Batelco
Group

MOVING FORWARD

ANNUAL REPORT 2013

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Mr. Ahmed Hussain Al Janahi
Group Company Secretary
P.O. Box 14, Manama,
Kingdom of Bahrain
Tel: +973 17 881 881
Fax: +973 17 611 898
investor@batelcogroup.com
www.batelcogroup.com

Office of the Registrar
Bahrain Bourse
Bahrain Financial Harbour,
Harbour Mall - 4th floor,
P.O. Box 3203,
Manama, Kingdom of Bahrain
Tel: +973 17 261 260
Fax: +973 17 228 061
registry@bahrainbourse.com.bh
www.bahrainbourse.net

His Royal Highness
Prince Khalifa bin Salman
Al Khalifa

The Prime Minister of
the Kingdom of Bahrain

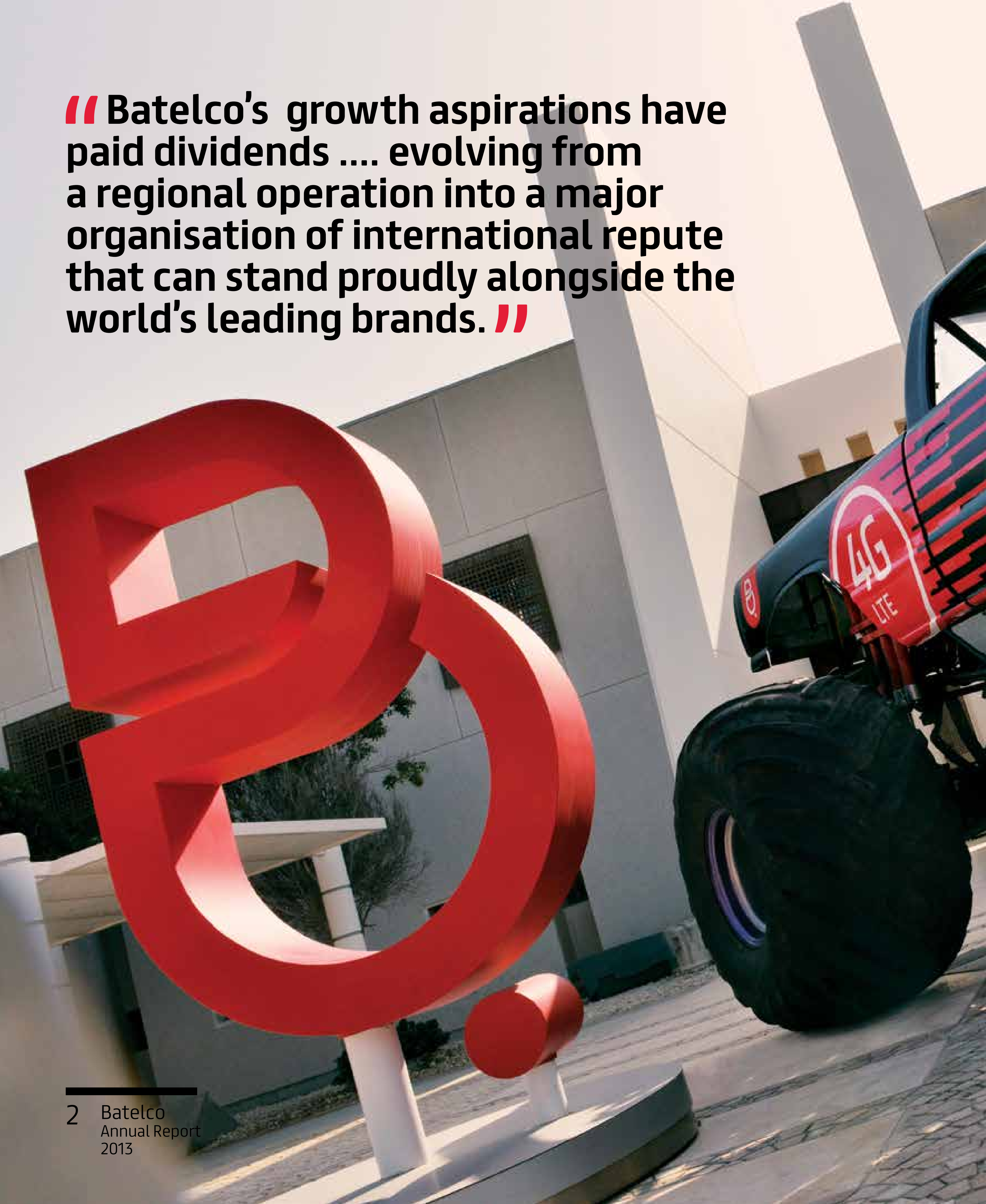
His Majesty
King Hamad bin Isa
Al Khalifa

The King of the Kingdom
of Bahrain

His Royal Highness
Prince Salman bin Hamad
Al Khalifa

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

"Batelco's growth aspirations have paid dividends .... evolving from a regional operation into a major organisation of international repute that can stand proudly alongside the world's leading brands."



Moving Forward to Connect a Wider Audience

2013 witnessed a significant milestone in the history of Bahrain's leading communications company, with a major acquisition which has won prestigious awards at a number of regional events. Due to the successful acquisition of key operations from Cable & Wireless Communications, Batelco has been transformed from being a regional Middle Eastern operation, to become a major communications group with direct and indirect investments across 14 geographies, namely Bahrain, Jordan, Kuwait, Saudi Arabia, Yemen, Egypt, Guernsey, Jersey, Isle of Man, Maldives, Diego Garcia, St. Helena, Ascension Islands and Falklands.

Over many years, Batelco has played a pivotal role in Bahrain's development as a major communications hub, and in spite of evolving into a world class international operation, the Company still retains a sharp focus on its home market, continuing to lead and shape the local consumer market and the enterprise ICT market.

Batelco's growth during 2013 positions the Company as one of the most important organisations in the Kingdom of Bahrain and the country's largest shareholding company.

We are buoyed by our success which has swelled our customer base and diversified our revenues stream. We are committed to further investment in our home market and international operations.

Going forward into 2014, Batelco Group is in a strong position to build on its solid platform in order to strengthen performance at home and abroad and better serve both its customers and shareholders.

Vision and Mission

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 MENA region and internationally. 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 though customer experience and value added services
- Excel through personal leadership
- Support the communities we live in

Financial Highlights

Net profit (BD Million)	Earnings per share (Fils)	Cash and Bank Balance (BD Million)
43.6	27.5	198.6
2013	2013	2013

Net Assets (BD'000)	Gross Revenue (BD Million)	EBITDA (BD Million)
593.1	370.6	120.7
2013	2013	2013

In line with the Group's continued diversification, 54% of revenues and 50% of EBITDA are now generated from markets outside of Bahrain.

"The total subscriber base has grown to 9 million across 14 geographies of the expanded operation, representing 18% growth year on year."

Chairman's Statement

I am extremely pleased with the strides made during 2013 and the solid foundations laid for moving forward and growing the Group's operations, subscriber base and presence in all markets.

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

"We are confident that the fruits of our acquisition will continue to help further bolster profitability and our ability to deliver the best value for shareholders."

Gross Revenues
(BD Million)

370.6

On behalf of the Board of Directors, it gives me great pleasure to present the 32nd Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2013.

Our financial results for the full year 2013 were marked by strong cash generation and growing customer numbers across the Group. Our results were positively boosted by our overseas operations, which includes for the first time in our annual results, the Island Portfolio acquired from CWC (Cable & Wireless Communications) in a deal finalised in April 2013. Diversification has been central to our strategy for a number of years and we are very pleased to see our investments deliver in line with our expectations.

The Group's Gross Revenues stood at BD370.6M (US$983.0M) an increase of 22% year over year, with Net Profits of BD43.6M (US$115.6M), a decrease of 28% year over year. Profits for the year were impacted by a number of one off expenses including those associated with the Islands Portfolio acquisition. EBITDA for the year was BD120.7M (US$320.2M), representing a healthy margin of 33%. In line with the Group's continued diversification, 54% of revenues and 50% of EBITDA are now generated from markets outside of Bahrain where the Group continues to focus on strengthening its performance and reach.

The Group ended the year with a strong balance sheet and financial position. As of 31 December 2013, net assets were BD593.1M (US$1,573.2M) with substantial cash and bank balances of BD198.6M (US$526.8M) and net debt of BD44.0M (US$116.7M).

In April 2013 we announced the launch of a US$650 million 7-year Reg S bond offering, the inaugural bond issue for the Group, with the proceeds to form part of the funding requirements for Batelco's Island Portfolio acquisition.

The transaction attracted a US$4.8 billion orderbook across 255 accounts. The strong demand, attractive pricing and the extremely quick take up of the issue underscored the confidence of the global markets in our strategy, business model and prospects. More recently, in November 2013, Batelco commenced a buyback of its bond offering, with BD14.9M (US$39.5M) repurchased as of 31 December 2013. The bond buyback offers us the opportunity to deploy excess liquidity in realizing interest savings and managing debt levels.

Financial Highlights

- Gross Revenues of BD370.6M (US$983.0M) for the year
- Consolidated Net Profit of BD43.6M (US$115.6M) for the year.
- EBITDA of BD120.7M (US$320.2M) representing a 33% margin for the full year.
- Significant cash and bank balances totalling BD198.6M (US$526.8M) at year end.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2013.

BD millions	2013	2012
Final cash dividends proposed	**15.84**	14.4
Interim cash dividends paid	**15.84**	21.6
Donations at 2.5%	**1.09**	1.5
Transfer to statutory reserve	**1.516**	2.4
Transfer to general reserve	**-**	6.0
Bonus shares in the ratio of one bonus share for every 20 shares held of the paid-up capital by capitalising reserves	**7.92**	14.4

The Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD31.7M (US$84.1M), at a value of 20 fils per share, of which 10 fils per share was already paid during the third quarter of 2013 with the remaining 10 fils to be paid in cash following the AGM in March. In addition, the Board of Directors will also recommend a 5% bonus share issue, awarding one extra share for every 20 shares currently held by the Company's shareholders.

"We continuously strive to deliver innovation, reliability and value, as trust in any brand is of the utmost importance and it's what retains our customers' loyalty."

"We have been continuing over the year with our restructuring and cost rationalisation programme, announced in 2012. We look forward to reaping the benefits of this exercise which will help us to further strengthen our performance and financial results as we go forward."

Our strategy and ongoing efforts to achieve operational excellence and growth ensures the Group provides shareholders with some of the highest dividend yields in our industry region wide. We are confident that the fruits of our acquisition, which have been accretive from the outset, will continue to help further bolster profitability and our ability to deliver the best value for shareholders.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2014.

We are fortunate to benefit from the ongoing support of the Kingdom of Bahrain's leadership. Such commitment from the top levels to bolster communications services for the Kingdom is commendable.

On behalf of my colleagues on the Board of Directors, management and staff, I extend appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, The Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister.

Commitment to our Customers, Shareholders and Employees

We continuously strive to deliver innovation, reliability and value, as trust in any brand is of the utmost importance and it's what retains our customers' loyalty. We are very grateful that they continue to choose Batelco products and services in a marketplace that offers such a vast range of choices. I assure our customers that we will keep their requirements in the forefront during 2014 and beyond.

Our employees at all levels consistently demonstrate they have the imagination and agility to deliver for our customers and I offer my heartfelt thanks to the entire workforce across the Group for their ongoing efforts. Such support will help us to build on our brand's strength which is of key importance as we are now operating in such diverse locations.

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

Wellbeing of the Community a Priority

The Group's commitment to Corporate Social Responsibility continued to make a difference throughout 2013. Our well established CSR programme is designed to make a positive impact on as many lives as possible and in 2013 more than BD1.5M was paid out to benefit sports, social, health and education related initiatives and charitable organisations.

Moving Forward with Enthusiasm

I am grateful to my colleagues on the Board of Directors and to Batelco's executive management teams for their collaboration and excellent support. I particularly want to mention the tremendous efforts of Batelco's Supervisory Committee, consisting of Deputy Chairman Mr. Murad Ali Murad, Executive Committee Chairman Mr. Abdul Razak Al Qassim and Director Mr. Waleed Al Khaja, who have been assuming the role of the Group Chief Executive Officer since May 2013 and will continue to do so until such time as the new CEO is appointed. Their combined contribution is invaluable.

I am extremely pleased with the strides made during 2013 and the solid foundations laid for moving forward and growing the Group's operations, subscriber base and presence in all markets.

We have entered 2014 in a strong financial position; our growth over 2013 positions us as one of the most important organisations in Bahrain and the Kingdom's largest shareholding company. We remain focussed on our customers at home and overseas to ensure our provisioning exceeds their expectations. Furthermore, we also remain focussed on strengthening our performance to better serve all Batelco Group stakeholders.

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

January 28th 2014

"Batelco Group is very pleased with its Island Portfolio acquisition, which has had a very positive impact on performance."

Batelco Group is very pleased with the transformation achieved over the past 12 months having evolved from being essentially a regional Middle Eastern operation to become a major communications company with direct and indirect investments across 14 geographies.

The announcement of our acquisition of a number of units from CWC which includes Dhiraagu (Maldives), SURE Channel Islands and Isle of Man and SURE operations in the Falkland Islands, St. Helena, Ascension and Diego Garcia, is undoubtedly our biggest news in recent times.

Operational Highlights

- Island Portfolio acquired from CWC makes significant contribution;
- Continued diversification of Group revenues with 54% of revenues and 50% of EBITDA now sourced from markets outside Bahrain;
- Subscriber base of 9.0 million, an increase of 18% YoY. This includes 18% growth in mobile customers and 26% growth of the broadband subscriber base;

Following on from the acquisition, in December 2013, the Group announced that it agreed with CWC to unwind the transfer of a 25% shareholding in Compagnie Monegasque de Communication SAM ("CMC") from CWC to Batelco and accordingly CWC re-paid to Batelco the $100 million paid by Batelco to CWC upon completion of the original transaction. The Group also announced that its proposed acquisition of Cable & Wireless (Seychelles) ("CWS") did not receive regulatory approval.

