293,189**	**211,636**	**166,410**	**(11,928)**	**659,307**	278,359	222,441	169,234	(11,563)	658,471
Current liabilities	82,695	35,736	24,177	(8,740)	133,868	83,394	36,119	22,476	(8,128)	133,861
Non-current liabilities	3,513	6,748	-	(3,513)	6,748	3,513	7,795	-	(3,513)	7,795
Total liabilities	**86,208**	**42,484**	**24,177**	**(12,253)**	**140,616**	86,907	43,914	22,476	(11,641)	141,656

28 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.

29 LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY

Description	Usage	Owned/Rented
Hamala Headquarters	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
Eid Mosque Car Park	Car Park	Rented
Salmaniya Car Park (Telephone House)	Car Park	Rented
Sales Site (in BCC)	Customer Service Centre & Offices	Owned
18 Sales Sites	Customer Service Centre	Rented
67 different sites used for GSM base stations and exchanges	GSM & fixed telephone network	Owned
232 different sites used for locating Remote Line Units (RLUs)	GSM & fixed telephone network	Rented

SUMMARISED FINANCIAL INFORMATION OF THE COMPANY, BAHRAIN TELECOMMUNICATIONS COMPANY BSC

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a) Statement of financial position

	2011	2010
ASSETS		
Non-current assets		
Property and equipment	119,742	123,355
Intangible assets	2,228	3,437
Investment in subsidiaries	232,148	231,900
Investment in associate[1]	82,226	82,226
Available-for-sale investments	16,703	28,403
Total non-current assets	**453,047**	469,321
Current assets		
Inventories	443	577
Trade and other receivables	54,845	42,974
Cash and bank balances	90,215	68,884
Total current assets	**145,503**	112,435
Total assets	**598,550**	581,756
EQUITY AND LIABILITIES		
Equity		
Share capital	144,000	144,000
Statutory reserve	72,000	72,000
General reserve	30,000	15,000
Investments fair value reserve	(3,397)	8,210
Retained earnings	243,073	251,485
Total equity	**485,676**	490,695
Current liabilities		
Trade and other payables	112,874	91,061
Total current liabilities	**112,874**	91,061
Total liabilities	**112,874**	91,061
Total equity and liabilities	**598,550**	581,756

[1] Investment in associate recorded at cost. 2010 figures of 'Investment in associate' and 'Retained earnings' regrouped for comparison purposes.

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b) Statement of comprehensive income

	2011	2010
REVENUE	**212,386**	231,446
EXPENSES		
Network operating expenses	(69,062)	(66,774)
Staff costs	(39,065)	(38,837)
Depreciation and amortisation	(23,533)	(25,308)
Other operating expenses	(18,656)	(18,152)
Total expenses	**(150,316)**	(149,071)
Results from operating activities	**62,070**	82,375
Finance and other income[2]	11,487	9,812
Finance expenses	-	(50)
Profit for the year	**73,557**	92,137
Other comprehensive income		
Investments fair value changes	(11,607)	(1,247)
Other comprehensive income for the year	**(11,607)**	(1,247)
Total comprehensive income for the year	**61,950**	90,890
Profit for the year attributable to equity holders of the parent company	**73,557**	92,137
Total comprehensive income attributable to equity holders of the parent company	**61,950**	90,890

[2] Finance and other income includes dividends received from associate. 2010 figure regrouped for comparison purposes.