Nonetheless, Batelco Group is very pleased with its purchase and as anticipated, the acquisition has had a very positive impact on the Group's performance. The total subscriber base has grown to 9.0 million across the 14 geographies of the expanded operation, representing 18% growth year on year.

It is planned to build on the current momentum by pooling of Group resources, technologies and expertise, to further enhance competitiveness and performance in all markets of operation. This includes reinforcing Batelco Bahrain's market position at home, where Batelco retains the position of leading integrated communications provider.

Impressive Growth of the Mobile, Broadband and Fixed Line Subscriber Base

Mobile subscriber numbers grew 18% year over year and 2% quarter on quarter. This increase was supported by strong performance in Bahrain, Jordan and Yemen as well as across the newly acquired subsidiaries.

Broadband customers for the year also increased by an impressive 26% year over year and by 2% since the third quarter with results supported by progress in Jordan.

Additionally, fixed line subscribers have risen by 39% year over year, again boosted by the addition of the Island Portfolio.

Group Diversification

For the year, contributions from operations outside of Bahrain increased both as a percentage of revenues and EBITDA. At year end 2013, 54% of revenues and 50% of EBITDA were sourced from overseas markets with overall performance enhanced by the Island Portfolio.

Jordan: In 2013, Umniah's mobile subscriber base grew to 2.7 million, an increase of 15% year over year and 2% since last quarter. 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 upgrading its infrastructure and expanding its coverage across Jordan. Moreover, the company was able to boost the penetration in the Jordanian mobile phone market from 26% in 2005 to more than 150% in 2013, and positioned itself at the helm of the Jordanian telecom industry.

Kuwait: Batelco's subsidiary Qualitynet, which delivers total ICT solutions, remains the market leader in Kuwait's Data Communications and Internet Services industry. In 2013, it maintained market share and position, delivering steady results and ending the year with around 40,000 customers, reflecting a YoY gain of 3%.

9M
subscribers

The total subscriber base has grown to 9.0 million across the 14 geographies of the expanded operation, representing 18% growth year on year.

Channel Islands and Isle of Man: The 2013 final result saw revenues perform well, being 3% above forecast in the final quarter, driven by increased roaming and improved handset sales which are key positives going in to the new financial year. Revenues on a like for like basis were comparable to the same period in 2012 with 3% overall growth in mobile services, 11% growth on Broadband & TV Services and 57% growth on Wholesale revenues, offsetting reduced data solution revenues which are down due to a major customer loss in 2012. EBITDA on a like for like basis outperformed budget by 4% through a combination of revenue strength and strong management of direct and indirect costs.

South Atlantic & Diego Garcia: The year ended 31 December 2013 witnessed performance ahead of expectations due mainly to continuing enterprise revenue growth (+13% year on year) driven by new managed services for government and enterprise customers in the South Atlantic Islands.

Demand across all consumer services remained buoyant in 2013 as a result of increasing economic activity in the Falklands and St. Helena in particular. Broadband offers were improved following the re-branding of these former C&W businesses to "SURE", and due to a substantial increase of international bandwidth to the islands during the last quarter of 2013. A ten year extension to the Ascension Island operating licence was also agreed with UK government representatives in the last quarter of 2013.

Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU): During the quarter, the company has maintained operating performance with a revenue increase of 1%. Net profits were 9% lower on account of higher operating costs and lower tax provision in the previous quarter due to higher capital allowance. Fixed broadband revenue grew by 3% with launches of new high speed ADSL packages for consumers and the business sector. Data solutions revenue (Leased Lines) grew by 5% with a mix of increased customer numbers and speed upgrade. Overall mobile revenue dropped by 2% due to lower inbound roaming revenue in comparison to previous quarters.

Other JVs: Sabafon (Yemen), in which the Group has a minority shareholding, continued to grow in 2013 following stabilisation of the country's political situation and the rationalisation of the customer base. Sabafon ended the year with more than 4.4 million users reflecting growth of 7% year on year and 2% quarter on quarter. The company is anticipating double digit growth in 2014.

Sabafon is a market leading GSM mobile operator in Yemen and offers national coverage with over 1000 base stations across the country.

Atheeb (Saudi Arabia), in which Batelco holds a 15% stake, reported a decline of 7% year over year in subscriber numbers and 3% growth since the last quarter.

Batelco Bahrain – Focus on Delivering Top Products and Services

In Bahrain innovation, excellence and efficiency remained the core focus. For 2013 mobile subscribers increased by 24% year-over-year, to reach 868,000 subscribers. With regard to mobile broadband subscribers, the year also saw positive results with year over year growth of 69%. The positive results reflect a focus on delivering top quality products and services throughout the year with best value, great offers and prize winning promotions.

In line with a commitment to continually enhance its networks Batelco launched superfast 4G LTE for its customers in February 2013, the first operator to launch the much awaited service in the Kingdom of Bahrain. Credited with having a long list of firsts to its name, Batelco was also first to launch 4G LTE Mobile Broadband for home use and first to present 4G LTE Mobile Internet service for prepaid customers.

Subsequently, Batelco was very pleased to announce the enhancement of its 4G LTE network speed from up-to 100 Mbps to up-to 150 Mbps as part of ongoing efforts to provide a better experience and the latest technologies and innovations in the telecoms industry to its valued customers. Following such success with our 4G LTE service in Bahrain, our plans in 2014 include the roll out of superfast 4G LTE for four of our new operations, Dhiraagu and SURE Telecom in Guernsey, Jersey and Isle of Man. This is in line with our strategy to extend our expertise across our entire Group to deliver greater benefits for our customers wherever they may live.

Recognition for our Efforts

In recognition of the major Island Portfolio acquisition, Batelco Group was recognised by three prestigious organisations, winning the CommsMEA Award for Telecom Deal of the Year, TMT Finance 2013 MENA Award for Deal of the Year and Telecom World Middle East (TWME) 2013 – Best Mergers & Acquisition Award. These are just some of the accolades received with the list also including the GCC HR Excellence Awards - Employee Engagement Award and Arabian Business Achievements Awards which named Qualitynet as Best Internet Services Provider in Kuwait.

Appreciating our Teams Across our Network

Batelco's executive management teams are very appreciative of the efforts of the Group's employees across the entire network. We encourage everyone to work collectively to deliver on our strategies in driving the growth and success of our business.

Accordingly, nurturing employees through development programmes and by offering best benefits, will remain a key objective.

Grateful appreciation is also extended to customers for their loyalty towards Batelco's products and services and to shareholders for their confidence in our strategy. Our Senior Leadership Teams deserve much praise for their vision and drive to grow Batelco Group into a world class integrated communications company to be proud of.

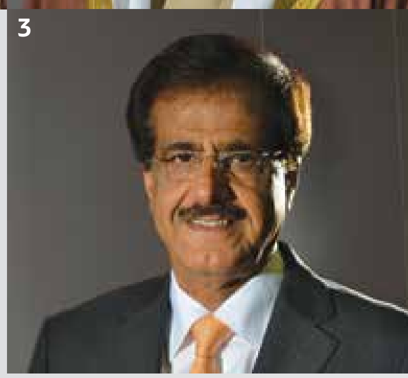
Moving Forward and Consolidating our Efforts in 2014

We remain committed to identifying new avenues for growth in order to leverage our strengths for the benefit of customers, employees and shareholders. Our challenge for 2014 is to build on our successful growth of last year, to consolidate our efforts and deliver further innovation and efficiencies across our diverse network of operations.

Batelco Group Executive Management
Bahrain Telecommunications Company BSC

Our challenge for 2014 is to build on our successful growth of last year, to consolidate our efforts and deliver further innovation and efficiencies across our diverse network of operations.

Board of Directors



1. Shaikh Hamad bin Abdulla Al Khalifa
Chairman

2. Mr. Murad Ali Murad
Deputy Chairman

3. Mr. Abdul Razak Abdulla Al Qassim
Director

4. Mr. Adel Hussain Al Maskati
Director

5. Dr. Zakaria Ahmed Hejres
Director

6. Mr. Nedhal Saleh Al-Aujan
Director

7. Mr. Waleed Ahmed Al Khaja
Director

8. Mr. Ali Yousif Engineer
Director

9. Mr. Abdulrahman Yusif Fakhro
Director

10. Brig. Khalid Al Mannaie
Director

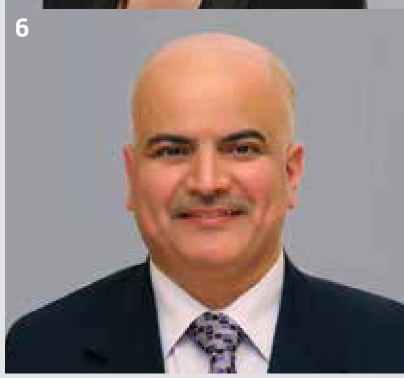
Batelco Group Executive Team

1. Faisal Qamhiyah
Group Chief Financial Officer

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

3. Ahmed Al Janahi
Group Board Secretary & General Manager Corporate Affairs

* **Shaikh Mohamed bin Isa Al Khalifa** served as Group Chief Executive until 21st May 2013
* **Marco Regnier** served as Group CFO until 15th July 2013
* **Peter Kaliaropoulos** served as Group CEO Strategic Assignments until 30th June 2013
* **Dr. Yousif Dashkouni** served as Group General Manager Business Transformation until 3rd July 2013
* **Hamid Husain** served as Group Chief Information Office until 29th May 2013



4. Bernadette Baynie
Group General Counsel

5. Ali Sharif
Group Chief Internal Auditor

6. Haytham Fatayer
Group General Manager Strategic Projects

7. Ahmed Jaghoub
Acting Group Chief Information Officer

Batelco Group

"The Batelco Group is headquartered in the Kingdom of Bahrain and listed on the Bahrain Bourse {Bahrain Telecommunications Company (BATELCO)}."

The Group has direct and indirect investments across 14 geographies - Bahrain, Jordan, Kuwait, Saudi Arabia, Yemen, Egypt, Guernsey, Jersey, Isle of Man, Maldives, Diego Garcia, St. Helena, Ascension Islands and Falklands.

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

Batelco's overseas operations continue to add value to the Group and in 2013 contributed 54% of revenues and 50% of EBITDA. The Group's successful expansion has resulted in over 9 million subscribers, equivalent to an 18% year-on-year increase over 2012.

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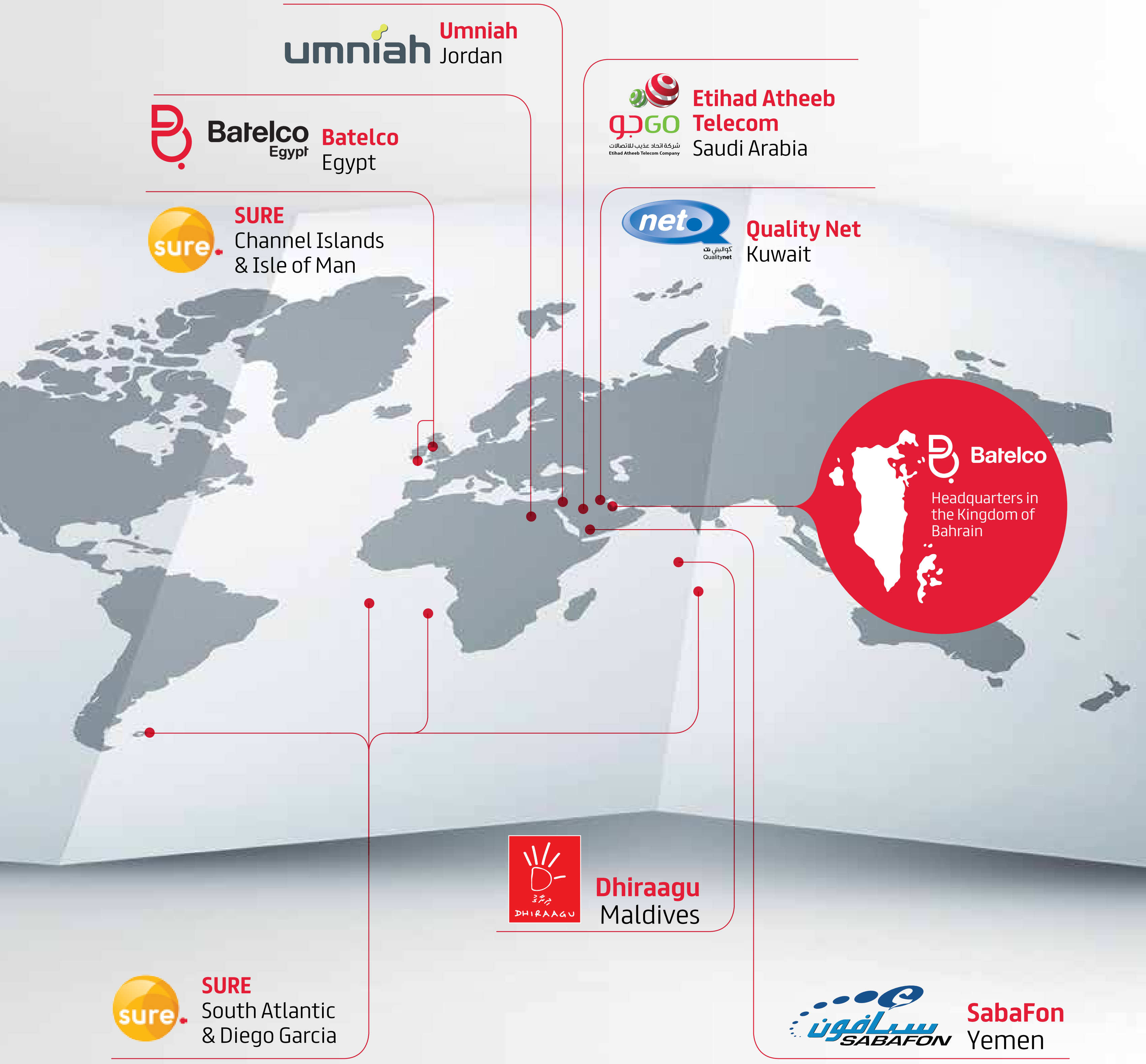
Group operates across 14 regional and international Geographies

14

Island Portfolio makes significant contribution - 54% of revenues and 50% of EBITDA now sourced from overseas

54%


Umniah
Jordan
Batelco
Egypt
Batelco Egypt
SURE
Channel Islands
& Isle of Man
Etihad Atheeb
Telecom
Saudi Arabia
Quality Net
Kuwait
Batelco
Headquarters in
the Kingdom of
Bahrain
Dhiraagu
Maldives
SURE
South Atlantic
& Diego Garcia
SabaFon
Yemen

AT YEAR END 2013, 54% OF REVENUES AND 50% OF EBITDA were sourced from overseas markets with overall performance enhanced by the Island Portfolio.

1. **Rashid Abdulla**
   Chief Executive Officer
   Bahrain
2. **Sameer Altaf**
   Chief Financial Officer
   Bahrain
3. **Muna Al Hashemi**
   General Manager
   Consumer Division
4. **Adel Daylami**
   General Manager
   Enterprise Division
5. **Ali Ahmed Mustafa**
   General Manager
   Wholesale & Carrier
   Services
6. **Suhaila Al Nowakhda**
   General Manager HR &
   Corporate Services
7. **Abdul Hamid Chehab**
   General Manager Network
   Services

* **Hamza Ali** served as General Manager Strategy and Business Development until 31st July 2013
* **Nadia Hussain** served as General Manager Government Relations until 31st July 2013
* **Dr. Abdulla Al Thawadi** served as General Manager Business Continuity & Information Security Management until 31st July 2013

Batelco
Bahrain

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.

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. Batelco remains 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, 3.75G wireless and 4G LTE networks and is proud to deliver up to 150Mbps broadband services for consumers. It also provides MPLS based regional data solutions and GSM mobile and WiMax broadband services across its regional operations.

Batelco features predominantly among the leading philanthropic companies in the Kingdom of Bahrain and in 2013 paid out over BD1.5 million to health, education, sports and cultural initiatives. The Company aspires to have a positive impact on all segments of the community and reach all areas of Bahrain via its annual Corporate Social Responsibility (CSR) programme.

Subsidiaries and Affiliates

1. **Ihab Hinnawi**
   Chief Executive Officer
2. **Michel Lecavalier**
   Chief Financial Officer
3. **Sami Jarrar**
   Director of HR & Corporate Affairs
4. **Omar Al-Omoush**
   Director of Marketing
5. **Ahmad Jaghoub**
   Director of Engineering & IT
6. **Raed Rasheed**
   Director of Distribution & Customer Care
7. **Mahmoud Abu Zannad**
   Director of Enterprise & High Value Segment
8. **Lara El Khateeb**
   Head of Legal Affairs
9. **Amjad Frouqa**
   Director of Quality, Business Continuity and Information Security
10. **Khaled Hudhud**
    Director of Governmental and Regulatory Affairs

Umniah
Jordan

Umniah has shown resilience in the most competitive regional markets and is now the fastest-growing telecommunications provider in Jordan, as well as customers' most-trusted mobile service provider.

Since the launch of its operations in June 2005. Umniah has demonstrated a significant presence in the Jordanian telecom market due to its strong strategy by offering high quality integrated services, including mobile, Internet and business solutions, with the best value, while keeping abreast with sector developments and customers' various needs and expectations.

The telecoms company has won a substantial share of Jordan's market and continues contributing to the development of Jordan's telecommunications services while maintaining steady growth in the number of mobile and internet subscribers. In 2013, Umniah's mobile subscriber base grew to 2.7 million, an increase of 15% year over year. 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 upgrading its infrastructure and expanding its coverage across Jordan, all in line with the objectives of the National ICT Strategy. Moreover, the company was able to boost the penetration in the Jordanian mobile phone market from 26% in 2005 to more than 150% in 2013, and positioned itself at the helm of the Jordanian telecom industry.

In June 2012, Umniah launched its ultra-fast 3.75G network, powered by the state-of-the-art HSPA+ technology, and related Internet services under the commercial brand 'evo', deploying the latest technology and infrastructure in the field of mobile broadband internet in Jordan. Today, Umniah continues to lead the introduction of regionally unprecedented services and initiatives in the Jordanian telecom sector.

1. **Eng. Waleed Al Qallaf**
   Chief Executive Officer
2. **M.P. George Verghese**
   General Manager
   Finance
3. **Mustafa Al-Najjar**
   General Manager
   Network Services
4. **Essa Al-Kooheji**
   General Manager
   Consumer Services
5. **Mohammed Al-Nusif**
   Deputy CEO
6. **Nael Al-Awadi**
   General Manager
   HR & Administration
7. **Ali Esmail**
   General Manager
   Information Services

Quality Net
Kuwait

The Kuwait based subsidiary company of Batelco, 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.

In 2013, it maintained market share and position delivering steady results and ending the year with around 40,000 customers, reflecting a YoY gain of 3%.

In recent years, the Company has launched global managed services in partnership with global players to serve corporate and multi-national companies. Its service portfolio also includes structured cabling, cloud & IT security services for meeting the growing demand from corporate clients, SME's 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 five consecutive years as a Super Brand within the State of Kuwait.

Subsidiaries and Affiliates

ETIHAD ATHEEB TELECOM
Saudi Arabia

SAUDI ARABIA - Etihad Atheeb Telecom

Atheeb is a publicly listed company in Saudi Arabia, in which Batelco holds a 15% stake. Having evolved its business model in 2012 to include the broadband needs of business customers the company has witnessed a 78% increase in the Corporate segment year-over year.

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

SABAFON
Yemen

YEMEN - Sabafon

Sabafon (Yemen), in which Batelco Group has a minority shareholding of 26.94% equity investment, continued to grow in 2013 following stabilization of the country's political situation and the rationalization of the customer base. Sabafon ended the year with a subscriber base of more than 4.4 million users. This represents a 7% growth year on year and the company is anticipating double digit growth in 2014.

Sabafon is a market leading GSM mobile operator in Yemen and offers national coverage with over 1000 base stations across the country. The Company started its operations in 2001 with the vision to establish a strong, dynamic and flexible organization to serve and benefit the people of Yemen with the latest GSM technology and services. Today, Sabafon provides high quality and innovative mobile voice and data services and offers value and quality service plans to its Yemeni customers. As the country continues to stabilise further in 2014 it is planned to add additional base stations.

Batelco
Egypt

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

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

SURE
Channel Islands and Isle of Man

Channel Islands & Isle of Man - SURE

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

The 2013 final result saw revenues perform well, being 3% above forecast in the final quarter, driven by increased roaming and improved handset sales which are key positives going in to the new financial year. Revenues on a like for like basis were comparable to the same period in 2012 with 3% overall growth in mobile services, 11% growth on Broadband & TV Services and 57% growth on Wholesale revenues offsetting reduced data solution revenues which are down due to a major customer loss in 2012. EBITDA on a like for like basis outperformed budget by 4% through a combination of revenue strength and strong management of direct and indirect costs.

SURE
South Atlantic & Diego Garcia

South Atlantic & Diego Garcia - SURE

SURE offers services to Diego Garcia and three British foreign territories in the South Atlantic: St. Helena, Ascension and the Falklands.

The year ended 31 December 2013 witnessed performance ahead of expectations due mainly to continuing enterprise revenue growth (+13% year on year) driven by new managed services for government and enterprise customers in the South Atlantic Islands. Demand across all consumer services remained buoyant in 2013 as a result of increasing economic activity in the Falklands and St. Helena in particular. Broadband offers were improved following the re-branding of these former C&W businesses to "Sure", and due to a substantial increase of international bandwidth to the islands during the last quarter of 2013. A ten year extension to the Ascension Island operating licence was also agreed with UK government representatives in the last quarter of 2013.

DHIRAAGU
Maldives

Maldives - Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU)

DHIRAAGU is the market leading telecom operator in the Maldives offering mobile, broadband and fixed voice services. Batelco holds a 52% stake in Dhiraagu, a listed company, with the remaining shares being held by the Maldives Government and the public.

During the quarter, the company has maintained operating performance with a revenue increase of 1%. Net profits were 9% lower on account of higher operating costs and lower tax provision in the previous quarter due to higher capital allowance. Fixed broadband revenue grew by 3% with launches of new high speed ADSL packages for consumers and the business sector. Data solutions revenue (Leased Lines) grew by 5% with a mix of increased customer numbers and speed upgrade. Overall mobile revenue dropped by 2% due to lower inbound roaming revenue in comparison to previous quarters.

Awards Showcase

9 AWARDS

2013 saw Batelco Group evolved from being a regional Middle Eastern operation to become a major communications company with direct and indirect investments across 14 geographies and as a result was recognised for its achievement by three leading organisations.

Batelco was selected due to its acquisition of CWC (Cable & Wireless Communications) interest in Dhiraagu (Maldives), SURE Channel Islands and Isle of Man and CWC operations in Falkland Islands, St. Helena, Ascension and Diego Garcia.

CommsMEA Awards - Telecom Deal of the Year

The prestigious Telecom Deal of the Year award recognises the operator that has completed a significant deal during 2013 that is considered transformative for the Company and included major investment.

TMT Finance 2013 MENA Awards - Deal of the Year Award

The TMT Finance Deal of the Year category is presented for the outstanding telecom transaction, be it a merger, acquisition, IPO, debt funding or private placement, involving a telecom company in or from the Middle East North Region during 2012 – 2013. Deals were evaluated based on their size, impact and market outlook.

Telecom World Middle East (TWME) 2013 – Best Mergers & Acquisition Award

The Telecom World Middle East Awards set out to celebrate and pay tribute to the telecoms industry professionals and operators that have shown outstanding performance and results in key market segments.

Dubai Lynx International Advertising Awards - Advertiser of the Year

Batelco was presented with the Advertiser of the Year award at the Dubai Lynx International Advertising Festival. The award is presented to the company that has distinguished itself for inspiring innovative marketing of their products and encouraging the creative work of their support agencies. Over the past two years, Batelco's advertising, produced by FP7, has won a total of 26 Dubai Lynx awards which has led to this great achievement in being named Advertiser of the Year.

GCC HR Excellence Awards - Employee Engagement Award

For the third year in succession Batelco was recognised at the GCC HR Excellence Awards, receiving first place for its achievements in the field of employee engagement.

The award, which was given in recognition for Batelco's initiatives in Employee Engagement, took into consideration a number of factors but particularly a Transition and Realignment programme conducted primarily to create a more harmonious working culture. The programme included a series of classroom based sessions and workshops. In addition to the training and development initiatives, employee recognition and corporate philanthropy were key factors in Batelco's selection.

MEET ICT & Bahrain Technology Companies Society - Personality of the Year

Batelco General Manager Business Division Adel Daylami was named ICT Personality of the Year for 2013 by MEET ICT & Bahrain Technology Companies Society.

Mr. Daylami was presented with the key award by the Minister of Transportation H.E. Mr. Kamal Bin Ahmed Mohammed at a special ceremony held under the patronage of the Ministry of Transportation.

In order to be considered for this award, nominated individuals must not only have a history of serving the industry, but also should hold a record of exemplary leadership, growth and performance within the ICT industry.

INSIGHTS-ME – Call Centre Manager of the Year

Qualitynet Call Centre Manager Ahmad Salloum was awarded the Middle East Helpdesk Manager of the Year award 2013. The award was presented by Insights-ME, a Dubai based authority on evaluating Customer Services and Call Centre Support.

Mr. Salloum's achievement is representative of Qualitynet's excellent Call Centre & Support Service and its continuous attempts to enhance customer experience.

Bahrain eContent Awards - Batelco ideas Centre

Batelco's ideas Centre was presented with a prestigious eContent Award at the Bahrain eContent Awards 2013. Batelco's unique ideas Centre won the award in the eLearning & Technology category. Batelco Bahrain CEO Rashid Abdulla was present to receive the award from Deputy Prime Minister and Chairman of the Supreme Committee for Information and Communications Technology, Shaikh Mohammed bin Mubarak Al Khalifa.

Bahrain Internet Society organised the awards event in collaboration with Bahrain eGovernment Authority and the World Summit Award (WSA), to promote creativity and innovation in the development of new media applications in Bahrain.

Arabian Business Achievements Awards – Qualitynet Best Internet Services Provider in Kuwait

Qualitynet, Batelco Group's subsidiary and Kuwait's No. 1 Total Solutions Provider was awarded with the Best Internet Services Provider in Kuwait for the year 2013. The award was bestowed at the Arabian Business Achievement Awards held under the patronage of the Minister of Information and Minister of State for Youth Affairs, Sheikh Salman Sabah Al-Salem Al-Humoud Al-Sabah.

The Arabian Business Achievement Awards is an annual event organized by the Arabian Business Magazine and evaluated by a panel of experts from across industry verticals.

and ACHIEVEMENTS....

Batelco Receives ISO Certificates in Information Security

Batelco was presented with three ISO Certificates in Information Security (ISO 27001), following a thorough and vigorous auditing process conducted by Certification Bureau Veritas.

Batelco is the first telecommunications company in the Kingdom and the Middle East to expand its activity in Information Security after the three units, namely e-Services, Retail Operations and DataCentre, received ISO 27001 certification.

A number of Batelco teams, headed by the Information Security team, worked together to complete a comprehensive process to meet all requirements.

Recognition by prestigious organisations motivates us to strive to be the best service provider across all areas of our operation.

Corporate Social Responsibility

Wellbeing of the Community a Priority

The Group's commitment to Corporate Social Responsibility continued to make a difference throughout 2013. Our well established CSR programme is designed to make a positive impact on as many lives as possible and in 2013 more than BD1.5M was paid out to benefit sports, social, health and education related initiatives and charitable organisations.

A selection of Batelco's CSR initiatives....

- Bahrain International Circuit
- Royal Charity Organization - families affected by heavy rain
- Ministry of Interior - Anti Drug Day
- Bahrain Athletics Association
- Bahrain Volleyball Association
- UCO Parents Care Centre
- Ministry of Finance - upgrade of system
- Visionaries - Development Exhibition
- Batelco Bowling Team
- Bahrain Tennis Federation
- Bahrain Yacht Club
- Sri Lanka Club
- The Palm Association
- Public Relations Association
- Bahrain Disabled Sport Federation
- Tree of Life Charity Society
- Indian Ladies Association
- Bahrain Maritime
- Bahrain International Motor Show
- Awali Bowling Club
- Ahlam Batelco Football Team
- Creo Innovative Solutions –Bahrain's 1st Seminar

1. Ramadan Basket
2. CPISP (Crown Prince International Scholarship Programme)
3. 6th King Hamad Golf Trophy
4. Batelco Karting Team
5. Rashid Equestrian & Horseracing
6. Al Areen Wildlife

BD1.5M

BD1.5M was paid out to benefit sports, social, health and education related initiatives

Moving Forward by
ENHANCING OUR REPUTATION

Sound Corporate Governance principles are critical to maintaining the reputation the Company has established.

Challenges motivate us to think smarter and drive us to reach for further success.

Delivering a first class service for our customers would not be possible without the dedication and drive of our employees.

Corporate Governance

1. Overview

Sound corporate governance principles are the foundation upon which the trust of stakeholders is built. These principles are critical to 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 value and deliver satisfaction to the customers of the Company.

We are committed to high standards of corporate governance which is 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 the 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 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 endeavor to comply with all the governance requirements of the regulators, but have taken an additional step 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 for the year ended 31 December 2013 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements. As stipulated by the Central Bank of Bahrain ("CBB") and the Ministry of Industry and Commerce ("MOIC"), the framework for an efficient corporate governance for Batelco has already been set and practiced within the Corporate Governance Guidelines.

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.

2. Communication with Investors and Shareholders

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

The Board is committed to communicate its strategy and activities clearly to the stakeholders and, to that end, maintains an active dialogue with stakeholders through planned activities. By policy, the Company is committed to publicly disclose to all its stakeholders fair, transparent, comprehensive and timely relevant information. To support this principle of transparency, Batelco's financial statements are maintained on its website at all times and ensuring all material facts are made available to shareholders prior to any vote.

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

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

3. Management Statement

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

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.

4. Ownership Structure

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

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

5. 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	1,214,085,817	76.65%
2 Cayman Islands	316,800,000	20%
3 GCC	49,875,472	3.15%
4 Others	3,238,711	0.2%

6. 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	580,800,000	36.66%
2 Amber Holding Company	316,800,000	20%
3 Social Insurance Organization	325,708,292	20.56%
4 Public	360,691,708	22.77%

7. 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	580,800,000	36.66%
2 Amber Holding Company	316,800,000	20%
3 Social Insurance Organization	325,708,292	20.56%

Directors	Number of Shares	% of shares held
1 Murad Ali Murad	3,042,732	0.192%
2 Abdul Razak Al Qassim	550,300	0.035%
3 Ali Yousif Engineer	297,000	0.018%
4 Adel Hussain Al Maskati	230,076	0.014%
5 Abdul Rahman Fakhro	115,002	0.007%

8. Board Structure

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

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

The Board of the Company comprises of 10 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there is 1 Executive Director and 8 Non-Executive Directors, 7 of which are Independent. After the formation of the Supervisory Committee on 12th May 2013 the structure changed to 2 Non-Executive Directors, 3 Executives and 5 Independent.

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

	Shaikh Hamad bin Abdulla Al Khalifa Chairman **Independent**	**Mr. Murad Ali Murad** Deputy Chairman **Non- Executive Independent** (From 01/01/2013 to 11/05/2013) **Executive** (From 12/05/2013 to 31/12/2013)
Brief History / Biography	Shaikh Hamad bin Abdulla Al Khalifa obtained a Bachelor degree in Aeronautic Science from the University of King Faisal in 1976 and an MBA in the same field from the US in 1985. He was a founder of the Bahraini Royal Air Force and became the commander of the Royal Air Force before he retired in 2003. He was a member of the TRA Board till his appointment to the new post. He enjoys a wealth of experience, knowledge and professionalism in the business sector	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 41 years of experience in the fields of Banking and Finance. He has been the Chairman of BBK since 2002 and 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	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	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 Batelco Board of Directors 37 Years	Chairman of Bank of Bahrain & Kuwait 42 Years
Committee Membership	Nomination and Remuneration Committee Donations Committee	Nomination and Remuneration Committee Supervisory Committee

	Mr. Abdul Razak Abdulla Al Qassim Director **Non- Executive Independent** (From 01/01/2013 to 11/05/2013) **Executive** (From 12/05/2013 to 31/12/2013)	Mr. Adel Hussain Al Maskati Director **Independent**
Brief History / Biography	Mr. Abdul Razak Al Qassim holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology, USA). Mr. Al Qassim joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank. Mr. Al Qassim is Chairman of Benefit Company; Chairman of Bahrain Islamic Bank and Chairman of Bahrain Association of Banks. Additionally he is a member of the Board of Umniah, (Jordan) Mobile Company; Dhiraagu, (Maldives); SURE Guernsey Limited; SURE Jersey Limited and SURE Isle of Man Limited. He became Chief Executive Officer of National Bank of Bahrain B.S.C. in 2008.	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 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	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	Chief Executive Officer and Managing Director of National Bank of Bahrain 36 Years	Managing Director, Maskati Commercial Services BSC 36 Years
Committee Membership	Executive Committee Nomination and Remuneration Committee Donations Committee Supervisory Committee	Audit Committee

8. Board Structure (continued)

	Dr. Zakaria Ahmed Hejres Director **Independent**	**Mr. Nedhal Saleh Al-Aujan** Director **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 from October 2003 until October 2009.	Mr. Nedhal Saleh Al-Aujan is a career banker with an extensive experience of 30 years in all the facets of banking and held senior positions in different domestic and international banks. He joined Bahrain Development Bank in 1999 and became the Chief Executive Officer of the Bank in 2007. Mr. Al-Aujan serves 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	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 01/2004	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 01/2004
Business Title & Professional experience in years	Chief Executive Officer of GBCORP 32 Years	Chief Executive Officer of Bahrain Development Bank 31 Years
Committee Membership	Executive Committee	Executive Committee

	Mr. Waleed Ahmed Al Khaja Director **Executive**	Mr. Ali Yousif Engineer Director **Independent**
Brief History / Biography	Mr. Al Khaja obtained a bachelor degree in Business Administration from North Texas State University in 1985. He joined SIO in 2005 after 19 years in the Ministry of Finance. In 2013 he joined his family owned business. Mr. Al Khaja served on the Board of Directors in Seef Properties. He is Vice Chairman of Bahrain Tourism Co BSC, Gulf Educational Projects, Applied Science University and AMAK & Sons. He enjoys a wealth of experience, knowledge and professionalism in the investment business sector.	Mr. Ali Yousif Engineer obtained a Bachelor degree in Business Administration from Exeter, United Kingdom in 1967. Mr. Engineer is the Chairman of Yousuf Abdulrahman Engineer Holding Co., a Bahrain based conglomerate with diversified business activities and investments. He has also served in the board of various companies and currently is the Chairman of NETTS, Vice Chairman of Arabian Taxi Company, and a member of the Board of Directors of TRAFCO. He enjoys a wealth of experience, knowledge and professionalism in the business sector.
Term of Office	Mr. Al Khaja 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 Khaja has been serving on the Board since 04/2007	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	Managing Director of AMAK Property & Development and Managing Partner in AMAK & Sons 28 Years	Chairman of Yousuf Abdulrahman Engineer Holding 46 Years
Committee Membership	Executive Committee Supervisory Committee	Nomination and Remuneration Committee Audit Committee Donation Committee

8. Board Structure (continued)

	Mr. Abdulrahman Yusif Fakhro Director **Dependent**	Brigadier Khalid Mohammed Al Mannaie Director **Dependent**
Brief History / Biography	Mr. Abdulrahman Yusif Fakhro studied commerce at the University of Cairo. Mr. Fakhro has served on the board of various companies including Bahrain Kuwait Insurance Company (BSC), BMMI, National Motors, Bahrain Flour Mills and Seef Properties (BSC).He is also a member of the Board of Directors of the SIO, Innovest (BSC) and American Mission Hospital. He has more than 48 years experience in the business, investment and insurance sector.	Brigadier Khalid Mohammed Al Mannaie holds a Master's degree in Business Administration from Sheffield Hallam University (UK) and joined the Military Pension Fund in February 2011 after working at Bahrain Defense Force. He is one of the founders of the GCC Expanded Military Pension Coverage Committee. Along with Batelco, Brigadier Al Mannaie currently serves on several boards. He is the Deputy Chairman of Bahrain Islamic Bank, Board member at Social Insurance Organization (SIO), Board member at Osool Asset Management and Board Member at Marina Club.
Term of Office	Mr. Fakhro was appointed by the Board of Directors as a Non-Executive Dependant Director in 04/2012 for the remaining term of his predecessor. Mr. Fakhro has been serving on the Board since 04/2012	Brigadier Al Mannaie was appointed by the Board of Directors as a Non-Executive Dependant Director in 08/2012 for the remaining term of his predecessor. Brigadier Al Mannaie has been serving on the Board since 08/2012
Business Title & Professional experience in years	Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro Group of Companies. 48 Years	General Manager of Military Pension Fund 34 Years
Committee Membership	Nomination and Remuneration Committee Audit Committee	Audit Committee

9. Mandate of the Board

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

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

10. 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 16 times on the 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)
14/01/2013	- Mobile Network Expansion (LTE)	- Approved
22/01/2013	- Financial performance for 2012	- Approved
	- CMC Acquisition Financing	- Approved
	- Renewal of short term loan facility *(Mr. Murad and Mr. AlQassim excused themselves due to conflict of interest)*	- Approved
17/02/2013	- Excess Resources Program (ERP)	- Needs further Discussion
25/02/2013	- Group Structure	- Appointment of a consultant
	- Financing for M&A activities	- Needs further discussion
28/03/2013	- Impact of new law in Maldives	- Noted
14/04/2013	- Bond offering	- Approved
	- Evaluating the performance of Group CEO	- Change of management
07/05/2013	- Establishment of Supervisory Committee	- Approved
08/05/2013	- Batelco Business way forward	- Needs further discussion
13/05/2013	- Q1/2013 Financials	- Approved
	- Governance Report	- Referred to Remuneration committee
	- 3+9 Forecast	- Discussed
	- TOR of Supervisory Committee	- Approved
16/05/2013	- Group structure	- Needs further discussion
26/06/2013	- Board representation on JV's *(Mr. Murad & Mr. Al Qassim excused themselves due to conflict of interest being members of supervisory committee, Mr. Al Khaja did not attend the meeting)*	- Approved
17/07/2013	- Update on Monaco islands acquisition	- Needs further discussion

10. Board Meetings (continued)

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
30/07/2013	- Q2/2013 Financials - Ratification of previous Board resolutions (Ratification of appointment of Mr. Khalid Al Mannaie to the Audit Committee) - Revised group target - Annual Banking Review *(Mr. Murad and Mr. AlQassim excused themselves due to conflict of interest)*	- Approved - Approved - Approved - Approved
25/08/2013	- Update on JV's - Appointment of Mr. A. Rahman Fakhro in Audit Committee	- Approved - Approved
30/10/2013	- Q3/2013 Financials - Ratification of previous Board Resolutions	- Approved - Approved
27/11/2013	- Business Plan	- Approved

The members of the Board during the year 2013, 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	16	15/16
Mr. Murad Ali Murad	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	16	16/16
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	16	16/16
Dr. Zakaria Ahmed Hejres	Non- Executive	16	13/16
Mr. Nedhal Saleh Al-Aujan	Non- Executive	16	14/16
Mr. Adel Hussain Al Maskati	Non- Executive	16	16/16
Mr. Waleed Ahmed Al Khaja	Executive	16	15/16
Mr. Ali Yousif Engineer	Non- Executive	16	11/16
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	16	16/16
Brigadier Khalid Mohammed Al Mannaie	Non-Executive (Dependant)	16	12/16

11. Elections of Directors

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

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

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

Currently, the size of the Board of the Company is 10 Directors.

All of the current Directors of the Company were appointed and elected at Annual General Meetings of Shareholders for a three year term that will expire at the 2014 Annual General Meeting of Shareholders, with the exception of Mr. Al Mannaie and Mr. Fakhro whom were replacements.

12. 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.

13. Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programmes 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 programme 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.

14. Termination of Directors

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

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

15. 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.

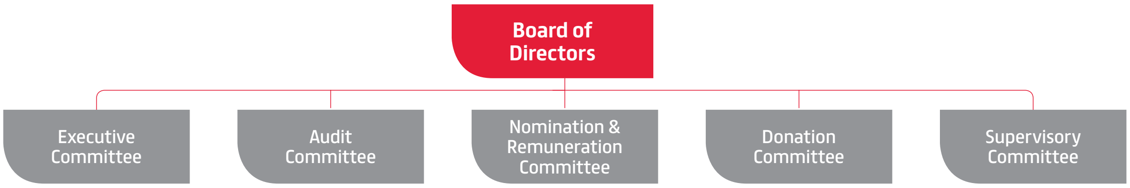
The evaluation is designed to determine whether the Board, its Committees, individual Directors and executive management continues to be capable of providing the high level judgment required and are informed and up to date with the business and its goals and understand the context within which it operates.

The next performance evaluation of the Board, its Committees, individual Directors and executive management is scheduled for 2014.

Corporate Governance

16. 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.

17. Executive Committee

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

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

18. Executive Committee Meetings

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

During the year, the Executive Committee met on 5 occassions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
06/01/2013	- Mobile Network Expansion	- Recommended to the Board
20/02/2013	- Group IT future mode operation	- Approved
20/05/2013	- Financial and Business Performance (year to date) April 2013	- Approved
	- Compliance and Risk Management Charter	- Approved
24/07/2013	- Financial and Business Performance (year to date) June 2013	- Approved
	- Approval of proposed 2013 Banking List *(Mr. Al Qassim the committee chairman excused himself due to conflict of interest)*	- Recommended to the Board
	- 6 + 6 Forecast	- Approved
27/10/2013	- Financial and Business Performance (year to date) October 2013	- Approved

The members of the Executive Committee during the year 2013, 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 Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	5	5/5
Dr. Zakaria Ahmed Hejres	Non- Executive	5	5/5
Mr. Nedhal Saleh Al-Aujan	Non- Executive	5	5/5
Mr. Waleed Ahmed Al Khaja	Executive	5	5/5

19. 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.

20. Audit Committee Meetings

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

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
09/01/2013	- Joint (Technical and Commercial) evaluation of external Audit Services	- Needs further discussion
21/01/2013	- Group financial year end - Corporate Governance Report	- Recommended to the Board - Approved
05/05/2013*	- Internal Audit Report	- Forwarded to the Board
21/05/2013	- Group Financial Q1/2013 - Internal Audit activity report	- Recommended to the Board - Approved

(*) Chairman of Batelco Group attended the meeting as an invitee

20. Audit Committee Meetings (continued)

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
29/07/2013	Appointment of Mr. Adel Al-Maskati as Chairman of the Audit Committee *(After movement of Mr. Murad to the Supervisory Committee)* Group Financial Q2/2013 Internal Audit activity report	Approved Recommended to the Board Approved
31/08/2013	Full Audit of JV's (Etihad Atheeb and S Tel)	Approved
29/10/2013	Group Financial Q3/2013 Internal Audit activity report	Recommended to the Board Approved

The members of the Audit Committee during the year 2013, 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 (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	4	4/4 *Moved to Supervisory Committee after the 4th Meeting*
Mr. Adel Hussain Al Maskati	Non- Executive	7	7/7
Mr. Ali Yousif Engineer	Non- Executive	7	4/7
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	2	2/2 *Appointed after the 5th Meeting*
Brigadier Khalid Mohammed Al Mannaie	Non-Executive (Dependant)	3	3/3 *Appointed after the 4th Meeting*

21. 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.

22. 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 on 4 occassions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
20/01/2013	- Incentive award for 2012	- Approved
	- Group performance achievement	- Approved
	- CEO & Executive Management KPI's & Bonus structure	- Differed to next meeting
	- Board Remuneration	- Approved
	- Self Assessment	- Accepted and each committee chairman to be furnished with recommended improvements based on the assessment results.
27/01/2013	- Legal opinion of Excess Resources Program (ERP)	- Recommended to the Board
	- Batelco Bahrain Structure	- Approved and recommended to the Board
13/02/2013	- Review Chief Executive Strategic Assignments contract and apply standard contract	- Approved
23/06/2013	- Supervisory Committee Update	- Approved
	- Nomination of Directors in the Boards of Joint Ventures	- Recommended to the Board

The members of the NRC during the year 2013, 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	4	4/4
Mr. Murad Ali Murad	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	4	4/4
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	4	4/4
Mr. Ali Yousif Engineer	Non- Executive	4	3/4
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	4	4/4

23. Donations Committee

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

24. Donations Committee Meetings

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

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

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
27/11/2013	Review of donation requests	Approved as per the donation policy
25/12/2013	Review of donation requests	Approved as per the donation policy

The members of the Donations Committee during the year 2013, 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 Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	2	2/2
Mr. Ali Yousif Engineer	Non- Executive	2	2/2

25. Supervisory Committee

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

26. Supervisory Committee Meetings

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

During the year the Supervisory committee met 56 times.

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
From 12/05/2013 to 29/12/2013	A Committee consisting of three members of the Board of Directors assumed the role of the Group Chief Executive Officer on a temporary basis until a new GCEO is appointed.	Daily operations discussion and decisions

The members of the Supervisory Committee met 56 times during the year 2013. A record of their attendance at meetings which they were eligible to attend, is set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Murad Ali Murad	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	56	56/56
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	56	45/56
Mr. Waleed Ahmed Al Khaja	Executive	56	48/56

27. 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.

28. 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.

29. Related Party Transactions and Directors Trading of Company Shares

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

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

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

30. Internal Controls

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

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

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

Throughout the year ended 31 December 2013, 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.

31. Remuneration Policy for Directors

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

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

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

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

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

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

32. 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.

32. Remuneration Policy for Management (continued)

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

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

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

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

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

33. Stock Options and Performance linked incentives for executives

(Not Applicable to Batelco)

34. Auditors

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

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

Audit Fees for 2013	BHD 70,956
Non-Audit Services Fees for 2013	BHD 80,506

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

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

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

35. Key Management Personnel

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

35. Key Management Personnel (continued)

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

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

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

Michel Lecavalier Umniah Chief Financial Officer	**2013**
Joined Batelco	2012
Previous roles/Experience	Financial Advisor and Business Integration in Algeria, Tunisia and the UAE CFO at Telesystem International Wireless (TIW) CFO at Rogers Mobile , Canada
Qualifications/Achievements	Graduate of the Écoles des hautes études commerciales (University of Montreal) and Certified Professional Accountant (CPA) from Canada

35. Key Management Personnel (continued)

Ahmed Al Janahi GM Corporate Affairs & Batelco Group Board Secretary	**2005**
Joined Batelco	2003
Previous roles/Experience	Gulf Air Public Relations Manager World Travel Service – Asst. General Manager Arab Exchange – General Manager
Qualifications/Achievements	American College, Atlanta, US – BA Business Administration

Shaikh Ahmed bin Khalifa Al Khalifa Group GM HR & Development	**2008**
Joined Batelco	1997
Previous roles/Experience	Batelco Bahrain General Manager HR Bahrain Batelco Bahrain Senior Manager Employee Retention
Qualifications/Achievements	University of Virginia, US, Darden School of Business – Executive Development 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	**2008**
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Senior Commercial Legal Counsel National Australia Bank Limited – Head of Legal and Compliance National Australia Bank Limited – Principal Counsel
Qualifications/Achievements	Bachelor of Laws – Sydney University

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

Moving Forward by

EXPANDING OUR GEOGRAPHICAL PRESENCE

As Batelco continues to grow in scope and scale, the Group aspires to not only meet but exceed the aspirations of the growing diversified customer base

Moving Forward by further diversifying our business and availing of the opportunity to deliver greater innovation.

We deliver value to our customers across diverse markets.

Independent Auditors' Report

Independent auditors' report to the shareholders
Bahrain Telecommunications Company BSC

Manama, Kingdom of Bahrain

28 January 2014

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 2013, 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 2013, 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

KPMG Fakhro
12th Floor,
Fakhro Tower,
P.O. Box 710, Manama,
Kingdom of Bahrain.

Consolidated Statement of Financial Position
As at 31 December 2013

BD'000

	Note	2013	2012
ASSETS			
Non-current assets			
Property and equipment	5	267,150	185,865
Goodwill	6	175,323	124,377
Intangible assets	7	162,162	50,880
Investment in associate	8	76,043	77,417
Deferred tax assets	14	3,172	2,298
Other investments	9	35,439	31,640
Total non-current assets		**719,289**	472,477
Current assets			
Inventories		4,592	2,630
Other investments	9	-	3,770
Trade and other receivables	10	119,697	115,569
Cash and bank balances	11	198,586	94,922
Total current assets		**322,875**	216,891
Total assets		**1,042,164**	689,368
EQUITY AND LIABILITIES			
Equity			
Share capital	16	158,400	144,000
Statutory reserve	17	77,684	76,847
General reserve	17	46,412	39,444
Foreign currency translation reserve		11,185	361
Investment fair value reserve		1,396	(2,403)
Actuarial reserve		(1,423)	-
Retained earnings		245,759	256,099
Total equity attributable to equity holders of the Company		**539,413**	514,348
Non-controlling interest		53,732	5,833
Total equity (Page 60)		**593,145**	520,181
Non-current liabilities			
Trade and other payables	12	7,251	2,029
Loans and borrowings	15	239,574	14,388
Deferred tax liabilities	14	25,875	3,634
Total non-current liabilities		**272,700**	20,051
Current liabilities			
Trade and other payables	12	173,352	145,051
Loans and borrowings	15	2,967	4,085
Total current liabilities		**176,319**	149,136
Total liabilities		**449,019**	169,187
Total equity and liabilities		**1,042,164**	689,368

The consolidated financial statements, which consist of pages 57 to 91 were approved by the Board of Directors on 28 January 2014 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

BD'000

	Note	2013	2012
REVENUE	19	370,561	304,710
EXPENSES			
Network operating expenses	20	(139,498)	(116,766)
Staff costs		(55,390)	(59,451)
Depreciation and amortisation		(57,892)	(36,373)
Other operating expenses	21	(55,021)	(26,710)
Total expenses		**(307,801)**	(239,300)
Results from operating activities		**62,760**	65,410
Finance and other income	22	4,462	2,563
Finance and other expenses	23	(16,781)	(647)
Share of profit of associate (net)	8	5,957	1,599
Profit before taxation		**56,398**	68,925
Income tax expense	14	(4,944)	(3,582)
Profit for the year		**51,454**	65,343
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences		10,829	(570)
Investment fair value changes		3,799	994
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**14,628**	424
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit liability including related tax		(1,423)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(1,423)**	-
Total comprehensive income for the year		**64,659**	65,767
Profit for the year attributable to:			
Equity holders of the Company		43,605	60,340
Non-controlling interest		7,849	5,003
		51,454	65,343
Total comprehensive income for the year attributable to:			
Equity holders of the Company		56,805	60,908
Non-controlling interest		7,854	4,859
		64,659	65,767
Basic earnings per share (Fils)	25	**27.5**	38.1

The consolidated financial statements, which consist of pages 57 to 91 were approved by the Board of Directors on 28 January 2014 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

BD'000

	Note	2013	2012
OPERATING ACTIVITIES			
Cash receipts from customers		338,901	280,334
Net cash paid to suppliers		(144,753)	(122,807)
Cash paid to and on behalf of employees		(69,966)	(53,031)
Net cash from operating activities		**124,182**	104,496
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(43,646)	(63,783)
Payments in respect of rights share issue		-	(17,713)
Acquisition of businesses, net of cash acquired (Note 27)		(166,249)	-
Receipts from investee company		-	2,781
Receipts from associate		7,332	2,762
Net proceeds from sale/(purchase) of investments		3,237	-
Interest and investment income received		5,148	2,245
Net cash used in investing activities		**(194,178)**	(73,708)
FINANCING ACTIVITIES			
Dividend paid		(39,605)	(59,874)
Interest paid		(9,227)	(657)
Borrowings (net)		222,977	18,482
Payments to charities		(1,246)	(1,667)
Net cash from/(used in) financing activities		**172,899**	(43,716)
Increase/ (Decrease) in cash and cash equivalents		**102,903**	(12,928)
Cash and cash equivalents at 1 January		92,167	105,095
Cash and cash equivalents at 31 December	11	**195,070**	92,167

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2013

BD'000

2013	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
	Equity attributable to equity holders of the Company									
At 1 January 2013	144,000	76,847	39,444	361	(2,403)	-	256,099	514,348	5,833	520,181
Profit for the year	-	-	-	-	-	-	43,605	43,605	7,849	51,454
Other comprehensive income										
Foreign currency translation differences	-	-	-	10,824	-	-	-	10,824	5	10,829
Investment fair value changes	-	-	-	-	3,799	-	-	3,799	-	3,799
Remeasurement of defined benefit liability including related tax	-	-	-	-	-	(1,423)	-	(1,423)	-	(1,423)
Total other comprehensive income	**-**	**-**	**-**	**10,824**	**3,799**	**(1,423)**	**-**	**13,200**	**5**	**13,205**
Total comprehensive income for the year	**-**	**-**	**-**	**10,824**	**3,799**	**(1,423)**	**43,605**	**56,805**	**7,854**	**64,659**
Non-controlling interest recognised on acquisition (Note 27)	-	-	-	-	-	-	-	-	46,169	46,169
Bonus shares issued	14,400	-	-	-	-	-	(14,400)	-	-	-
Final dividends declared for 2012	-	-	-	-	-	-	(14,400)	(14,400)	-	(14,400)
Donations declared for 2012	-	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Transfer to statutory reserve (net)	-	837	-	-	-	-	(837)	-	-	-
Transfer to general reserve	-	-	6,968	-	-	-	(6,968)	-	-	-
Interim dividends declared for 2013	-	-	-	-	-	-	(15,840)	(15,840)	-	(15,840)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(6,124)	(6,124)
	14,400	837	6,968	-	-	-	(53,945)	(31,740)	40,045	8,305
At 31 December 2013	**158,400**	**77,684**	**46,412**	**11,185**	**1,396**	**(1,423)**	**245,759**	**539,413**	**53,732**	**593,145**

2012	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
	Equity attributable to equity holders of the Company									
At 1 January 2012	144,000	76,719	30,000	787	(3,397)	-	257,731	505,840	12,851	518,691
Profit for the year	-	-	-	-	-	-	60,340	60,340	5,003	65,343
Other comprehensive income										
Foreign currency translation differences	-	-	-	(426)	-	-	-	(426)	(144)	(570)
Investment fair value changes	-	-	-	-	994	-	-	994	-	994
Total other comprehensive income	-	-	-	(426)	994	-	-	568	(144)	424
Total comprehensive income for the year	-	-	-	(426)	994	-	60,340	60,908	4,859	65,767
Final dividends declared for 2011	-	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Donations declared for 2011	-	-	-	-	-	-	(2,000)	(2,000)	-	(2,000)
Transfer to statutory reserve (net)	-	128	-	-	-	-	(128)	- -	-	-
Transfer to general reserve	-	-	9,444	-	-	-	(9,444)	- -	-	-
Interim dividends declared for 2012	-	-	-	-	-	-	(21,600)	(21,600)	-	(21,600)
Dividends to non-controlling interest	-	-	-	-	-	-	-	- -	(11,877)	(11,877)
	-	128	9,444	-	-	-	(61,972)	(52,400)	(11,877)	(64,277)
At 31 December 2012	144,000	76,847	39,444	361	(2,403)	-	256,099	514,348	5,833	520,181

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

BD'000

1. Reporting Entity

Bahrain Telecommunications Company BSC ("the Company", "the Parent") is a public shareholding company registered under commercial registration number 11700 in the Kingdom of Bahrain in the year 1981 and is engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements for the year ended 31 December 2013 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal place of business:

Company	Country of incorporation	Principal activity	Share holding (%)
Subsidiaries			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
BMIC Limited	Mauritius	Holding Company	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	Telecommunication services	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	Holding Company	100
Batelco International Company BSC (c)	Kingdom of Bahrain	Holding Company	100
Batelco International Group Holding Limited	Bailiwick of Jersey	Holding Company	100
Umniah Mobile Company PSC	Kingdom of Jordan	Telecommunication services	96
Batelco Jordan PSC	Kingdom of Jordan	Telecommunication services	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	Telecommunication services	96
Qualitynet General Trading and Contracting Company WLL*	State of Kuwait	Telecommunication services	44
Batelco International Finance No1 Limited	Cayman Islands	Holding Company	100
IBGI Limited	Mauritius	Holding Company	100
BTC Islands Limited	United Kingdom	Holding Company	100
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	Maldives	Telecommunication services	52
Sure (Guernsey) Limited	Guernsey	Telecommunication services	100
Sure (Jersey) Limited	Bailiwick of Jersey	Telecommunication services	100
Sure (Isle of Man) Limited	Isle of Man	Telecommunication services	100
BTC South Atlantic Limited	South Atlantic	Holding Company	100
Sure (Diego Garcia) Limited	Diego Garcia	Telecommunication services	100
Sure South Atlantic Limited	South Atlantic	Telecommunication services	100
Associate			
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	Telecommunication services	26.94

*The Group owns less than half of Qualitynet General Trading and Contracting Company WLL (Qualitynet) and has less than 50% of their voting power.However, management assessed whether or not the Group has control over Qualitynet based on whether the Group has the practical ability to direct the relevant activities of Qualitynet. In making their judgement, management considered evidence of existing power over the investee and determined that the Group controls the entity as the Group has control over the appointment of Managing Director of Qualitynet, who has the ability to direct relevant activity of the investee by exercising significant powers in running the business, its financial and operating governance and dividend declaration.

2. Basis of Preparation

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

BD'000

2. Basis of Preparation (Continued)

d) Use of estimates and judgments

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

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

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

Note 3 h) & 9	– valuation of investments
Note 3 j) & 13	– provisions
Note 3 k)	– impairment
Note 3 n)	– utilization of tax losses
Note 6	– measurement of the recoverable amounts of cash-generating units
Note 27	– acquisition of subsidiaries: fair value measured on a provisional basis
Note 24	– measurement of defined benefit obligations: key actuarial assumptions

e) Amendments and interpretations effective from 1 January 2013

The following amendments which became effective as of 1 January 2013 are relevant to the Group. The adoption of these amendments had no significant impact on the consolidated financial statements:

(i) IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

(ii) IAS 19 Employee benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two.

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

Associates held for sale: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations 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. For any retained portion of the investment that has not been classified as held for sale, the entity applies the equity method until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture, 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 re-measure the retained interest.

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

IFRS 10 introduces a single control model to determine whether an investee should be consolidated; replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. This new control model focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group has amended its accounting policy on consolidation in line with requirements of IFRS 10 and has re-assessed its consolidation conclusion. (See Note 3 for revised accounting policy for subsidiaries)

(v) IFRS 12 - Disclosures of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

As a result of IFRS 12, the Group has expanded its disclosures for its interests in subsidiaries and associates. (See Note 8 & 28 for more details.)

2. Basis of Preparation (Continued)

(vi) IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

As a result, the Group has included additional disclosures in this regard. Please refer to Note 4 (f). In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

(vii) IFRS 7- On offsetting financial assets and financial liabilities (2011)

The amendments introduce disclosures about the impact of netting arrangements on an entity's financial position. Based on the new disclosure requirements the Group has to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements

(viii) Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

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

The amendments clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of this amendment.

(ii) IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

2. Basis of Preparation (Continued)

(ii) IFRS 9 - Financial Instruments (Continued)

IFRS 9 (2013) introduces a new general hedge accounting standard which would align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The new standard does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, more judgement would be required to assess the effectiveness of a hedging relationship under the new standard.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

(iii) IAS 19R: Employee Benefits

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

The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

The Group has commenced the process of evaluating the potential effect of this amendment. However the Group is not expecting a significant impact from the adoption of these amendments.

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

The amendments have expanded disclosures of recoverable amounts when the amounts are based on fair value less costs of disposals and impairment is recognized. The amendments are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

The Group is expecting additional disclosures from the adoption of these amendments, if impairment is recognised.

(v) IFRIC 21 - Levies

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. The Interpretation is effective for annual periods commencing on or after 1 January 2014 with retrospective application.

The Group is not expecting a significant impact from the adoption of this amendment.

3. Significant Accounting Policies

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

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee 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) Non-controlling interests (NCI)

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

3 Significant Accounting Policies (Continued)

(iii) Loss of control

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

(iv) Investment in associates

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

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

(v) Transactions eliminated on consolidation

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

b) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

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

c) Property and equipment

(i) Recognition and measurement

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

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

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

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

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

BD'000

3 Significant Accounting Policies (Continued)

c) Property and equipment (Continued)

(ii) Subsequent costs

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

(iii) Impairment

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

(iv) Depreciation

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

Asset class	Estimated useful life (Years)
Buildings	5 - 45
Network assets & telecom equipment	2 - 25
Motor vehicles, furniture, fittings & office equipment	2 - 10

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

d) Investment property

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

e) Leased assets

(i) Finance leases

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

(ii) Operating leases

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

f) Goodwill

Goodwill 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, customer relationships & associated assets, non-network software and IRUs.

(i) Recognition and measurement

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

(ii) Amortisation

Amortisation is 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	12 – 20
Trade name, customer relationships & associated assets, non-network software and IRUs	3 – 20

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

h) Financial instruments

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

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

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

(i) Other investments, including derivatives

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

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

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

(ii) Trade and other receivables

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

(iii) Cash and cash equivalents

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

3 Significant Accounting Policies (Continued)

h) Financial instruments (Continued)

(iv) Trade and other payables

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

(v) Loans and borrowings

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

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

(vi) Share capital

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

i) Inventories

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

j) Provisions

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

k) Impairment

(i) Financial assets

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

All impairment losses are recognised in the profit or loss. 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.

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3 Significant Accounting Policies (Continued)

k) Impairment (Continued)

(ii) Non-financial assets (Continued)

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

l) Employee benefits

(i) Local employees

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

(ii) Expatriate employees

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

(iii) Employee savings scheme

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

(iv) Defined benefit scheme

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

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

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

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

m) Borrowing costs

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

n) Tax

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

3 Significant Accounting Policies (Continued)

n) Tax (Continued)

(i) Current tax

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

(ii) Deferred tax

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

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

o) Revenue

Revenue represents the value of fixed or determinable consideration 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.

p) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

q) Segment reporting

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

r) Fair value measurement for financial instruments

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

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

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

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

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3 Significant Accounting Policies (Continued)

s) Asset held-for-sale

(i) Classification

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

(ii) Measurement

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

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

4. Financial Instruments – Fair Values and Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The 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.

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, other receivables, unbilled revenue, debt investment securities and cash at bank.

(i) Trade receivables

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

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4. Financial Instruments – Fair Values and Risk Management (Continued)

a) Credit risk (Continued)

(i) Trade receivables (Continued)

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

(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 (excluding equity investments) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013	2012
Trade receivables	59,387	51,809
Unbilled revenue	7,416	2,044
Other receivables	44,025	57,093
Other investments	567	4,337
Cash at bank	198,170	94,835
	309,565	210,118

(iv) Customers' accounts

The maximum exposure to credit risk at 31 December 2013 classified by operating segment sharing common economic characteristics with respect to credit risk is as follows:

	2013	2012
Operating segment		
Bahrain	35,045	30,651
Jordan	2,145	1,973
Maldives	761	-
Other countries	3,264	5,882
	41,215	38,506

(v) Amounts due from telecommunications operators

The maximum exposure to credit risk for amounts due from telecommunications operators at 31 December 2013 by type of customer was:

	2013	2012
Customer segment		
International operators	8,253	2,438
Local operators	9,919	10,865
	18,172	13,303

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.

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4. Financial Instruments – Fair Values and Risk Management (Continued)

b) Liquidity risk (Continued)

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

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

Non-derivative financial liabilities at 31 December 2012	Carrying amount	Contractual cash flows	Within one year	1-2 Years	More than two years
Trade payables	27,918	27,918	25,889	1,353	676
Other payables	2,336	2,336	2,336	-	-
Amount due to telecommunications operators	12,852	12,852	12,852	-	-
Loans and borrowings	18,473	20,231	4,513	2,585	13,133
	61,579	63,337	45,590	3,938	13,809

c) Market risk

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

(i) Currency risk

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

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

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

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities maintained on a floating and fixed rate basis. The average interest rate yield from bank deposits and available-for-sale investments during 2013 was 1.07% (2012: 0.94%).

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4. Financial Instruments – Fair Values and Risk Management (Continued)

c) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

	2013	2012
Fixed rate instruments		
Financial assets	**9,687**	-
Financial liabilities	**227,400**	-
Variable rate instruments		
Financial assets	**159,763**	81,377
Financial liabilities	**15,141**	18,473

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by BD 1,302 (2012: BD 629).This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other market price risk

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

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

(iv) Other price risk

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

d) Capital management

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

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

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4. Financial Instruments – Fair Values and Risk Management (Continued)

d) Capital management (Continued)

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

e) Accounting classification of financial instruments

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

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

31 December 2012	Loans and receivables	Available -for-sale	Others at amortised cost	Total carrying amount
Financial assets				
Other investments at fair value	-	34,728	-	34,728
Other investments at cost			682	682
Trade receivables	51,809	-	-	51,809
Other receivables	57,093	-	-	57,093
Unbilled revenue	2,044	-	-	2,044
Cash and bank balances	94,922	-	-	94,922
	205,868	34,728	682	241,278
Financial liabilities				
Trade payables	-	-	27,918	27,918
Other payables	-	-	2,336	2,336
Amounts due to telecommunications Operators	-	-	12,852	12,852
Loans and borrowings	-	-	18,473	18,473
	-	-	61,579	61,579

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4. Financial Instruments – Fair Values and Risk Management (Continued)

f) Measurement of fair values

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

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

Fair value hierarchy

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

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

The table below analyses financial instrument at the end of 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Fair value			
31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets measured at fair value				
Other investments	34,190	-	567	34,757
Financial assets not measured at fair value				
Other investments	-	-	682	682
Financial liabilities not measured at fair value				
Loans and borrowings Bonds	214,115	-	-	214,115
Other loans and borrowings	-	15,141	-	15,141
	248,305	**15,141**	**1,249**	**264,695**

	Fair value			
31 December 2012	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at fair value				
Other investments	30,391	-	4,337	34,728
Financial assets not measured at fair value				
Other investments	-	-	682	682
Financial liabilities not measured at fair value				
Loans and borrowings	-	18,473	-	18,473
	30,391	18,473	5,019	53,883

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

For level 3 investments, the movement during the year relates solely to the maturity of a debt securities investment of BD 3,770.

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5. Property and Equipment

	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2013	Total 2012
Cost						
At 1 January	69,616	401,118	36,315	16,700	523,749	529,961
Additions	193	6,474	681	23,275	30,623	31,249
Projects completed	218	17,055	207	(16,627)	853	4,394
Acquisition through business combination (Note 27)	10,888	65,022	6,198	7,150	89,258	-
Disposals	(81)	(14,571)	(917)	(72)	(15,641)	(41,855)
Effect of movements in exchange rates	163	2,100	786	404	3,453	-
At 31 December	**80,997**	**477,198**	**43,270**	**30,830**	**632,295**	**523,749**
Depreciation						
At 1 January	47,487	259,909	30,488	-	337,884	344,942
Charge for the year	1,359	36,475	3,888	-	41,722	30,714
Disposals	(81)	(13,827)	(896)	-	(14,804)	(37,772)
Effect of movements in exchange rates	4	433	(94)	-	343	-
At 31 December	**48,769**	**282,990**	**33,386**	**-**	**365,145**	**337,884**
Net book value						
At 31 December 2013	**32,228**	**194,208**	**9,884**	**30,830**	**267,150**	
At 31 December 2012	22,129	141,209	5,827	16,700		185,865

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

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

6. Goodwill

	2013	2012
Cost		
At 1 January	124,377	124,682
Exchange rate adjustments	3,215	(305)
Acquisition through business combination (Note 27)	47,731	-
At 31 December	**175,323**	124,377

a) Analysis of Goodwill

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

	2013	2012
Jordan	125,223	124,377
Maldives*	21,871	-
CIIM* (consisting of Channel Islands and Isle of Man operations)	19,818	-
SADG* (consisting of South Atlantic and Diego Garcia operations)	8,411	-
At 31 December	**175,323**	124,377

*Values determined on a provisional basis (see Note 27)

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6. Goodwill (Continued)

b) Impairment of Goodwill

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

(ii) The key assumptions for the value-in-use calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and 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. The post-tax discount rates used for the calculations ranges between 12% to 14%. No impairment losses were recognised in 2013 (2012: BD Nil).

(iii) The above estimates were tested by the Group for sensitivity in the following areas:
- An increase / decrease in the discount rate and the long term growth rates used
- A change in market share
- A decrease in future planned revenues and EBITDA margins
- An increase in capex to sales ratio forecasts

The results of the sensitivity testing revealed that the 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

	Licenses	Other Intangibles	2013	2012
Cost				
At 1 January	64,728	35,359	100,087	67,969
Additions during the year	-	10,742	10,742	32,368
Acquisition through business combination (Note 27)	66,450	44,913	111,363	-
Disposals during the year	(6)	(1,030)	(1,036)	(249)
Effect of movements in exchange rates	3,990	2,292	6,282	-
At 31 December	**135,162**	**92,276**	**227,438**	100,088
Amortisation				
At 1 January	21,938	27,270	49,208	43,661
Charge for the year	7,864	8,306	16,170	5,659
Disposals during the year	(6)	(310)	(316)	(112)
Effect of movements in exchange rates	75	139	214	-
At 31 December	**29,871**	**35,405**	**65,276**	49,208
Net book value				
At 31 December 2013	**105,291**	**56,871**	**162,162**	
At 31 December 2012	42,790	8,090		50,880

8. Investment in Associate

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

	2013	2012
At 1 January	77,417	78,580
Receipts from associate & other adjustment	(7,331)	(2,762)
Share of profit of associate (net)	5,957	1,599
At 31 December	**76,043**	77,417

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8. Investment in Associate (Continued)

The summarized aggregate financial information* of the associate is as follows:

	2013	2012
Non-current assets	88,946	86,658
Current assets	87,846	64,089
Non-current liabilities	(89,249)	(82,184)
Current liabilities	(44,595)	(44,165)
Revenues	92,701	82,610
Net profit and total comprehensive income for the period	14,292	7,499
Dividends received by the Group	1,896	730

*Unaudited and as of 30 November 2013 (2012: as of 30 November 2012)

9. Other Investments

	2013	2012
Available-for-sale investments:		
- Quoted equity securities (at fair value)	34,190	30,391
- Unquoted equity securities (at cost)	682	682
- Debt securities (at fair value)	567	4,337
	35,439	35,410

Quoted equity securities represent market value of an equity investment in Etihad Atheeb Telecommunications Company ("the investee"). There is a five year lock in period starting from April 2009. As at 31 December 2013 Nil (2012 : BD 3,770) of debt securities (at fair value) were considered current.

10. Trade and Other Receivables

	2013	2012
Trade receivables	83,660	67,533
Less: impairment allowance	(24,273)	(15,724)
	59,387	51,809
Unbilled revenue	7,416	2,044
Prepaid expenses and other receivables	52,894	61,716
	119,697	115,569

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

	2013	2012
Customers' accounts	41,215	38,506
Telecommunications operators	18,172	13,303
	59,387	51,809

BD'000

10. Trade and Other Receivables (Continued)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. The aging of past due trade receivables at the reporting date was as follows:

	2013	2012
Not yet due	16,361	20,671
Overdue:		
- Up to 90 days	15,889	16,007
- 91-180 days	9,618	7,693
- More than 180 days	41,792	23,162
Gross trade receivables	83,660	67,533
Impairment provision	(24,273)	(15,724)
Net trade receivables	**59,387**	51,809

The movement in the allowance for impairment was as follows:

	2013	2012
At 1 January	15,724	16,307
Acquisition through business combination	2,476	-
Impairment loss recognized during the year	6,195	2,227
Written off during the year	(122)	(2,810)
At 31 December	**24,273**	15,724

11. Cash and Bank Balances

	2013	2012
Cash in hand	416	87
Cash at bank	198,170	94,835
Cash and bank balances	**198,586**	94,922

Cash and bank balances include BD 3,516 (2012: BD 2,755) 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.

12. Trade and Other Payables

	2013	2012
Trade payable	30,229	27,918
Amounts due to telecommunications operators	15,861	12,852
Provisions, accrued expenses and other payables	106,807	79,640
Customer deposits and billings in advance	21,460	23,254
Current tax liability	6,246	3,416
	180,603	147,080

Trade and other payables are classified as follows:

	2013	2012
Current liabilities	173,352	145,051
Non-current liabilities	7,251	2,029
	180,603	147,080

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13. Provisions

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

	Provision for employee redundancy/ restructuring program		Provision for donations		Provision for Asset Retirement Obligation	
	2013	2012	**2013**	2012	**2013**	2012
At 1 January	8,326	420	2,738	2,405	-	-
Acquisition through business combination	-	-	-	-	2,924	-
Amounts provided during the year	488	15,075	1,503	2,000	104	-
Amounts written back during the year	(617)	-	-	-	-	-
Amounts paid during the year	(7,496)	(7,169)	(1,145)	(1,667)	(29)	-
At 31 December	**701**	8,326	**3,096**	2,738	**2,999**	-

14. Income Taxes

a) Amounts recognised in profit or loss for the year

	2013	2012
Current tax expense	7,285	4,427
Deferred tax income	(2,341)	(845)
	4,944	3,582

Corporate income tax is not levied in the Kingdom of Bahrain for telecommunication companies and accordingly the effective tax rate for the Corporation is 0% (2013: 0%). The table below reconciles the difference between the expected tax expense of nil (2012: nil) (based on the Kingdom of Bahrain effective tax rate) and the Group's tax charge for the year. Subsidiaries are taxed at the combination of various tax rates ranging from 15 % to 27 %.

Reconciliation of actual to expected tax charge

	2013	2012
Profit before tax	**56,398**	68,925
Corporation tax rate of 0% in Bahrain (2012: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,944	3,582
Tax expense for the year	**4,944**	3,582
Profit after tax for the year	**51,454**	65,343

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

	2013	2012
At 1 January	3,634	4,193
Credit to the consolidated income statement	(1,497)	(559)
Acquisition through business combination (Note 27)	22,916	-
Credit to the equity (Note 24)	(158)	-
Exchange differences	980	-
At 31 December	**25,875**	3,634

The recognised deferred tax asset of BD 3,172 (2012: BD 2,298) is attributable to the temporary differences related to Group's operations in Jordan and Maldives jurisdictions.

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15. Loans and Borrowings

		2013	2012
a) Current			
Banque Saudi Franci	*(i)*	2,213	2,213
Arab Banking Corporation (B.S.C.)	*(ii)*	754	1,872
		2,967	4,085
b) Non-current			
Bonds	*(iii)*	227,400	-
Banque Saudi Franci	*(i)*	12,174	14,388
		239,574	14,388
		242,541	18,473

(i) In order to finance the Company's subscription of rights share issue of the investee company, the Company obtained a long term loan of BD 17.7 million during 2012. The loan bears an interest at a rate of SAIBOR + 1.75 % margin per annum. The tenor of loan is 8 years. The Company has settled BD 2.2 million of the original loan amount as at 31 December 2013.

(ii) During 2012, Umniah Mobile Company PSC ("Umniah") obtained a short-term loan in the amount of BD 9.8 million from Arab Banking Corporation (B.S.C.). The purpose of this loan is to finance the general business purposes of Umniah. The loan bears an interest at rate of LIBOR + 1.6% margin per annum. The termination date is twelve months after the effective date of the signed loan agreement; however, an amendment to the loan agreement has been signed during 2013, whereby the loan term has been extended for twelve months with an interest rate of LIBOR + 1.75% with the option of extending the termination date for further twelve months with an interest rate of LIBOR + 2% under the request of the Company. Umniah has settled BD 9.0 million of the original loan amount as of 31 December 2013. Besides, during 2013; the Company obtained a short term overdraft facility with a limit of BD 4.5 million from Housing Bank. The purpose of this facility is to fund the company's general business purposes. The facility bears interest rate of PLR -1.4% per annum. The maturity of this facility is a lump sum of one settlement on April 1, 2014 , and can be renewed annually. An amount of BD 0.5 million had been utilized during the year and the same amount had been settled during the year for the balance to become BD Nil as at 31 December 2013.

(iii) During the period, a bridge facility of BD 197.9 million (US$ 525 million) was raised (priced at LIBOR + 1.9%) to finance the acquisition of new businesses (Note 27). The bridge facility was subsequently replaced by a bond issue of BD 245.1 million (US$ 650 million) which closed in May 2013. The bond is listed for trading in the Irish Stock Exchange. The bond has a tenor of 7 years, is unsecured and was priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually. The bonds were then rated BBB- by both S&P and Fitch. On 19 December 2013, S&P has lowered its long term corporate credit rating on the Group and its issue ratings on the bonds from BBB- to BB+. During the fourth quarter of 2013, the Group purchased and retired BD 14.9 million (US$ 39.5 million) of the bonds issue.

16. Share Capital

	2013	2012
a) Authorised: 2,000 (2012: 2,000) million shares of 100 fils each	200,000	200,000
b) Issued and fully paid: 1,584 (2012: 1,440) million shares of 100 fils each	**158,400**	144,000

BD'000

16. Share Capital (Continued)

- In February 2013, the annual general meeting of shareholders approved to distribute one bonus share for every 10 shares (i.e. issued 144 million shares) held by the shareholders. The Company has only one class of equity shares and the holders of these shares have equal voting rights.
- Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5 % or more of outstanding shares are as follows:

Name	Nationality	Number of shares (thousands)	% of share holding
Bahrain Mumtalakat Holding Company BSC (c)	Bahrain	580,800	37
Amber Holdings Limited	Cayman Islands	316,800	20
Social Insurance Organisation	Bahrain	325,708	20

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1 %	255,026	11,010	16
1 % up to less than 5 %	105,666	4	7
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,223,308	3	77
	1,584,000	**11,017**	**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. For the year ended 31 December 2013, a transfer to statutory reserve of BD 1,516 was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 04 March 2014. These financial statements do not reflect the effect of this transfer.

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. A total transfer of BD 7.0 million (2012: BD 9.4 million) was made during the year 2013. The shareholders of the Company in their meeting held on 25 February 2013 approved transfer to general reserve of BD 6.0 million and the shareholders of Umniah in their meeting held on 24 March 2013 approved transfer to general reserve of BD 1.0 million of which Group's share was BD 960.

18. Dividends

The dividends paid in 2013 and 2012 were BD 30.2 million (20 Fils per share) and 50.4 million (35 Fils per share) respectively. The dividends paid in 2013 include an amount of BD 14.4 million relating to the final dividend for the year ended 31 December 2012 and interim dividend of BD 15.8 million in the year 2013. A final dividend in respect of the year ended 31 December 2013 of 10 Fils per share, amounting to BD 15.8 million was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 04 March 2014. These financial statements do not reflect this final dividend payable.

19. Revenue

	2013	2012
Mobile telecommunications services	165,573	128,662
Data communication circuits	59,751	54,036
Internet	41,847	36,410
Wholesale	39,186	35,729
Fixed line telecommunication services	26,936	22,542
Others	37,268	27,331
	370,561	304,710

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20. Network Operating Expenses

	2013	2012
Outpayments to telecommunications operators	61,194	56,962
Operating lease rentals	10,742	11,104
Cost of sales of equipment and services	34,718	26,769
Licence fee	9,458	7,586
Repair, maintenance & other direct cost	23,386	14,345
	139,498	116,766

21. Other Operating Expenses

	2013	2012
Marketing, advertising and publicity	13,963	14,576
Impairment allowances	6,195	2,227
Professional fees	9,225	4,876
Office rental and utilities	3,642	2,329
Other expenses	21,996	2,702
	55,021	26,710

22. Finance and Other Income

	2013	2012
Rental income	222	274
Interest income	1,179	849
Others	3,061	1,440
	4,462	2,563

23. Finance and Other Expenses

These include interest charges of BD 10,921 (2012: BD 647) during the year in relation to the Group's loan and borrowings.

24. Employee Benefits

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.2 (2012: BD 3.8) million. The provision for leaving indemnity in respect of expatriate employees amounted to BD 3.2 (2012: BD 2.8) million and is included under provisions and accrued expenses.

Defined benefit scheme

Subsequent to the acquisition of Islands Companies (Note 27) during the year, the Group now has a defined benefit pension plan in Sure (Guernsey) Ltd for the employees of that company. Under the plan, the retirement benefits are based on the employee's pensionable pay and length of service. The assets of the Scheme are held in a separate trustee administered fund.

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

BD'000

24. Employee Benefits (Continued)

Defined benefit scheme (Continued)

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
	2013	2013	2013
Balance as at 1 April 2013	42,347	(42,781)	(434)
Included in profit or loss			
Current service cost	825	-	784
Interest costs	1,421	(1,450)	(28)
Expense Costs		90	86
Included in OCI			
Actuarial changes arising from			
- financial assumptions	882	-	882
- experience adjustments	(631)	-	(631)
Return on plan assets excluding interest income	-	1,330	1,330
Effect of movements in exchange rates			44
Other			
Contributions paid by the employer	-	(1,577)	(1,577)
Benefits paid	(589)	589	-
Employee contributions	150	(150)	-
Balance as at 31 December 2013	**44,405**	**(43,949)**	**456**

The deferred tax on amounts included in OCI was BD 158. The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

	2013
Employer's part of current service cost	784
Interest costs on benefit obligation	(28)
Expense cost	86
	842

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

	2013
Equities	12,657
Bonds	16,880
Emerging market Multi-asset fund	2,268
Diversified growth fund	11,318
Others	826
	43,949

24. Employee Benefits (Continued)

Defined benefit scheme (Continued)

The following table sets out the key IAS19 assumptions used for the Scheme :

Assumptions	2013
Price inflation	4%
Discount rate	5%
Pension increases	4%
General salary growth	5%
Life expectancy of male aged 60 in 2013	27.8
Life expectancy of male aged 60 in 2033	30.3

25. Earnings Per Share ("EPS")

	2013	2012
Profit for the year attributable to equity holders of the Company	43,605	60,340
Weighted average number of shares outstanding during the year (in thousands)	1,584	1,584
Basic earnings per share (Fils)	**27.5**	38.1

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

26. Commitments and Contingencies

a) Guarantees

(i) The Company has furnished guarantees amounting to BD 1.6 (2012: BD 1.6) million to suppliers on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.

(ii) As at 31 December 2013, the Group's banks have issued guarantees, amounting to BD 6.8 (2012: BD 4.1) million and letters of credit amounting to BD Nil (2012: BD 0.1) million.

(iii) The Company has furnished a comfort letter for BD 1.9 (2012: BD 1.9) million to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

b) Operating leases

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

	2013	2012
Future minimum lease payments		
Within one year	4,209	291
After one year but not more than five years	10,587	407
	14,796	698

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% (2012: 75 %) of the loan interest. At 31 December 2013, the Company has an outstanding guarantee of BD 1.5 (2012: BD 2.0) million towards housing loans to staff.

d) Commitments

The Group has capital commitments at 31 December 2013 amounting to BD 4.6 (2012: BD 3.2) million.

BD'000

26. Commitments and Contingencies (Continued)

e) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 5.7 (2012: 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.

27. Acquisition Of Businesses

a) Summary of the acquisition

On 3rd April 2013, the Group acquired from Cables and Wireless Communications Plc (CWC) the entire issued share capital of CWC Islands Limited (now BTC Islands Limited) and CWC Holdco Limited (now BTC South Atlantic Limited), and 25% of the issued share capital of CMC, the company which holds CWC's 55 % interest in Monaco Telecom S.A.M. (together, the M&I Acquisition). Subsequent to completion, the Group acquired controlling stake for CWC's businesses in the Maldives, Channel Islands, Isle of Man, South Atlantic and Diego Garcia (together with BTC Islands Limited and BTC South Atlantic Limited referred as 'Island Companies') for a consideration (on a debt and cash free basis) of BD 214.9 million (US$ 570 million), subject to customary adjustments relating to the amounts of debt, cash and working capital as at completion. BD 177.2 million (US$ 470 million) of such initial consideration was allocated to the shares in the capital of CWC Islands Limited and CWC Holdco Limited, and the remaining BD 37.7 million (US$ 100 million) was allocated to the acquisition of 25% in CMC.

As a part of purchase agreement with CWC, the Group had an option of acquiring the remaining 75% of the share capital of CMC for additional consideration (on a debt and cash free basis) of BD 130.1 million (US$ 345 million). The Group also agreed to acquire the Seychelles Companies of CWC for consideration (on a debt and cash free basis) of BD 41.5 million (US$ 110 million), subject to regulatory approvals and customary adjustments relating to the amounts of debt, cash and working capital as at the relevant completion date.

In December 2013, the Group announced that it did not receive the required regulatory approvals by the Government of Seychelles to proceed with the acquisition of Seychelles Companies of CWC. In December 2013, the Group also announced that it had agreed with CWC to unwind the previous transfer of 25% of the issued share capital of CMC from CWC to the Group. Consequently, CWC re-paid to the Group BD 37.7 million (US$ 100 million) and the Group re-transferred to CWC the 25% of the issued share capital of CMC. All option agreements between CWC and the Group in relation to CMC were also terminated consequent to this announcement.

As a result of above, the total cash consideration for the Island Companies acquisition, is therefore BD 177.2 million (US$ 470 million) (on a debt and cash free basis and subject to customary adjustments relating to the amounts of debt, cash and working capital in the relevant companies at the relevant completion dates).

Following are the investee companies along with the effective percentage shareholdings of the Group as at 31st December 2013 resulting from this transaction.

Company	Shareholding (%)
BTC Islands Limited (formerly CWC Islands Limited)	100
- Dhivehi Raajjeyge Gulhun Plc (Dhiraagu), Maldives	52
- Sure (Guernsey) Limited (formerly Cable & Wireless Guernsey Ltd)	100
- Sure (Jersey) Limited (formerly Cable & Wireless Jersey Ltd)	100
- Sure (Isle of Man) Limited (formerly Cable & Wireless Isle of Man Ltd)	100
BTC South Atlantic Limited (formerly CWC Holdco Limited)	100
- Sure (Diego Garcia) Limited (formerly Cable & Wireless (Diego Garcia) Ltd)	100
- Sure South Atlantic Limited (formerly Cable & Wireless South Atlantic Ltd)	100

The acquisition is a key component of the Group's strategy of expanding the scale and scope of the Group's operations whilst maintaining its financial position. The enlarged Group will have increased scale and greater geographic diversification with exposure to mature and stable markets.

BD'000

27. ACQUISITION OF BUSINESSES (continued)

b) Identifiable assets acquired and liabilities assumed

The following table summarizes the amounts recognised in respect of assets acquired and liabilities assumed at the acquisition date:

	As at 03 April 2013			
	Maldives	Channel Islands & Isle of Man	South Atlantic & Diego Garcia	Total
Assets				
Fixed assets	54,855	28,380	6,023	89,258
Intangible assets	43,187	44,124	24,052	111,363
Deferred tax assets	399	-	-	399
Inventories	704	674	309	1,687
Accounts receivable and prepayments	5,964	9,302	1,616	16,882
Bank and cash balances	15,608	3,290	1,301	20,199
Total assets	**120,717**	**85,770**	**33,301**	**239,788**
Liabilities				
Long term accounts payable	(2,895)	(1,221)	(29)	(4,145)
Deferred tax liability	(6,435)	(10,361)	(6,120)	(22,916)
Current accounts payable and accruals	(14,494)	(9,968)	(2,668)	(27,130)
Loans-repayable within a year	(711)	-	-	(711)
Total liabilities	**(24,535)**	**(21,550)**	**(8,817)**	**(54,902)**
Total identifiable net assets at fair value	**96,182**	**64,220**	**24,484**	**184,886**
Proportionate share of non-controlling interest	(46,169)	-	-	(46,169)
Goodwill arising on acquisition	21,871	18,102	7,758	47,731
Purchase consideration	**71,884**	**82,322**	**32,242**	**186,448**

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

	BD'000
Carrying values of assets acquired and liabilities assumed at the acquisition date	90,312
Fair value adjustment on:	
Fixed assets	5,840
Identifiable intangible assets	110,142
Deferred tax liability	(21,408)
Total identifiable net assets at the acquisition date	**184,886**

c) Consideration transferred

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

	US$'000	BD'000
Total cash consideration	470,000	177,190
Add: Payments for net debt, working capital and other adjustments	24,557	9,258
Net consideration for acquisition of businesses	**494,557**	**186,448**

The total consideration includes a component for post acquisition services and support during the integration phase. This component has been recognized as a pre-payment under "trade and other receivables" and does not form part of the consideration for the acquisition of net assets of the businesses.

The Group incurred acquisition-related costs amounting of BD 2,670 on legal fees and due diligence costs. These costs are excluded from the consideration transferred and have been recognized as an expense in profit or loss in current year, within the '*other operating expenses*' line item.

27. Acquisition of Businesses (Continued)

d) Goodwill

The carrying amount of goodwill related to this acquisition at the beginning and end of the three month period ended 31 December 2013 is as follows:

Goodwill at 01 October 2013	66,171
Net fair value adjustment on fixed assets and deferred tax liability	523
De-recognition of contingent consideration*	(16,476)
Foreign currency translation loss during the period	(118)
Goodwill at 31 December 2013	**50,100**

* The wider M&I acquisition and consideration were effectively negotiated at the level of a portfolio of Islands Group businesses, although the transfer of businesses and consideration were based on completion of contractual milestones. Since the required regulatory approvals by the Government of Seychelles to proceed with the acquisition of Seychelles Companies of CWC has not been received, the contingent consideration of BD 16.5 million estimated at the acquisition date pertaining to the acquisition of the Island companies, which was expected to be settled as part of the Seychelles Acquisition completion, has been de-recognized.

The goodwill of BD 50,100 represents the value of the trained and efficient workforce, future incremental revenue streams and related profits (due to new customers, regained customers and/or new services), the ability to effectively renew the licenses in each territory, the ability to maintain the market share, potential operational specific cost synergies arising from the deal, such as procurement savings and foreign currency translation gain.

e) Analysis of cash flows on acquisition (included in cash flows from investing activities)

	US$'000	BD'000
Net cash consideration paid	494,557	186,448
Net cash acquired with the subsidiary	(53,578)	(20,199)
Net cash flows from acquisition of businesses	**440,979**	**166,249**

f) Non-controlling interest

The Group has recognized non-controlling interest in Maldives of BD 46,169 on the acquisition date based on the proportionate share of non-controlling shareholders (i.e. 48 %) in the recognized amounts of the acquiree's identifiable net assets.

g) Contribution of the acquired entities to the Group results

During the period from the date of acquisition to 31 December 2013, the acquired entities contributed revenue of BD 81 million and profit of BD 7 million to the Group's results after profit allocated to NCI. Management estimates that if the acquisition had occurred on 1 January 2013, then consolidated revenue of the Group would have been BD 397 million and consolidated profit for the year would have been BD 48 million. In determining these amounts, management has assumed that provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2013.

BD'000

28. Non-Controlling Interest (NCI)

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

	2013		2012
Entity	**Qualitynet**	**Dhiraagu**	**Qualitynet**
NCI Share	**56%**	**48%**	**56%**
Non-current assets	11,318	113,473	11,978
Current assets	25,425	25,060	24,590
Non-current liabilities	-	(8,851)	-
Current liabilities	(27,290)	(12,052)	(29,954)
Net assets	**9,453**	**117,630**	6,614
Carrying amount of NCI	**5,293**	**46,316**	3,704
Revenue	31,333	38,177	34,408
Profit & total comprehensive income	**5,484**	**11,818**	8,230
Profit allocated to NCI	**3,071**	**4,553**	4,609
Cash flows from operating activities	10,723	17,827	15,069
Cash flows from investing activities	(2,051)	(3,617)	1,324
Cash flows from financing activities, before dividends to NCI	-	(1,473)	-
Cash flows from financing activities - cash dividends to NCI	(4,467)	(4,406)	(8,130)
Net increase in cash and cash equivalents	**4,205**	**8,331**	8,263

29. Transactions with Related Parties

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

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

The key management personnel compensation is as follows:

	2013	2012
Short-term employee benefits	1,853	2,658
Post-employment benefits	101	64
Total key management personnel compensation	**1,954**	2,722

	2013	2012
Post employment benefits due	176	187
Directors remuneration (including sitting fees)	**579**	510

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

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

	2013	2012
Total number of shares held by Directors	**4,235,110**	4,005,308
As a percentage of the total number of shares issued	**0.27%**	0.28%

BD'000

30. Comparatives

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

31. Segment Information

Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives and Other countries. As a result of acquisition of new businesses (refer note 27), the Company has added Maldives as a new segment. Other countries include Guernsey, Jersey, Isle of Man, South Atlantic, Diego Garcia, Kuwait, Yemen, and Egypt. The amounts included for newly acquired companies have been determined on a provisional basis. Segment information disclosed for the year ended 31 December 2013 is as follows:

	Year ended 31 December 2013						Year ended 31 December 2012				
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**Other countries**	**Inter - segment elimination**	Total	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
Revenue (external customers)	168,899	91,443	38,177	72,042	-	370,561	178,846	92,706	33,158	-	304,710
Inter segment revenues	4,321	848	-	1,947	(7,116)	-	6,671	743	1,271	(8,685)	-
Finance and other income	4,894	110	(510)	1,345	(1,377)	4,462	5,086	113	195	(2,831)	2,563
Depreciation and amortisation	20,252	16,394	9,140	12,106	-	57,892	20,102	14,318	1,953	-	36,373
Finance and other expenses	16,308	1,729	121	-	(1,377)	16,781	370	277	-	-	647
Share of profit of associate (net)	-	-	-	5,957	-	5,957	-	-	1,599	-	1,599
Profit for the year	35,554	5,721	9,551	628	-	51,454	45,764	9,816	9,763	-	65,343

	As at 31 December 2013						As at 31 December 2012				
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**Other countries**	**Inter -segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter -segment elimination	Total
Non-current assets	154,187	230,463	113,473	221,166	-	719,289	150,929	232,152	89,396	-	472,477
Current assets	210,659	17,470	25,060	127,182	(57,496)	322,875	149,907	16,535	71,243	(20,794)	216,891
Total assets	**364,846**	**247,933**	**138,533**	**348,348**	**(57,496)**	**1,042,164**	300,836	248,687	160,639	(20,794)	689,368
Current liabilities	95,472	57,110	12,052	41,712	(30,027)	176,319	96,142	40,272	31,164	(18,442)	149,136
Non-current liabilities	242,690	3,738	8,851	54,665	(37,244)	272,700	17,901	5,663	-	(3,513)	20,051
Total liabilities	**338,162**	**60,848**	**20,903**	**96,377**	**(67,271)**	**449,019**	114,043	45,935	31,164	(21,955)	169,187

32. List Of Properties Owned and Rented By The Company

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

Summarised Financial Information of the Company, Bahrain Telecommunications Company BSC
For the year ended 31 December 2013

BD'000

a) Statement of financial position

	2013	2012
Assets		
Non-current assets		
Property and equipment	110,050	114,614
Intangible assets	8,698	4,674
Investment in subsidiaries	232,841	232,559
Investment in associate	82,226	82,226
Loan to subsidiaries	186,449	-
Available-for-sale investments	35,439	31,640
Total non-current assets	**655,703**	465,713
Current Assets		
Inventories	255	340
Available-for-sale investments	-	3,770
Trade and other receivables	48,544	58,601
Loan to subsidiary company	17,513	23,712
Cash and bank balances	151,437	73,890
Total current assets	**217,749**	160,313
Total assets	**873,452**	626,026
Equity and Liabilities		
Equity		
Share capital	158,400	144,000
Statutory reserve	72,000	72,000
General reserve	44,000	38,000
Investment fair value reserve	1,396	(2,403)
Retained earnings	260,025	263,810
Total equity	**535,821**	515,407
Non-current liabilities		
Trade and other payables	1,380	-
Loans and borrowings	239,575	14,388
Total non-current liabilities	**240,955**	14,388
Current liabilities		
Trade and other payables	94,463	94,018
Loans and borrowings	2,213	2,213
Total current liabilities	**96,676**	96,231
Total liabilities	**337,631**	110,619
Total equity and liabilities	**873,452**	626,026

Summarised Financial Information of the Company, Bahrain Telecommunications Company BSC

For the year ended 31 December 2013

BD'000

b) Statement of comprehensive income

	2013	2012
Revenue	**173,220**	185,516
Expenses		
Network operating expenses	(66,238)	(69,050)
Staff costs	(29,320)	(47,031)
Depreciation and amortisation	(20,252)	(20,060)
Other operating expenses	(23,002)	(9,933)
Total expenses	**(138,812)**	(146,074)
Results from operating activities	**34,408**	39,442
Finance and other income	23,440	42,065
Finance expenses	(9,493)	(370)
Profit for the year	**48,355**	81,137
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss:		
Investment fair value changes	3,799	994
Other comprehensive income for the year	**3,799**	994
Total comprehensive income for the year	**52,154**	82,131

Batelco Group

P.O. Box 14, Manama,
Kingdom of Bahrain
Tel: +973 17 881 881
Fax: +973 17 611 898
investor@batelcogroup.com
www.batelcogroup.com